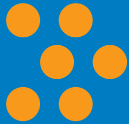

MAKING MOBILITY WORK

ANNUAL REPORT 2004

Intrinsyc Software is a mobility software and services company. Our technologies and services make it possible for companies to identify and create innovative solutions that make mobile devices connect and work. Intrinsyc Software's unique experience enables companies to deliver winning mobile devices and solutions that build stronger and more profitable businesses.

Intrinsyc Software creates and licenses mobile and embedded software products to original equipment manufacturers, as well as a complementary suite of server based interoperability software solutions. The company also provides value added professional engineering services to support these products. These products and services enable customers and partners to connect disparate applications to each other, as well as to mobile and embedded devices.

Since 1996, Intrinsyc has continually developed "connected device" software intellectual property using creativity and technical proficiency to empower global leaders in their fields such as SAP, Symbian, Nokia, BEA, Handheld Products, Siemens, JP Morgan, Ford and GE. Strong partner alliances with companies such as Microsoft, Intel, TI, Symbian and IBM have played a key role in Intrinsyc's continued success. Such strategic partnerships continually expand and strengthen the company's capacity to deliver innovative technology solutions.

We are proud of the thousands of superior technology solutions that we have created to strengthen companies around the world. And we are proud of our people, whose talent and dedication made those solutions possible. At Intrinsyc Software every client partners with a team of technology experts unmatched in the industry for innovation.

Intrinsyc Software International, Inc. is a publicly traded company, headquartered in Vancouver, Canada, and has regional development offices in Bellevue, USA and Birmingham, UK.

table of contents

Corporate Profile . . . . inside front cover

To Our Shareholders 2

Management's Discussion & Analysis 6

Auditor's Report 15

Consolidated Balance Sheet 16

Consolidated Statement of Operations and Deficit 17

Consolidated Statement of Cash Flows 18

Notes to Consolidated Financial Statements. 19

Corporate Information . . . . inside back cover

to our shareholders

As we enter 2005, Intrinsyc Software is proud to introduce a bold new tag line for our company titled "Making Mobility Work". Our goal is to simplify our message to customers, partners and shareholders alike. As part of this corporate communications initiative, we will be reflecting these changes in all of our corporate marketing and communications materials from this point forward – including a new web site which will be launched in early 2005.

At our core, Intrinsyc Software remains true to our founding vision of being an innovative software company in the "connected device" market. We continue to accelerate our product development activities to dramatically enhance our portfolio of licensable intellectual property software for use in mobile devices such as smart phones, and feature phones, as well as in many special purpose products, such as medical devices, bar code scanners, and wireless gaming consoles. We remain leaders in licensing of our enterprise interoperability software solutions that connect Microsoft applications to Java applications, while continuing to invest in important new device-to-enterprise connectivity solutions for digital convergence opportunities that are now before us.

Convergence Is No Longer Coming. It's here.

People have been talking about the birth of a converging digital economy for nearly two decades. 2005 will demonstrate that digital convergence has truly arrived, making it increasingly difficult for manufacturers of technology products to remain in their traditionally defined spheres. Digital convergence transcends the traditional categories of voice and data. It integrates words and information in new ways that allow for new opportunities in business intelligence, content and services - cost effectively and profitably. Digital convergence changes the way the game is played. Intrinsyc Software is quickly becoming a key enabler in helping others play the new way.

Convergence marks the beginning of accelerating change for the entertainment, telecom, consumer electronics and computer industries worldwide. They are facing emerging opportunities as well as threats from the application of new technologies in the development of products and services that allow corporations to cross over traditional boundaries in their pursuit of increased growth and profits. For Intrinsyc Software, it

making mobility work

means that we can begin to reap our rewards for having established a solid, relevant technology base, as well as cultivating the right partners and hiring the right people.

Past Performance Enables Future Solutions

For more than eight years now, Intrinsyc Software's vision of "connected devices" has driven our ongoing product development efforts, which strategically position our technologies at the core of empowering many digital convergence applications. We have been the leading innovators in our space by investing heavily in research and development, software and product marketing activities. As a result, our Company has generated close to $20 million in software licensing revenues to date, and an additional $30 million in revenues from providing our customers with valuable professional services work over this 8 year period.

We have been able to work with an enviable list of the world's top device manufacturers to bring more than 200 leading-edge products to market. And we have also helped our more than 2000 enterprise customers connect their applications. Today, we are seeing new opportunities as we help major corporations deliver new solutions to their customers based on many of our mobile enterprise and client-side products and technologies.

A Win-Win Business Model that Drives Increased ROI

A powerful example of convergence devices that we are helping our customers bring to market includes consumer wireless gaming consoles. These platforms will provide users with the same level of processor and graphics gaming performance found in leading home gaming consoles.

Intrinsyc Software's solutions provide these devices with many unique capabilities including: downloadable games, music, and video entertainment, GPS driven location based services and advanced wireless messaging capabilities. Users of these devices may also have the option of receiving video based push advertising, complete with virtual discount coupons for services and products purchased. Vendors can then receive instant feedback on these consumer purchases. As these products and others like it in a wide range of consumer and business applications ship, we collect per unit software licensing royalties from our customers, which is increasingly the core of our business model.

Our goal is to enable our customers and partners to develop new products and deliver new services through a combination of our software licensing and professional engineering services, generating healthy blended margins and creating the accelerated revenue stream for a highly scalable business. We have exactly the right ingredients in place at the end of 2004 to deliver exceptional return on investment to our stakeholders as we grow and dominate our market space.

A Review of 2004 Operations

Intrinsyc Software saw a dramatic turnaround in 2004 that has strengthened our unique position in the industry. We have not only been founding technical innovators in our chosen markets with visionary investments into both client-side and server-side mobility solutions, but have now emerged as a fiscally strong and well positioned software and services vendor with substantially improved margins over 2003.

Moreover, we have established strong relationships with multi-national corporations and key industry players to support our uniquely advantageous position and to continue creating an international success story. The actions we have taken on many fronts in the past year have been critical to securing a solid foundation for continued growth. Intrinsyc Software's achievements in 2004 include the following highlights:

- We built a world class management team that are up to the challenge of executing on our aggressive growth plans for 2005 and beyond.
- We have attracted the best and brightest minds to Intrinsyc Software to help us develop and commercialize exciting new products and technologies.
- We built a powerful new independent international board of directors with in-depth industry experience and contacts who are at the forefront of guiding our strategy.
- We initiated a $5.6M financial rights offering (since closed) to increase our working capital to beyond $10M.
- We put in place new business units and their associated reporting structures.
- We have put in place a sales and marketing team that will run as a solid revenue engine.
- We have successfully settled all outstanding issues in regards to our Technology Partnerships Canada program as well as finalizing our acquisition of NMI Electronics in the UK.
- We launched a major corporate expansion in late 2004 and have approved a fiscal 2005 budget that oversees a 200% increase in software research and development over 2004.
- We also opened a Bellevue, WA software development and marketing office, and negotiated expanded facilities at our Vancouver head office.

Moving from Strength to Strength

The turnaround the Company achieved in 2004 – with our mix of software licensing from current and new products moving back towards historical levels - has set the stage for continued improvement in margins. We are funding the majority of our new product development and marketing efforts from the profits generated by our core businesses. We will maintain a strong focus on our core business and will also continue with our new product development and commercialization efforts for smartphone and related mobile enterprise applications. Starting in 2005, Intrinsyc Software expects to deliver new product releases and high growth revenue streams, as our client-side and service-side software licensing scales along with our customers' product successes.

It is a most satisfying and encouraging time to be working at Intrinsyc Software. We have a strong historical foundation on which to build our business, and there is a burgeoning new digital convergence market for our products and expertise as we head into 2005. This market expansion is already starting to create significant new demand for our software and services offerings. We are excited about the challenges ahead and very much look forward to sharing in the resulting successes. Intrinsyc Software's achievements over the past year would not have been possible without the skill and dedication of our employees, the trust and cooperation of our partners and customers, and the loyalty of our shareholders. We thank everyone involved for your continued support and look forward to sharing a successful 2005 with all of you.

Derek Spratt,
Chief Executive Officer

Vince Schiralli, President
& Chief Operating Officer

INTRINSYC SOFTWARE INTERNATIONAL, INC.

2004 MANAGEMENT'S DISCUSSION & ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION & ANALYSIS

Management's discussion and analysis of the financial condition and results of operations of Intrinsyc Software International, Inc. should be read in conjunction with the annual consolidated financial statements and the notes thereto that are prepared in accordance with Canadian generally accepted accounting principles, (GAAP). All amounts are presented in Canadian dollars unless otherwise noted. All referenced materials as well as additional disclosures, including the Company's Annual Information Form, are available at www.sedar.com.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The following discussion and analysis of the financial conditions and results of operations contains forward-looking statements for the Company which involve known and unknown risks, uncertainties and other factors which may cause actual results to differ materially from any future results, performance or achievements expressed or implied by such statements.

