INTRINSYC SOFTWARE, INC.

ANNUAL INFORMATION FORM

February 1, 1999

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GLOSSARY

API	Application programming interface.
beta	A preproduction release of software for the purposes of allowing customers to evaluate and provide feedback on the product's features, performance and quality.
component	A software object or a group of objects that form higher levels of abstraction than standard software code.
COM	Component object model.
DCOM	Distributed component object model
DECF	Distributed Embedded Computing Framework.
embedded system	A microprocessor-based system that is incorporated into a larger device and is dedicated to responding to external events by performing specific tasks. Examples of such devices include antilock brakes, video game systems, fax machines and industrial robots.
IX	Integration Expert, one of the Company's products.
HTTP	Hypertext transfer protocol.
OEM	Original equipment manufacturer, such as a consumer electronic manufacturer.
RTOS	Real time operating systems.
Windows NT	Windows NT®, a desktop and file server based operating system developed by Microsoft that is used predominantly in complex, high performance embedded systems.
Windows CE	Windows CE®, an embedded operating system used in low cost embedded systems that are less complex than Windows NT® embedded systems.
Windows embedded systems	Embedded systems that use Windows NT or Windows CE as the operating system.

THE COMPANY

Intrinsyc Software, Inc. (the "Company" or "Intrinsyc") was incorporated under the laws of Alberta on August 31, 1992 under the name I.T.C. Microcomponents Inc. and continued under the laws of British Columbia on July 19, 1995. The Company changed its name to Intrinsyc Software, Inc. on June 16, 1997. The Company has amended its Articles and Memorandum to cancel its previously authorized and unissed Class "A" Convertible Preferred shares and to reduce the number of authorized common shares from 99,000,000 to 93,330,000.

Unless otherwise indicated, all information herein is as at August 31, 1998.

THE BUSINESS OF THE COMPANY

Overview

Intrinsyc Software, Inc. ("Intrinsyc" or the "Company") develops software technologies for license to OEM's who are building the next generation of Internet-enabled consumer and commercial electronics products.

The Company's software technologies, collectively known as Distributed Embedded Computing Framework ("DECF") technologies, include application architectures, software components, platform development tools, and reference platforms. The application architectures provide a foundation for the development of component-based Internet-enabled embedded systems. The software components provide off-the-shelf solutions for complex problems associated with interoperability, data transfer, synchronization and data exchange, data storage, signal processing, and reliability. The platform development tools are used in conjunction with industry standard tools to develop custom platforms and to simplify the platform development process. The reference platforms provide demonstration systems that facilitate the sales of application architectures and underlying technologies. The Company's services, which are marketed in conjunction with the DECF technologies via a Partnership Program, provide OEMs and systems integrators with the technologies, tools and technical assistance they require to successfully and quickly deploy their next generation embedded systems.

Industry and Market

Most electronic products contain embedded systems, ranging from simple to complex. Embedded systems are in the climate control systems, antilock brake systems and electronics of cars, cameras (where they provide autofocus and autoflash features), fax machines (where they provide autodial features) and in industrial robots. The vast majority of the microprocessors produced each year are used in embedded systems. In 1996, only two percent of the approximately 3.7 billion microprocessors shipped were used in personal computers. The remaining ninety-eight percent went into embedded systems. (Source: Hambrecht and Quist Incorporated, Industry report, July 1997).

All embedded systems contain a microprocessor. The most commonly used microprocessors are 4 and 8 bit processors, which are less expensive and capable of less complex functionality than the newer, more expensive 16 and 32 bit microprocessors. Most embedded systems perform relatively simple tasks, as the market for embedded systems has been unwilling to pay the higher costs of more complex embedded systems containing 32 bit microprocessors. Over the past few years the price of 32 bit microprocessors has declined dramatically, from approximately $100 to the $10 to $20 range. The price reduction has spurred growth in the complex processor industry (primarily 32 bit microprocessors), which grew approximately 35% in 1996, approximately twice the rate of growth of the overall industry. (Source: Hambrecht and Quist Incorporated, Industry report, July 1997).

The following trends are expected to stimulate rapid growth in the embedded systems software market:

- Low Cost High-Performance Hardware – the continuing trend to progressively lower cost and higher performance has already impaired the profitability and growth prospects of the desktop PC market, while it has opened up new opportunities in the embedded systems market;

- Internet Connectivity – the same interconnectivity bug that swept through the desktop and enterprise markets over the past decade will spread as OEMs seek to connect embedded systems to the Internet; and

- Distributed Component Frameworks – reusable, interoperable, distributed software components that are the cornerstone of the desktop PC "open standards" software revolution.

The Company's products and services are intended to exploit these key trends. Hence, the market for the Company's products will develop only to the extent that a market develops for embedded systems built using general-purpose RTOS, and distributed component-based software, running on 32-bit microprocessors.

Products and Services

The Company's software technologies include application architectures, software components, platform development tools, and reference platforms.