Forward looking statements include, but are not limited to, those with respect to: anticipated levels of sales, anticipated future operating results, the dependency on large project based purchase orders and their revenue recognition, the fluctuation of international currency exchange rates and the anticipated timing and progress of product development. These statements are predictions only and actual events or actual results may differ materially. Factors that could cause such actual events or actual results to differ materially from any future results expressed or implied by such forward-looking statements include, but are not limited to, our ability to maintain and expand our intellectual property position, as well as the risk factors described in this Management's Discussion and Analysis, the Notes to the Financial Statements, and our most recent Annual Information Form under the heading Trends and Uncertainties.

OVERVIEW

Overall, the Company recorded a loss of $2.5 million or $0.06 per share in 2004 compared to a $7.0 million or $0.18 per share loss in 2003. Without the impact of the Restructuring and other costs, and the net TPC payment (see below) and the related consulting expense reversal, the loss would have been $1.5 million.

Net Loss	$2.5
Restructuring and other costs	($0.6)
TPC payment net of consulting reversal	($0.4)
	$1.5

This improvement reflects the increase in sales from services that resulted from several large long term contract wins, the improvement in gross margin as a result of efficiencies in the engineering group, and the decrease in costs that resulted from improved overall efficiency subsequent to the 2003 restructuring.

Revenue for the year increased to $15.2 million from $13.9 million in the previous year. Service revenue increased significantly in the year and was offset by a decline in hardware and licensing revenue. The Company has shifted its focus away from the hardware business and is now focused on the mobile software technology market. This shift in focus lead to changes in management and the sales organization that impacted sales of existing software products and in particular caused a drop in the number of large software contract wins compared to the prior year. Management believes that the Company has now positioned itself for software revenue growth as a result of addressing this new market. Gross margins also improved from 35% to 41% largely due to improved efficiency of engineering resources.

During the year, the Company was able to control finance and administration costs resulting in a 2% increase in these costs. However, an additional $272,000 expense was reflected in Restructuring and other costs relating to severance and recruiting costs associated with changes to the management team that were necessary to finalize the restructuring that took place in 2003. Marketing and sales costs were reduced by 19% as both the European and North American sales teams were reduced, as the Company built a more efficient sales force and shifted its focus to the mobile software technology market. Research and development costs also decreased by $2.2 million due to this change in focus away from hardware sales toward software and solution revenue. Additionally, as part of Restructuring and other costs on the Income Statement, there is a charge of approximately $351,000 for redundancy payments made as a result of a change in management and a strategic realignment of engineering resources. Subsequent to year end, the Company has substantially increased its investment and spending in marketing and sales, and research and development as it repositions itself for growth as a mobile software technology vendor.

During the year, the Company reached a settlement with Industry Canada over issues that arose out of an audit of the Company's Technology Partnerships Canada funding contract. The Company was deemed by Industry Canada to be in breach of its funding agreement due to improper use of an outside consultant, and as a result, made a payment of $568,000 to the Government of Canada. The Company also settled with the contractor who had provided services related to the TPC filings. As a result, a total of $184,000 that was charged against TPC funding (but not paid) in prior quarters has been reversed in the current period. All claims have therefore been settled and agreed to by the Company and the Contractor. In addition, there was a $948,000 receivable from TPC outstanding at year end as funds were held pending the outcome of the settlement. The Company now expects that these funds will be released under the standard terms of the funding agreement.

Operating activities generated outflow of $918,000 due to two non-recurring items, restructuring and other costs of $623,000 and a cash net TPC settlement cost of $384,000. The acquisition of the assets of Consequent Technologies Inc. from a related party and the final settlement of contingent and payable balances related to the acquisition of Intrinsyc Europe Ltd. ("IEL"), (formerly NMI Electronics Ltd) resulted in an investing outflow of $1.5 million. The Company ended the year with cash and cash equivalents of $4.6 million as compared to $6.9 million at the end of 2003, and expects to receive the $948,000 in TPC funding outstanding at year end. These funds together with approximately $5 million in proceeds from the Rights Offering completed subsequent to year end are adequate to meet the Company's near term liquidity needs.

THREE YEAR CONSOLIDATED FINANCIAL INFORMATION

$Millions	2004	2003	2002
Revenue	$15.2	$13.9	$14.2
Net Loss	($2.5)	($7.0)	($3.8)
Loss per Share	($0.06)	($0.18)	($0.10)
Total Assets	$26.0	$29.0	$33.5

RESULTS OF OPERATIONS

The net loss for the year ended August 31, 2004, was $2.5 million or $0.06 per share, compared with a loss of $7.0 million or $0.18 per share in fiscal 2003.

For the fiscal year ended August 31, 2004, Intrinsyc recognized revenue of $15.2 million, an increase of 9% from the previous year's revenues of $13.9 million. Licensing comprised 20% of the revenue compared to 26% of revenue in 2003. Services accounted for 62% of revenue compared to 57% in 2003. Product sales were 18% of revenue compared to 17% in the prior year.

The decrease in licensing revenue from $3.6 million to $3.1 million is the result of the reorganization of the sales organization and its impact on the sales effort. This reorganization was necessary to position the Company as a mobile software technology vendor and in turn drive future revenue growth. Service revenue increased in the year by $2.4 million over 2003. The overall increase in service revenue is attributable to a single large long term service contract with a major customer.

Target gross margins on licensing revenue of 95% are significantly higher than the target margins obtained on services revenue of 35% to 40%. As a result, the overall gross margin was a blend of these margins that is weighted towards the services margin. The overall gross margin of $6.2 million or 41% in 2004 represents a $1.4 million increase compared to 2003. The gross margin percentage in 2003 was 35%. The improvement in margins is due mainly to improved utilization of engineering resources that are dedicated to service offerings.

There was one significant customer in 2004 that accounted for 21% of revenue in fiscal 2004. In fiscal 2003, there were no significant customers that accounted for more that 10% of revenue.

Administration expenses increased by 2% to $2.45 million in 2004 compared to $2.4 million in 2003. This minimal increase was the result of improved cost control. In addition, there was $272,000 of severance costs and recruitment costs associated with the reorganization of the management team, which has been included as part of Restructuring and other costs on the Income Statement. The Company does not anticipate any further Restructuring and other costs. Subsequent to year end, all Restructuring and other costs were paid.

Marketing and sales expenses were $3.4 million in the year, a decrease of 19% or $791,000 compared to fiscal 2003. The decrease is predominantly attributable to reorganizing the sales team and the shift in the Company's focus to the mobile software technology market. This change resulted in a more efficient sales force and a reduction in related travel. A reduction in bad debts expenses also drove a drop in marketing and sales expenses. Bad debts expense fell by 21% from $484,000 in 2003 to $382,000 in 2004 as there were unusually large write-offs in 2003.

Research and development expenses decreased by $2.2 million or 59% to $1.5 million compared to $3.7 million in 2003. This decrease in costs was related to the review of product lines and technology strategy made by management during 2003. In addition as part of Restructuring and other costs on the Income Statement, there is a charge of approximately $351,000 for redundancy payments made as a result of a strategic realignment of engineering resources made in the second quarter of this year as well as a change in the research and development group's leadership.

Subsequent to year end, the Company has substantially increased its investment and spending in marketing and sales, and research and development, as it repositions itself as a mobile software technology vendor. Management believes that the increases in these expenditures were necessary to position the Company for revenue growth and to drive that growth.

The funding term of the Technology Partnerships Canada investment agreement expired on March 31, 2004 and no benefit has been accrued for expenditures subsequent to that date. The Company qualified for funding of $603,000 in 2004 as compared to $1.3 million in the 2003 fiscal year.

On April 14, 2004, the Company was notified by Industry Canada that as part of an audit of the Company's Technology Partnerships Canada ("TPC") funding contract, payments of current outstanding claims would be withheld until the completion of the audit as permitted in the funding contract. Subsequently, the Company

was informed that it was deemed by Industry Canada to be in breach of its funding agreement due to improper use of an outside consultant. In the opinion of the Minister, the terms and conditions of the consulting engagement and the associated actions of the consultant, constituted a breach of the funding agreement.

On August 25, 2004, the Company reached a settlement with Industry Canada. Under the terms of the settlement agreement, Industry Canada has agreed that all identified issues have been rectified and Intrinsyc has agreed to pay the government $568,268, representing 15% of amounts claimed from the inception of the funding agreement on April 1, 2001. In turn, the Company now expects that all amounts owing for claims made from September 1, 2003 through to expiry of the original funding agreement on March 31, 2004 will be released under the standard terms of the funding agreement. These claims total $986,000 and a receivable of $947,000 has been recorded by the Company in Other Receivables. The Company also settled with the contractor who had provided services related to the TPC filings. As a result, a total of $184,000 that was charged against TPC funding (but not paid) in prior quarters has been reversed in the current period. All claims have therefore been settled and agreed to by the Company and the Contractor.

Amortization expense of $1.1 million was down from the expense of $1.3 million in 2003 due to the reduction in the depreciable asset base.

Foreign exchange gains for the year ended August 31, 2004, were $36,000 as compared to a loss of $1.2 million in 2003. The gains in the year were primarily made in the second quarter and related to the impact of a weakening Canadian dollar on US dollar and British pound denominated assets. The Canadian dollar subsequently strengthened in the third and fourth quarters eliminating the majority of the gain.

QUARTERLY INFORMATION

$Millions	Q1 2003	Q2 2003	Q3 2003	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004
Revenue	$4.5	$2.7	$3.7	$3.0	$3.5	$3.8	$4.0	$3.8
Net Loss	($1.2)	($2.5)	($2.3)	($1.0)	($0.8)	($0.05)	($0.2)	($1.4)
Loss per Share	($0.03)	($0.07)	($0.06)	($0.03)	($0.02)	($0.001)	($0.005)	($0.03)

Due to the nature of the product and customer mix as well as the ongoing volatility within the technology and telecommunications sector, both revenue and the net loss of the company have experienced significant fluctuations over the past 8 quarters. The company continues to develop products and solutions that have helped it remain extremely competitive in a challenging sector but cannot predict the eventual outcome. Although there have been several significant customer wins there has been no evidence of a seasonality or specific industry trend with respect to operations.

FOURTH QUARTER RESULTS

Revenue for the fourth quarter ended August 31, 2004 of $3.8 million represented an increase of 27% over revenue of $3.0 million in the fourth quarter of fiscal 2003. Revenue in the prior quarter was $4.0 million. The gross margin in the current quarter was 47% as compared to 29% in the same period of the prior year and 46% in the preceding quarter. The increase in revenue is due to several large service contracts, which increased services revenue by $1 million over the same quarter in the prior year. The increase was offset by a drop in licensing revenue of $221,000 due to the reorganization and changes to the sales structure necessary to establish the Company as a mobile software technology vendor.

Administrative costs decreased by $108,000 compared to the fourth quarter of 2003 and by $181,000 compared to the preceding quarter. The drop is mainly attributable to staff reductions. Sales and marketing costs increased from $703,000 in Q4 2003 and $844,000 in Q3 2004 to $1.1 million in Q4 of 2004 due to increases in business development, marketing and sales staff reflecting the Company's efforts to establish itself in the mobile software technology sector. There was also an increase in bad debts expense.

Research and Development costs of $341,000 in the quarter dropped by $173,000 from Q4 2003 due to engineering staff realignments, and by $65,000 from Q3 2004. The net TPC expense of $384,000 was also recorded in the fourth quarter of 2004. Subsequent to year end, the Company has substantially increased its investment and spending in research and development as it repositions itself as a software and solution provider in the enterprise mobility and wireless markets.

The Company also incurred a foreign exchange loss of $343,000 in the quarter compared to a loss of $63,000 in the preceding year. The loss is due to the strengthening of the Canadian dollar relative to the US dollar and the British Pound. The majority of the Company's revenues are denominated in US Dollars and UK Pounds.

The loss for the current quarter was $1.4 million or $0.03 per share as compared to a loss of $1.0 million or $0.03 per share in the fourth quarter of the prior year. Excluding the impact of Restructuring and other costs, the net TPC cost and foreign exchange, the loss would have been less than $0.01 per share or $347,000.

Net Loss	$1.4
Restructuring and Non-Recurring Items	($0.3)
TPC Payment Net of Consulting Reversal	($0.4)
Foreign Exchange Loss	($0.4)
	$0.3

Operating, investing and financing activities resulted in a cash outflow of $1.5 million in the current quarter compared to the net cash outflow of $861,000 in the fourth quarter of 2003. Excluding the impact of restructuring and non-recurring costs, foreign exchange and the net TPC settlement, the net cash out flow would have been $500,000 in the quarter. The main driver of the quarterly outflow was the increase in working capital.

LIQUIDITY AND CAPITAL RESOURCES

The Company finances its operations and capital expenditures through cash generated from operations and equity financings. As at August 31, 2004, the Company's cash, cash equivalents and short term investment position was $4.6 million with a net working capital of $6.8 million as compared to $6.9 million and $8.8 million respectively as at August 31, 2003.

During the year, operating activities used $918,000 of cash, and investing activities used $1.5 million compared to the prior year where operating activities used $7.4 million of cash, investing activities generated $231,000 and financing activities generated $5.0 million of cash. Net cash use for the year was $2.3 million which is flat compared to fiscal 2003.

The $918,000 operating use of cash was largely due to the net TPC penalty of $384,000 and severance and recruitment costs of $623,000. The $1.5 million use of cash was largely the result of the $330,000 acquisition of the assets of Consequent Technologies Inc., and the settlement of the $863,000 Loan Note related to the acquisition of NMI Electronics Limited ("NMI") in fiscal 2002 discussed below.

The Company operates globally and accordingly is subject to foreign exchange risk. A 10% decrease in the value of the US dollar relative to the Canadian dollar would result in a 47% increase to the net loss for the 2004 fiscal year. Respectively a 10% increase in the value of the British Pound would result in a 4% increase in the net loss.

As a result of the original purchase agreement related to the acquisition of NMI, guaranteed loan notes of $2.1 million were outstanding as at August 31, 2003, supported by a restricted cash amount of $2.2 million. Additional consideration of up to $3.9 million in cash and shares was contingently payable in 2004 and 2005 depending on the achievement of certain revenue targets. On June 21, 2004, the Company reached agreement with the former principals of NMI to complete the NMI acquisition by substantially amending the terms and conditions related to the remaining contingent and future consideration associated with the original purchase. Based on the revised agreement, all contingent and all unpaid cash consideration as at May 28, 2004 was considered extinguished in return for the issuance of 4,105,727 common shares. At February 29th, 2004, the end of the Second Quarter, the maximum contingent consideration payable for 2004 was $4,120,182, and the unpaid consideration related to 2003 was $399,560. The issuance of the 4,105,727 shares satisfied all amounts payable and completed the acquisition in its entirety. The difference between the estimated market value of the shares of $2,789,894 at May 31, 2004 and the amount of contingent and future payable consideration accrued up to February 29, 2004 was $442,713. This amount was recorded as goodwill in addition to the $1.9 million of goodwill recorded as a result of the accrual of additional contingent consideration in the second quarter of 2004 as a result of the achievement of IEL revenue targets for the 12 months ended May 31, 2004. The acquisition of Consequent Technologies Inc, a related party transaction, also resulted in a $125,000 increase in Goodwill. Goodwill increased by a total of $2.4 million.

The Company has no long-term liabilities, bank debt, off-balance sheet financing arrangements or significant capital leases. Minimum lease payments for are as follows:

Contractual Obligations $Millions	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Capital Lease Obligations	$0.025	$0.013	$0.013	$0	$0
Operating Lease Obligations	$1.536	$0.541	$0.746	$0.249	$0
Total Contractual Obligations	$1.561	$0.554	$0.758	$0.249	$0

As at August 31, 2004, the Company has 44,986,975 common shares outstanding, 4,614,906 share options and 100,000 outstanding warrants.

Subsequent to the fiscal year end, Intrinsyc offered 44,986,975 rights to its existing shareholders to subscribe for 11,246,743 common shares of the Company. Holders of common shares received one right for each common share held; four rights entitled the holder to purchase one common share at an exercise price of $0.50. Each holder of rights who exercised all of their rights had a pro-rata right to subscribe for, at the exercise price, additional common shares available as a result of rights that have not been exercised. The

Rights Offering was fully subscribed, and rights were exercised resulting in the issuance of 11,246,743 common shares, providing Intrinsyc with CDN $5,632,671 in gross proceeds and approximately $5 million in net proceeds.

Following the offering, the Company has 56,233,718 common shares outstanding.

In fiscal 2005 the Company does not have any current plans for significant capital expenditures. We believe that funds on hand are sufficient to fund near term operating activities. On an ongoing basis the Company will continue to investigate various financing options, including additional equity financings, to fund any new development strategies or material operating shortfalls. These options may, or may not, happen depending on the availability of funds under acceptable terms and conditions as well as the requirements that may, or may not, arise due to operating activities.

RELATED PARTY TRANSACTIONS

On September 9, 2003, the Company acquired from Consequent Technologies Inc. all of its fixed assets, a strategic alliance agreement with Neoteric, Inc. and a non-competition agreement with an employee in return for a cash payment of $330,000. The Company has recorded the acquisition of these assets in excess of the fair market value of identifiable assets as a combination of intangible assets. As per the Company's accounting policy, these intangible assets will amortize over their useful lives of between two and five years:

Fair market value of identifiable assets	$55,920
Intangible assets	$274,080
Total purchase price	**$330,000**

Consequent Technologies, Inc. is considered a related party by virtue of common management and board membership. This acquisition of tangible and intangible assets was reviewed and approved by the directors of the Company who are unrelated and independent of Consequent Technologies, Inc.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Intrinsyc prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are based upon historical experience and various other assumptions that are believed to be reasonable under the circumstances. These estimates are evaluated on an on-going basis and form the basis for making judgments regarding the carrying values of assets and liabilities and the reported amount of revenues and expenses. Actual results may differ from these estimates under different assumptions. Significant estimates include, but are not limited to, the determination of project expenditures for contracts accounted for on the percentage of completion basis, allowance for doubtful accounts, income tax valuation allowances, goodwill impairment tests, the useful lives and valuation of intangible assets, and stock-based compensation. The Company's significant accounting policies are described in Note 2 to the consolidated financial statements.

Revenue Recognition

The Company recognizes revenue from the sale of product and software licenses upon transfer of title, which generally occurs on shipment, unless there are significant post-delivery obligations or collection is not considered probable at the time of sale. When significant post-delivery obligations exist, revenue is deferred until such obligations are fulfilled. Revenue from support obligations is deferred and recognized ratably over the period of the obligation. Revenue from consulting and other services is recorded as the services are performed if there is reasonable certainty as to collectibility.

Revenues from contracts with milestone payments are recognized using the percentage of completion method based on costs incurred relative to total estimated costs to complete. Changes in estimates of contract price, total estimated costs, or estimated losses, if any, are included in the determination of estimated cumulative revenues and expenses in the period the change is determined by management.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases. The resulting changes in the net future income tax asset or liability are included in income. Future income tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the year in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income when a change in tax rates is substantively enacted. Future income tax assets are evaluated periodically and if realization is not considered "more likely than not" a valuation allowance is provided.

Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Company's reporting units that are expected to benefit from the synergies of the business combination.

Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary.

The second step has not been required but would be carried out if the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss. The implied fair value of the reporting unit's goodwill is determined in the same manner as the value of goodwill is determined in a business combination described in the preceding paragraphs, using the fair value of the reporting unit as if it was the purchase price. When the carrying amount of a reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the earnings statement before extraordinary items and discontinued operations.

Intangible Assets

Intangible assets acquired either individually or with a group of other assets are initially recognized and measured at cost. The cost of a group of intangible assets acquired in a transaction, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair values.

Intangible assets with finite useful lives are amortized over their estimated useful lives. The amortization methods and estimated useful lives of intangible assets are reviewed annually.

Intangible assets with indefinite useful lives are not amortized and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test compares the carrying amount of the intangible asset with its fair value, and an impairment loss is recognized in income for the excess, if any.

Allowance for Doubtful Accounts

The Company records an allowance for doubtful accounts related to accounts receivable that are considered to be impaired. The allowance is based on the Company's knowledge of the financial condition of its customers, the aging of the receivables, current business environment and historical experience. A change to these factors could impact the estimated allowance and the provision for bad debts.

Warranty Costs

The Company accrues warranty cost based on Management's best estimate, with reference to past experience.

Stock-based Compensation

The Company accounts for all stock-based payments to non-employees, and employee awards that are direct awards of stock, granted on or after September 1, 2002, using the fair value based method. The Company has granted no such awards during the periods presented. The Company uses the settlement method to account for all other stock-based employee compensation awards. Consideration paid by employees on the exercise of stock options is recorded as share capital. The Company discloses the pro forma effect of accounting for these awards under the fair value based method

Risks and Uncertainties

Intrinsyc faces the risks normally associated with high growth technology companies in dynamic and changing markets.

Limited Operating History

The Company has a limited operating history, and there can be no assurance that the Company's revenue will continue to grow. As at August 31, 2004, the Company had an accumulated deficit of $29.5 million. The Company's prospects must be considered in the context of its stage of development, the risks and uncertainties it faces, and the inability of the Company to accurately predict its operating results and the results of product development and sales and marketing initiatives. There can be no assurance that implementation of the Company's strategies will result in the Company becoming profitable.

Dependence on Market Acceptance of Internet-enabled Computing Devices

The market for specialized intelligent computing devices and provisioning software is emerging and the potential size of this market and the timing of its development are not known. As a result, the Company's profit potential is uncertain and the Company's revenue may not grow as fast as the Company anticipates,

if at all. The Company is dependent upon the broad acceptance by businesses and consumers of a wide variety of specialized intelligent computing devices, which will depend on many factors, including:

- the development of content and applications for specialized intelligent computing devices;
- the willingness of large numbers of businesses and consumers to use devices such as handheld and palm-size PCs, and handheld industrial data collectors to perform functions currently carried out manually or by traditional PCs, including inputting and sharing data, communicating among users and connecting to the Internet; and
- the evolution of industry standards that facilitate the distribution of content over the Internet to these devices via wired and wireless telecommunications systems, satellite or cable.

Product Development and Technological Change

The market for the Company's products is characterized by rapidly changing technology, evolving industry standards and frequent new product introductions. To be successful, the Company will need to enhance existing products and to introduce new products and features in response to changing standards, customer requirements, and technological innovations by others. There can be no assurance that the Company will be successful in doing this in a timely manner or at all.

The software industry is characterized by a continuous flow of improved products which render existing products obsolete. There can be no assurance that products or technologies developed by others will not render the Company's products obsolete.

Lengthy Sales Cycle

The typical sales cycle of the Company's integrated solutions is lengthy (generally between 6 and 24 months), unpredictable, and involves significant investment decisions by prospective customers, as well as education of those customers regarding the use and the benefits of the Company's products and services. The purchase of the Company's products and services is often delayed while prospective customers conduct lengthy internal reviews and obtain capital expenditure approvals. Even after deciding to purchase the Company's products or services, the Company's customers tend, in some cases, to deploy the products slowly and deliberately depending on a variety of factors, including the skill level of the customer and the status of its own technology with which the Company's products are to integrate. As a result, the Company's quarterly financial results may vary significantly.

Microsoft May Become a Competitor

As the developer of Windows CE and .NET, Pocket PC Smartphone edition and embedded Windows NT, Microsoft Company could add features to its operating system that directly compete with the software products and services the Company provides. The ability of the Company's customers or potential customers to obtain software products and services directly from Microsoft Company that compete with the Company's software products and services could harm the Company's business.

Competition

Because of intense market competition, the Company may not succeed. Most of the Company's competitors have longer operating histories, stronger brand names and significantly greater financial, technical, marketing and other resources than the Company. Competitors may also have existing relationships with many of the Company's prospective customers, and prospective OEM customers may be developing products for their own use that are comparable to the Company's products. In addition, the Company expects competition to persist and intensify in the future, which could adversely affect the Company's ability to increase sales.

Additional Financing

The Company currently operates at a loss and uses cash provided by equity financings to fund working capital. If adequate funds are not available when required or on acceptable terms, the Company may be required to delay, scale back or terminate its product development activities and sales and marketing efforts, and may be unable to continue operations. There can be no assurance that the Company will be able to obtain the additional financial resources required to compete in its markets on favorable commercial terms or at all. Any equity offering will result in dilution to the ownership interests of shareholders and may result in dilution of the value of such interests.

Third Party Manufacturing

The Company depends on third party manufacturing facilities to manufacture many of its products, which reduces the Company's control over the manufacturing process and exposes the Company to a number of significant risks, including:

- reduced control over delivery schedules, quality assurance, manufacturing yields and production costs;
- lack of guaranteed production capacity or product supply; and
- reliance on third-party manufacturers to maintain competitive manufacturing technologies.

The Company does not have supply agreements with its manufacturers and instead obtains manufacturing services on a purchase-order basis. The Company's manufacturers have no obligation to supply the Company with any specific product, in any specific quantity or at any specific price. If the Company's manufacturers were to become unable or unwilling to continue to manufacture its products in required volumes, at acceptable quality, yields and costs, or in a timely manner, the Company's business might be seriously harmed. As a result, the Company would have to attempt to identify and qualify substitute manufacturers for its current manufacturers, which could be time consuming and difficult, and might result in unforeseen manufacturing and operations problems.

Component Suppliers

Although the Company out-sources its manufacturing, it is responsible for procuring raw materials for its products. The Company's products incorporate components or technologies that are only available from single or limited sources of supply. In particular, some of the Company's integrated circuits are available from a single source. In the past, certain integrated circuits used by the Company in its products have been phased out of production. When this happens, the Company attempts to purchase sufficient inventory to meet its needs until a substitute component can be incorporated into the Company's products. Nonetheless, the Company might be unable to purchase sufficient inventory to meet its demands, or the Company might incorrectly forecast its demands and purchase too many or too few components. Further, the Company's products use components that have in the past been subject to market shortages and substantial price fluctuations. From time to time, the Company has been unable to meet its orders because it was unable to purchase necessary components for its products. If the Company is unable to meet existing orders or to enter into new orders because of a shortage in components, it will likely lose net revenues and risk losing customers and harming its reputation in the marketplace.

Acquisitions

The Company has, and from time to time in the future may, acquire businesses, products or technologies that it believes complement or expand its existing business. Acquisitions of this type involve a number of risks, including the possibility that the operations of the acquired business will not be profitable or that the attention of the Company's management will be diverted from the day-to-day operation of its business. An unsuccessful acquisition could reduce the Company's margins or otherwise harm its financial condition. Any acquisition could result in a dilutive issuance of equity securities, the incurrence of debt and the loss of key employees. The Company cannot ensure that any acquisitions will be successfully completed or that, if one or more acquisitions are completed, the acquired businesses, products or technologies will generate sufficient revenues to offset the associated costs of the acquisitions or other adverse effects.

Sales and Marketing and Strategic Alliances

If the Company is to become successful, it must expand its sales and distribution channels and its marketing and technology alliances. There is no assurance the Company will be able to reach agreements with additional alliance or distribution partners on a timely basis or at all, or that these partners will devote sufficient resources to advancing the Company's interests.

The Company's strategic alliances with operating system vendors, semiconductor manufacturers and systems integrators are a key part of the Company's overall business strategy. The Company cannot, however, be certain that it will be successful in developing new strategic relationships or that the Company's strategic partners will view such relationships as significant to their own business or that they will continue their commitment to the Company in the future. The Company's business, results of operation, financial condition and stock price may be materially adversely affected if any strategic partner discontinues its relationship with the Company for any reason. Additionally, the Company relies on the voluntary efforts of its strategic partners rather than compliance with contractual obligations, and there are no minimum performance requirements. Therefore, the Company cannot be certain that these relationships will be successful.

Management of Growth

The Company's growth has placed significant demands on its management and other resources. The Company's future results of operations will depend in part on the ability of its officers and other key employees to implement and expand operational, customer support and financial control systems and to expand, train and manage its employee base. The Company's future performance will also depend to a significant extent on its ability to identify, attract, train and retain highly skilled sales, technical, marketing and management personnel.

Dependence on Management

The Company's future success depends on the ability of the Company's management to operate effectively, both individually and as a group. If the Company were to lose the services of any management employees, the Company may encounter difficulties finding qualified replacement personnel and integrating them into the management group.

Potential Fluctuations in Quarterly Results

The Company's quarterly operating results may vary significantly depending on factors such as the timing of new product introductions and changes in pricing policies by the Company and its competitors, market

acceptance of new and enhanced versions of the Company's products and the timing of significant orders. Because the Company's operating expenses are based on anticipated revenues and a high percentage of the Company's expenses are relatively fixed in the short term, variations in the timing of recognition of revenues can cause significant fluctuations in operating results from quarter to quarter and may result in unanticipated quarterly earnings shortfalls or losses. The market price of the Company's Common Shares may be highly volatile in response to such quarterly fluctuations.

Research and Development Expenditures

If the Company fails to develop new products, or if the products the Company develops are not successful, the Company's business could be harmed. Even if the Company does develop new products which are accepted by its target markets, the Company cannot assure that the revenue from these products will be sufficient to justify the Company's investment in research and development.

Large Software Orders

Intrinsyc maintains a diverse portfolio of products and services including enterprise software. The quarterly revenues and margins of the company may fluctuate significantly depending on the mix of products delivered which in turn may be dependent on individual customer budget cycles and economic factors.

Attracting and Retaining Key Personnel

Intrinsyc's success will depend in part on its ability to attract and retain highly skilled technical, managerial and marketing personnel. Intrinsyc will continuously review its benefits and compensation structure to ensure that the Company remains an attractive employer and maintains an exciting and challenging work environment.

Uncertain Economy

The economy in general, and the technology economy specifically, continue to be unpredictable in the short term. Intrinsyc believes that the embedded computing market and smart handheld device market have a significant momentum which will withstand the current economic climate without sustaining any long term detrimental effects.

Foreign Exchange

The strengthening of the Canadian dollar will continue to negatively impact revenue and service contract gross margins. In addition the Company maintains cash and receivable balances in US dollars and British pounds which are subject to currency fluctuations.

OUTLOOK

In 2004, the Company continued to review and re-structured its operations, personnel, markets, customers and strategic vision. The Company continued to take significant steps to develop a strong management team, conserve cash, maintain liquidity and ensure the continuing investment in high potential, next generation technologies in the enterprise mobility and wireless markets.

For fiscal 2005 we believe the market for specialized devices and connected solutions will continue to evolve and expand. We are confident that the current strategic direction of the Company, as well as our strong suite of partners and alliances, has well positioned us to capitalize on the many opportunities we expect this growing market to present. We have reduced our cost structure significantly and have a high degree of confidence in our business model and technology vision.

The Company will continue to invest in technology, people, markets and key partnerships with significant industry participants. The Company will provide high value solutions that enable companies to seamlessly connect and manage devices and enterprise applications throughout a wide range of markets and applications.

AUDITORS' REPORT

To the Shareholders of

Intrinsyc Software International, Inc.

We have audited the consolidated balance sheet of **Intrinsyc Software International, Inc.** (formerly Intrinsyc Software, Inc.) as at August 31, 2004 and the consolidated statements of operations and deficit and cash flows for the year then ended. The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at August 31, 2003 and for the year ended were reported on by other auditors.

Ernst & Young LLP

Vancouver, Canada,

October 29, 2004.

Chartered Accountants

CONSOLIDATED BALANCE SHEET

As at August 31

	2004 $	2003 $
ASSETS		
Current		
Cash and cash equivalents *[note 5]*	4,600,460	6,920,785
Funds held in trust *[note 4[b]]*	-	461,438
Restricted cash *[note 4[a]]*	-	1,983,661
Accounts receivable	3,381,271	3,332,946
Other receivable *[note 11[b]]*	947,374	960,282
Inventory	277,840	629,931
Prepaid expenses	334,780	156,215
Total current assets	**9,541,725**	14,445,258
Capital assets *[note 6]*	838,268	1,188,418
Goodwill *[note 7[a]]*	14,189,478	11,671,498
Other intangible assets *[note 7[b]]*	1,442,848	1,668,786
Total assets	**26,012,319**	28,973,960
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	2,031,780	2,287,062
Deferred revenue	645,820	459,803
Future income taxes *[note 10]*	94,600	144,600
Guaranteed loan note *[note 4[a]]*	-	1,983,661
Loan note *[note 4[a]]*	-	804,271
Total current liabilities	**2,772,200**	5,679,397
Future income taxes *[note 10]*	261,433	356,033
Total liabilities	**3,033,633**	6,035,430
Commitments and contingencies *[note 11]*		
Shareholders' equity		
Share capital *[note 9]*	52,328,077	49,512,683
Share purchase warrants *[note 9]*	163,500	140,000
Shares to be issued	-	399,560
Cumulative translation adjustment	(27,792)	(88,855)
Deficit	(29,485,099)	(27,024,858)
Total shareholders' equity	**22,978,686**	22,938,530
Total liabilities and shareholders' equity	**26,012,319**	28,973,960

See accompanying notes to consolidated financial statements

On behalf of the Board:

Director

Director

CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

Year ended August 31

	2004 $	2003 $
Revenues *[note 13]*	15,175,928	13,879,023
Cost of sales	8,927,120	9,082,426
	6,248,808	4,796,597
Expenses		
Administration	2,450,740	2,408,045
Marketing and sales	3,427,404	4,218,864
Research and development	1,507,017	3,659,959
Amortization	1,097,774	1,288,863
Restructuring and other costs *[note 14]*	623,000	712,393
Less: Technology Partnerships Canada Funding		
Investment *[note 11[b]]*	(219,053)	(1,327,675)
	8,886,882	10,960,449
Loss before other earnings (expense) and income taxes	2,638,074	6,163,852
Other expense (earnings)		
Foreign exchange loss (gain) *[note 12]*	(35,591)	1,158,692
Interest expense (income)	(7,971)	(255,105)
	(43,562)	903,587
Loss before income taxes	2,594,512	7,067,439
Income tax expense (recovery) *[note 10]*		
Current	10,329	194,782
Future	(144,600)	(214,600)
	(134,271)	(19,818)
Loss for the year	**2,460,241**	7,047,621
Deficit, beginning of year	27,024,858	19,977,237
Deficit, end of year	**29,485,099**	27,024,858
Loss per share	**0.06**	0.18
Weighted average number of shares outstanding	**41,631,629**	38,403,770

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended August 31

	2004 $	2003 $
OPERATING ACTIVITIES		
Loss for the year	(2,460,241)	(7,047,621)
Items not involving cash		
Amortization	1,097,774	1,288,863
Unrealized foreign exchange loss on contingent consideration	58,679	-
Future income taxes	(144,600)	(214,600)
Changes in non-cash operating working capital		
Income taxes payable	(53,299)	-
Funds held in trust (current) *[note 4[a]]*	461,438	56,262
Restricted cash (current) *[note 4[a]]*	-	(2,247,933)
Accounts receivable	(48,325)	1,826,422
Other receivable	12,908	296,136
Inventory	352,091	123,224
Prepaid expenses	(178,565)	107,394
Accounts payable and accrued liabilities	(201,983)	(1,631,426)
Deferred revenue	186,017	20,753
Cash used in operating activities	**(918,106)**	(7,422,526)
INVESTING ACTIVITIES		
IEL acquisition costs	(102,146)	-
Loan note	(862,950)	-
Funds held in trust (long-term) *[note 4[b]]*	-	520,461
Acquisition of intangible assets	(355,884)	-
Purchase of capital assets	(165,802)	(288,981)
Cash (used in) provided by investing activities	**(1,486,782)**	231,480
FINANCING ACTIVITIES		
Issuance of common shares for cash		
Warrants	23,500	-
Options	-	51,590
Restricted cash (long-term) *[note 4[a]]*	-	5,396,510
Cash guarantee on common shares issued	-	(445,435)
Cash provided by financing activities	**23,500**	5,002,665
Foreign exchange effect on cash and cash equivalents	61,063	(117,766)
Decrease in cash and cash equivalents	**(2,320,325)**	(2,306,147)
Cash and cash equivalents, beginning of year	6,920,785	9,226,932
Cash and cash equivalents, end of year	**4,600,460**	6,920,785
Supplementary information		
Interest paid	92,367	2,472
Interest received	58,837	270,048
Income taxes paid	123,277	56,358
Non-cash investing		
Additional consideration payable in relation to the acquisition of IEL *[note 4[a]]*	2,392,334	4,724,461

See accompanying notes to consolidated financial statements

1. ORGANIZATION

The Company was incorporated on August 31, 1992 under the laws of Alberta and continued under the Company Act (British Columbia) on July 19, 1995. Articles of Continuance were filed under the Canada Business Corporations Act on May 1, 2003 to continue the Company federally and change the name of the Company from Intrinsyc Software, Inc. to Intrinsyc Software International, Inc. The Company provides an integrated framework of embedded hardware, software and service solutions for creating, networking and managing specialized intelligent devices.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are presented in Canadian dollars and have been prepared by management in accordance with Canadian generally accepted accounting principles.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Intrinsyc Software (USA) Inc., Linar Limited and Intrinsyc Europe Ltd. The Company has eliminated all significant intercompany balances and transactions.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates used in the preparation of the financial statements.

Cash equivalents

Cash equivalents include short-term deposits, which are all deposits rated R1, term deposits, guaranteed investment certificate deposits or banker's acceptances, with a term to maturity of three months or less when acquired. Short-term deposits are valued at cost.

Inventory

Inventory is valued at the lower of cost and estimated net realizable value with cost being determined on a first-in-first-out basis.

Allowance for doubtful accounts

The Company records an allowance for doubtful accounts related to accounts receivable that are considered to be impaired. The allowance is based on the Company's knowledge of the financial condition of its customers, the aging of the receivables, current business environment and historical experience. A change to these factors could impact the estimated allowance and the provision for bad debts.

Research and development

The Company expenses research costs as they are incurred. Development costs are expensed as incurred unless they meet certain specified criteria for deferral and amortization. No development costs have been deferred in the current period, as the criteria for deferral were not met.

Capital assets

Capital assets are initially recorded at cost. Amortization is subsequently provided on the following basis:

Computers and equipment	30% declining-balance
Computer software	3 years straight-line
Furniture and fixtures	20% declining-balance

Leasehold improvements are amortized on a straight-line basis over the shorter of the initial lease term or their expected useful life.

Leases

Leases are classified as either capital or operating. Those leases, which transfer substantially all the benefits and risks of ownership of the property to the Company are accounted for as capital leases. Capital lease obligations reflect the present value of future lease payments, discounted at the appropriate interest rate.

All other leases are accounted for as operating leases wherein rental payments are charged to income as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Intellectual property and other intangible assets

Intellectual property is recorded at cost. Intellectual property related to software is amortized on a straight-line basis over six years.

Intangible assets acquired either individually or with a group of other assets are initially recognized and measured at cost. The cost of a group of intangible assets acquired in a transaction, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair values.

Intangible assets with finite useful lives are amortized over their estimated useful lives. The amortization methods and estimated useful lives of intangible assets are reviewed annually.

Intangible assets with indefinite useful lives are not amortized and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test compares the carrying amount of the intangible asset with its fair value, and an impairment loss is recognized in income for the excess, if any.

Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Company's reporting unit that are expected to benefit from the synergies of the business combination.

Goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. Management tested this first step at September 1, 2002, August 31, 2003 and August 31, 2004. The second step was not required to be carried out as the fair value of the reporting unit exceeded its carrying value.

The second step has not been required, but would be carried out if the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of the reporting unit's goodwill is determined in the same manner as the value of goodwill is determined in a business combination described in the first paragraph, using the fair value of the reporting unit as if it was the purchase price. When the carrying amount of a reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the earnings statement before extraordinary items and discontinued operations.

Revenue recognition

The Company recognizes revenue from the sale of product and software licenses upon transfer of title, which generally occurs on shipment, unless there are significant post-delivery obligations or collection is not considered probable at the time of sale. When significant post-delivery obligations exist, revenue is deferred until such obligations are fulfilled. Revenue from support obligations is deferred and recognized ratably over the period of the obligation. Revenue from consulting and other services is recorded as the services are performed if there is reasonable certainty as to collectibility.

Revenues from contracts with milestone payments are recognized using the percentage of completion method based on costs incurred relative to total estimated costs to complete. Changes in estimates of contract price, total estimated costs, or estimated losses, if any, are included in the determination of estimated cumulative revenues and expenses in the period the change is determined by management.

Warranty costs

The Company accrues warranty costs based on management's best estimate, with reference to past experience.

Share issue costs

The Company reduces the value of consideration assigned to shares issued by the costs, net of income tax recoveries, of issuing the shares.

Impairment of capital assets

The Company monitors the recoverability of capital assets, based on factors such as future utilization, business climate and the future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when the Company determines that the carrying amount of the asset will not be recoverable. At that time, the carrying amount is written down to the undiscounted future cash flows. To August 31, 2004, the Company has not recorded any such impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Translation of foreign currencies

Foreign operations that are considered integrated (financially and operationally dependent on the parent) are translated to Canadian dollars using current rates of exchange for monetary assets and liabilities. Historical rates of exchange are used for non-monetary assets and liabilities and average rates for the period are used for revenues and expenses except for amortization, which is translated at exchange rates used in the translation of the related asset accounts. Gains or losses resulting from these translation adjustments are included in income.

Foreign operations that are considered self-sustaining (financially and operationally independent of the parent) are translated to Canadian dollars using the current rates of exchange for assets and liabilities and using average rates for the year for revenues and expenses. Gains or losses resulting from these translation adjustments are deferred in a separate component of shareholders' equity ("Cumulative translation adjustment") until there is a realized reduction in the parent's net investment in the foreign operation.

Transactions completed in foreign currencies are recorded in Canadian dollars at the rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are recorded in the consolidated financial statements in equivalent Canadian dollars at the rate of exchange prevailing at the balance sheet date.

Stock-based compensation

The Company accounts for all stock-based payments to non-employees, and employee awards that are direct awards of stock, granted on or after September 1, 2002, using the fair value based method. The Company has granted no such awards during the periods presented. The Company uses the settlement method to account for all other stock-based employee compensation awards. Consideration paid by employees on the exercise of stock options is recorded as share capital. The Company discloses the pro forma effect of accounting for these awards under the fair value based method [see note 8].

Loss per share

The loss per share is calculated by using the weighted average number of common shares outstanding during the period. If in a reporting period the Company has outstanding dilutive equity instruments, the diluted loss per share is calculated using the treasury stock method. Diluted per share amounts have not been disclosed as the effect of outstanding options and warrants is anti-dilutive for all periods presented.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income taxes are recognized for the future income tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary differences). Changes in the net future tax asset or liability are included in income. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period that includes the substantive enactment date. Future income tax assets are evaluated and if their realization is not considered "more likely that not", a valuation allowance is provided.

Comparative figures

The Company has reclassified certain of the figures presented for comparative purposes to conform with the financial statement presentation adopted in the current year.

3. ACCOUNTING CHANGE

Translation of foreign currencies

The Company's reporting currency is the Canadian dollar. From acquisition [note 4[a]], management considered Intrinsyc Europe Ltd. ("IEL") to be a self-sustaining operation and IEL's financial statements were translated to the Canadian dollar using the current rate method. The resulting translation adjustment was recorded directly to the cumulative translation adjustment, a separate component of shareholders' equity. Effective June 1, 2004, the Company changed the status of IEL from a self sustaining operation to an integrated one, as management believes the nature of the subsidiary has changed, and that IEL is an integrated operation within the group. Accordingly, with the financial statements of IEL are now converted into Canadian dollars using the temporal method. Monetary assets and liabilities are remeasured into the Canadian dollar at end-of-period exchange rates with non-monetary assets and liabilities remeasured at historical exchange rates. Revenue and expenses are remeasured at average exchange rates in effect during each period, except for those expenses related to non-monetary assets and liabilities, which are remeasured at historical exchange rates. Gains or losses from foreign currency remeasurement are included in net income or loss. The resulting foreign exchange loss for the period from June 1, 2004 to August 31, 2004 is recorded in income for fiscal 2004 was $1,358. Exchange gains and losses previously deferred and accumulated in cumulative translation adjustment continue to be deferred.

3. ACCOUNTING CHANGE (CONT'D.)

Linar Ltd. remains an integrated operation within the group.

Due to the constant change in currency exposures, and the substantial volatility of currency exchange rates, the effect of exchange rate fluctuations upon future operating results could be significant.

4. ACQUISITIONS

[a] Intrinsyc Europe Ltd.

On June 26, 2002, the Company acquired all of the outstanding shares of Intrinsyc Europe Ltd. ("IEL") (formerly NMI Electronics Ltd.), a U.K.-based company that is a developer of Windows CE-based products, intelligent device applications and smart phone solutions. The acquisition has been accounted for using the purchase method of accounting and the results of operations have been consolidated since the date of acquisition. The purchase agreement contains provisions for additional consideration subject to the achievement of certain performance targets during each of the 12 month periods ended May 31, 2003 and 2004.

The performance criteria for the 12 month period ended May 31, 2003 were achieved, and consequently, additional consideration of $4,724,461 was due and payable and has been recorded as additional goodwill for the year ended August 31, 2003.

During the quarter ended May 31, 2004, a guaranteed loan note of $2,195,023 (£881,500) and a loan note of $862,950 (£357,833) related to the 12 month period ended May 31, 2003 were redeemed (held to guarantee the ability of the Company to meet the guaranteed loan note obligation) including interest of $90,052.

Additional consideration of up to $4,120,182 was previously contingently payable or issuable upon the achievement of certain revenue targets for the 12 months ended May 31, 2004. Based on an amendment to the original agreements, dated May 28, 2004, all contingent and unpaid consideration as at May 28, 2004 is considered to be extinguished in return for the issuance of 4,105,727 common shares. These shares were issued on July 8, 2004 at a value of $2,791,894 based on the closing price of $0.68 of the Company's shares as at May 31, 2004. This issuance satisfies all amounts payable and completes the transaction in its entirety.

The difference between the value of the shares issued and the amount of contingent and future payable consideration previously accrued, ($2,349,181), amounted to $442,713 which was recorded by the Company as an addition to goodwill during the year ended August 31, 2004. There was also $1,949,621 in accruals recorded during the year in relation to the contingent consideration. As a result, total goodwill recorded during the year amounted to $2,392,334.

[b] Linar Ltd.

On January 26, 2001, the Company acquired all of the outstanding shares of Linar Ltd., a U.K.-based company which provides Java-based enterprise connectivity software.

Cash payments of up to US$1,000,000 were payable upon the achievement of specified performance criteria by a certain employee until January 26, 2004 and were recorded as an expense in the period the obligation was incurred. The cash was held in trust pursuant to the acquisition agreement to be paid upon the achievement of the criteria. The final payment of US$333,000 ($461,438), was paid out on January 26, 2004 since the performance criteria were achieved.

Warrants to purchase 25,000 common shares of the Company were issued during the three month period ended November 30, 2003 with an exercise price equal to fair market value on January 26, 2003 based on specified criteria having been met [note 9].

[c] Consequent Technologies, Inc.

On September 9, 2003, the Company acquired from Consequent Technologies Inc. all of its capital assets, a strategic alliance agreement with Neoteric, Inc. and a non-competition agreement with an employee in return for a cash payment of $330,000. The Company recorded the acquisition of these assets in excess of the fair market value of identifiable assets as a combination of intangible assets.

	$
Fair market value of identifiable capital assets	55,920
Intangible assets	274,080
Total purchase price	**330,000**

Consequent Technologies, Inc. is considered a related party by virtue of common management and board membership. This acquisition of tangible and intangible assets was reviewed and approved by the directors of the Company who are unrelated and independent of Consequent Technologies, Inc.

5. OPERATING LINE OF CREDIT

The Company has an operating line of credit for borrowings up to $1,000,000, bearing interest at prime rate. Prime rate was 3.75% at August 31, 2004. The line is collateralized by a $1,050,000 Guaranteed Investment Certificate of Deposit. There were no borrowings outstanding against the operating line of credit as at August 31, 2004.

6. CAPITAL ASSETS

	Cost $	Accumulated amortization $	Net book value $
2004			
Computers and equipment	1,677,234	1,189,976	487,258
Computer software	764,029	656,253	107,776
Furniture and fixtures	748,807	584,150	164,657
Leasehold improvements	295,262	216,685	78,577
	3,485,332	**2,647,064**	**838,268**
2003			
Computers and equipment	1,546,912	1,007,132	539,780
Computer software	731,601	503,062	228,539
Furniture and fixtures	705,333	440,813	264,520
Leasehold improvements	283,401	127,822	155,579
	3,267,247	**2,078,829**	**1,188,418**

7. GOODWILL AND OTHER INTANGIBLE ASSETS

[a] The changes in the carrying amount of goodwill for the year ended August 31, 2004 is as follows:

	$
Balance, August 31, 2003	11,671,498
Goodwill related to contingent consideration [note 4[a]]	2,392,334
Other goodwill additions	125,646
Balance, August 31, 2004	**14,189,478**

[b] Other intangible assets as at August 31, 2004 are as follows:

	Gross carrying amount $	Accumulated amortization $	Total $
2004			
Intellectual property	3,151,804	1,883,220	1,268,584
Other intangible assets *[note 4[c]]*	274,080	99,816	174,264
	3,425,884	**1,983,036**	**1,442,848**
2003			
Intellectual property	**3,070,000**	**1,401,214**	**1,668,786**

The aggregate amortization expense for the year ended August 31, 2004 was $581,822 [2003 - $715,336].

8. STOCK-BASED COMPENSATION

No compensation expense has been recognized for the Company's fixed stock option plan. Had compensation expense for the Company's stock options granted on or after September 1, 2002 been determined based on the fair value at the applicable grant dates, the Company's loss for the year would have been increased to the pro forma amount indicated below.

	2004 $	2003 $
Loss:		
As reported	2,460,241	7,047,621
Stock based compensation expense	631,342	449,204
Pro forma	3,091,583	7,496,825
Loss per common share (basic and diluted):		
As reported	0.06	0.18
Pro forma	0.07	0.20

The fair value of each option grant was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions.

Expected life (in years)	2.62
Risk-free interest rate	2.44-3.51%
Volatility	83.8% - 165.6%
Dividend yield	0.00%

9. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value; and

Unlimited number of preference shares without par value.

Issued

	Number of shares	Amount $
Outstanding, August 31, 2002	38,216,965	48,697,555
Shares issued for cash on:		
Exercise of options	67,000	51,590
Shares issued in connection with the acquisition of IEL *[note 4[a]]*	2,572,283	1,208,973
Share price guarantee *[note 4[b]]*	-	(445,435)
Outstanding, August 31, 2003	40,856,248	49,512,683
Shares issued on exercise of warrants	25,000	23,500
Shares issued in connection with the acquisition of IEL *[note 4[a]]*	4,105,727	2,791,894
Outstanding, August 31, 2004	**44,986,975**	**52,328,077**

Share option plan

Under the terms of the Company's employee share option plan, the Board of Directors may grant options to employees, officers and directors. The plan provides for the granting of options at the closing price of the Company's stock prior to the grant date. Options granted on or after May 11, 1999 and before April 5, 2001 generally vest over three years with the first 1/3 vesting at the first anniversary date of the grant and the balance vesting in equal amounts at the end of each quarter thereafter. The Company determines the term of each option at the time it is granted, with options generally having a five year term. The Company has reserved 11,095,774 options for issuance under its employee share option plan of which 4,614,906 have been granted and are outstanding as at August 31, 2004.

9. SHARE CAPITAL (CONT'D.)

A summary of the Company's share option activity for the years ended August 31, 2004 and 2003, is as follows:

	Outstanding options	
	Number of shares	Weighted average exercise price $
Outstanding, August 31, 2002	4,471,837	2.26
Options granted	1,979,475	1.07
Options exercised	(67,000)	0.77
Options cancelled	(1,445,305)	1.32
Outstanding, August 31, 2003	4,939,007	1.81
Options granted	1,607,840	1.01
Options cancelled	(1,931,941)	1.79
Outstanding, August 31, 2004	**4,614,906**	**1.54**

The following table summarizes the share options outstanding at August 31, 2004:

Options outstanding				Options exercisable	
Range of exercise price $	Number of shares	Weighted average remaining contractual life	Weighted average exercise price $	Number exercisable	Weighted average exercise price $
0.49 - 1.21	3,012,234	3.92	1.05	1,046,438	1.10
1.32 - 2.97	1,141,527	2.01	2.11	836,242	2.38
3.03 - 5.30	461,145	1.51	3.69	445,868	3.71
	4,614,906	3.20	1.54	2,328,548	2.06

Share purchase warrants

A summary of the Company's share purchase warrants for the years ended August 31, 2004 and 2003 is as follows:

	Outstanding warrants	
	Number of warrants	Weighted average warrant price $
Outstanding, August 31, 2002	391,669	2.79
Warrants expired	(291,669)	2.65
Outstanding, August 31, 2003	100,000	3.20
Warrants issued	25,000	0.94
Warrants exercised	(25,000)	0.94
Outstanding, August 31, 2004	**100,000**	**3.20**

During the year ended August 31, 2002, the Company granted to the agent an agent's warrant to acquire, without additional consideration, an agent's compensation option. The option entitled the agent to purchase 291,669 special warrants at $2.65 per special warrant until July 29, 2003. These warrants expired during the year ended August 31, 2003 and were cancelled.

During the year ended August 31, 2004, 25,000 common share purchase warrants were issued at a purchase price $0.94 with an expiry date of January 26, 2008, as part of the January 26, 2001 Linar acquisition [note 4[b]]. These warrants were exercised during the year ended August 31, 2004. As at August 31, 2004, 100,000 common share purchase warrants are outstanding at a weighted average exercise price of $3.20.

10. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates of 36.3% [2003 - 38.3%] to loss before income taxes due to the following:

	2004 $	2003 $
Combined Canadian federal and provincial income taxes at expected rate	(942,000)	(2,707,000)
Change in valuation allowance	(129,000)	2,214,000
Permanent and other differences	860,271	201,218
Foreign income taxed at other rates	83,000	45,000
Adjustment to future income tax assets and liabilities		
for enacted changes in tax laws and rates	(6,000)	227,000
	(134,271)	**(19,818)**

The composition of the Company's future tax assets and liabilities as at August 31, 2004 and 2003 is as follows:

	2004 $	2003 $
Future income tax assets:		
Capital assets	784,000	917,000
Loss carry forwards	7,002,000	7,351,000
Share issue costs	196,000	373,000
SR&ED pool	1,230,000	616,000
Other	585,000	669,000
	9,797,000	9,926,000
Valuation allowance	(9,797,000)	(9,926,000)
Future income tax liability:		
Intellectual property	(356,033)	(500,633)
Net future income tax liability	356,033	500,633
Current future income tax liability	(94,600)	(144,600)
Non-current future income tax liability	261,433	356,033

The future income tax assets have not been recognized in these consolidated financial statements, as management does not consider it more likely than not that such assets will be realized in the carry forward period.

As at August 31, 2004, the Company has non-capital loss carry forwards for Canadian purposes aggregating approximately $18,800,000 available to reduce taxable income otherwise calculated in future years. These losses expire as follows:

	$
2005	3,200,000
2006	1,600,000
2007	2,200,000
2008	1,200,000
2009	3,700,000
2010	6,200,000
2011	700,000
	18,800,000

The Company also has approximately $3,400,000 of scientific research and experimental development expenditures that may be carried forward indefinitely to be deducted against future Canadian taxable income, and investment tax credits of approximately $630,000 available to offset future Canadian federal income taxes payable. The investment tax credits expire commencing in 2011 until 2012.

At August 31, 2004, the Company also has non-capital loss carry forwards for UK income tax purposes totaling approximately $1,100,000 that may be carried forward indefinitely to reduce taxable income otherwise calculated in future years.

11. COMMITMENTS AND CONTINGENCIES

[a] The Company has lease commitments for office premises and equipment with remaining terms of up to five years. The minimum lease payments in each of the next five years are approximately as follows:

	$
2005	554,281
2006	758,721
2007	248,714
2008	-
2009	-
	1,561,716

[b] Under agreements with the Government of Canada's Technology Partnerships Canada ("TPC") program, the Company is eligible to receive conditionally repayable research and development funding amounting up to $5,415,648 to support the development of embedded devices and wired and wireless internet-enabled network connectivity. During the year ended August 31, 2004, the Company has claimed $603,074 [2003 - $1,327,675], which has been recorded as a reduction of expenses. The amount recorded is net of a 15% commission that was paid to a consultant for services performed in securing the funding. Under the terms of the agreement, an amount up to a maximum of $13,278,000 is to be repaid by royalties on annual sales, in excess of certain revenue thresholds of specified products, commencing in 2003 through to 2011.

The Company's Technology Partnerships Canada ("TPC") funding agreement expired on March 31, 2004 and all claims up to that date in the amount of $3,187,167, have been completed and filed. During the fiscal year 2004, the Company was notified that, as part of an ongoing audit of the Company's claims totalling $947,374 ($763,127 net of commissions), payment of current outstanding claims would be withheld until the completion of the audit, as permitted in the funding contract.

On August 25, 2004 the Company reached a settlement with Industry Canada at the conclusion of their audit. The Company was found to be in breach of its TPC funding agreement due to improper use of an outside consultant. As a result, the Company made a payment of $568,268 to the Government of Canada. This figure represented 15% of amounts claimed from the inception of the funding agreement to April 1, 2004. The Company also settled with the contractor who had provided services related to the TPC filings, and as a result, a total of $184,247 that was previously charged against TPC funding (but not paid) to the contractor in the year ended August 31, 2004 has been reversed in the current period. All claims have therefore been settled and agreed to by the Company and the contractor. The Company expects that the $947,374 receivable from TPC which is outstanding at year end as funds were held pending the outcome of the settlement will be released under the standard terms of the funding agreement.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair values

The carrying amounts of cash and cash equivalents, accounts receivable, other receivable, and accounts payable and accrued liabilities approximate fair values due to their short maturities.

Credit and foreign currency risk

The Company maintains substantially all of its cash and cash equivalents with major financial institutions in Canada. Deposits held with banks may exceed the amount of insurance provided on such deposits. However, as the Company can generally redeem these deposits upon demand, the Company bears minimal risk.

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily accounts receivable. Management is of the opinion that any risk of accounting loss is significantly reduced due to the financial strength of the Company's major customers. The Company performs ongoing credit evaluations of its customers' financial condition and requires letters of credit or other guarantees whenever deemed necessary.

Although substantially all of the Company's revenues are received in US dollars, the Company incurs operating costs and has outstanding indebtedness that is denominated in Canadian dollars. Fluctuations in the exchange rates between these currencies could have a material effect on the business, financial condition and results of operations. The Company attempts to mitigate this risk by denominating many of its payment obligations in US dollars.

13. SEGMENTED INFORMATION

Operating segments

The Company operates in the sale and service of embedded hardware and software solutions and all sales of the Company's products and services are made in this segment. Management makes decisions about allocating resources based on the one operating segment.

Geographic information

Substantially all of the Company's capital assets are located in Canada. The Company earned revenues attributed to the following countries based on the location of the customer:

	2004 $	2003 $
United States	5,475,379	6,950,726
Canada	153,529	567,277
Europe	8,971,673	4,963,854
Other	575,347	1,397,166
	15,175,928	**13,879,023**

Significant customers

One customer accounted for more than 10% of sales for the year ended August 31, 2004. There were no customers that amounted to more than 10% of sales for the year ended August 31, 2003.

14. RESTRUCTURING AND OTHER COSTS

During the fiscal year, the Company approved and implemented a further business restructuring which included severance and recruitment costs associated with the reorganization of the management team. Subsequent to year end, all costs were paid.

On April 30, 2003, the Company announced and implemented a business restructuring through a workforce reduction. The Company had substantially completed the implementation of the restructuring at August 31, 2003.

Workforce reduction charges of $717,871 were related to the cost of severance and benefits associated with 22 employees notified of termination. However, management has recorded their best estimate of the potential liability and does not believe that the actual amounts will vary significantly from the estimates.

15. SUBSEQUENT EVENT

On September 24, 2004 the Company announced that it was proceeding with an offering of 44,986,975 rights to its existing shareholders to subscribe for approximately 11,246,743 common shares of the Company.

The rights offering was completed on October 28, 2004 and was fully subscribed. The rights were exercised for a total of 11,246,743 common shares, with gross proceeds amounting to $5,632,671, at $0.50 per common share.

corporate information

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