Application Architectures

The Company's application architectures provide a foundation for the development of component-based Internet-enabled embedded systems. Current architecture types supported include generalized event driven systems and data flow systems, which can be easily adapted to suit a wide variety of market or customer-specific applications. These architectures are implemented using industry standard technologies based on either COM/DCOM or HTTP. Additional architecture types and technologies are anticipated in future offerings.

Software Components

The Company's software components provide off-the-shelf solutions for complex problems associated with interoperability, data transfer, synchronization and data exchange, data storage, signal processing, and reliability. Current software components include:

- **deviceCOM**: a technology that enables software components on embedded systems to communicate directly across networks with components on desktop or enterprise systems. Unlike DCOM, which was designed for use in distributed applications that run on desktop and enterprise systems, deviceCOM is designed for use on embedded devices. In addition, deviceCOM provides an optimized underlying mechanism that addresses known problems with DCOM, while also remaining completely transparent to COM clients and servers and compatible at the API level with DCOM. The Company currently supports deviceCOM on Windows CE and Windows NT platforms, and plans to extend similar interoperability support to other proprietary real-time operating systems (e.g. VxWorks, pSOS, QNX, etc.), building a common integrated technology that is designed to unify the embedded community. Real-time support and additional embedded interoperability features are planned for future releases of deviceCOM. The deviceCOM product line was released in beta for Windows CE and Windows NT in the third quarter of 1998 and shipped as a commercial release in December 1998.

- **deviceCOM OPC Kit**: an interface application kit that enables the deployment of standard OPC (OLE for Process Control) industrial automation application software on Windows CE, Windows NT, and other deviceCOM capable real-time operating systems. This technology has proven to be highly attractive to the industrial automation marketplace, and will likely form the basis for similar interface application kits needed to address other vertical markets such as retail point of sale. Commercial release of the deviceCOM OPC Kit occurred in the third quarter of 1998.

- **Rainbow HTTP Server**: an embedded web server for Windows CE that provides a flexible extension mechanism for easy web-enabled application development. With web-enabled devices,

end-users may use desktop PCs equipped with standard web browsers to connect to these remotely located, embedded products for the purpose of controlling, monitoring, or upgrading the embedded software applications. The web server comes with a library of customized extensions that allow customers to extend a web server's basic functionality to suit their specific hardware and software requirements. The Rainbow product line was released in beta for Windows CE and Windows NT in December 1997 and shipped as a commercial release in February 1998.

Platform Development Tools

The Company's platform development tools are used in conjunction with industry standard tools to develop custom platforms and to simplify the platform development process. Current development tools include:

- **IX for Windows CE**: IX for Windows CE is a new embedded software development tool that extends the Microsoft Windows CE Platform Builder (formerly known as the Windows CE Embedded Toolkit for Visual C++). IX for CE provides visual editing of ETK projects and platforms, powerful analysis tools and an infrastructure to create reusable, distributable components. IX for CE reduces the time and cost to develop and deploy, fully optimized, embedded Windows CE systems. Development on IX for Windows CE was completed in December 1998, and is now available for sale to the embedded Windows CE development community.

- **IX for Windows NT**: IX for Windows NT provides an infrastructure to define, analyze, integrate, and deploy Windows NT based embedded systems. Unlike the tools developed by VenturCom and now licensed exclusively to Microsoft as part of the future Impala (Embedded NT) toolkit, IX for Windows NT is not database driven – rather, IX has fully automated analysis capabilities, making it particularly attractive to developers who do not understand the intricacies of the Windows NT. Development on IX for Windows NT was completed in the second quarter of 1998, and the product is now available for sale to the embedded Windows NT development community.

Reference Platforms

The Company's reference platforms provide demonstration systems that facilitate the sales of application architectures and underlying technologies. Current platforms include:

- **CErfBoard SuperRISC-H Reference Platform**: a low-cost design comprised of simple hardware without built-in display, keyboard or pointer support. It includes basic serial and digital I/O, minimum memory, and a high-performance Hitachi SH3 processor. CErfBoard has a small Windows CE image (300K to 1MB), and built-in HTTP and remote management support. CErfBoard optionally includes the deviceCOM, IX and WinFT developer kits. The CErfBoard family of Windows CE based embedded Web reference platforms is the result of collaboration between Hitachi Semiconductor (America) Inc. and the Company. This platform was released commercially in the fourth quarter of 1998.

- **Micro CErfBoard SuperRISC-H Reference Platform**: the smallest member of the CErfBoard reference platform family and currently the world's smallest Windows CE based embedded device. Micro CErfBoard is an example of what OEMs can accomplish with the CErfBoard reference design in terms of size and cost optimization. Micro CErfBoard shares the same functional

characteristics of the main CErfBoard, but without the hardware expansion capability. This platform was released commercially in the fourth quarter of 1998.

Services

The Company's services, which are marketed in conjunction with the DECF technologies via a Partnership Program, provide OEMs and Systems Integrators with the technologies, tools and technical assistance they require to successfully and quickly deploy their next generation embedded systems. The principal development services provided by the Company are as follows:

- Conducting feasibility studies to demonstrate the use of DECF technologies in a particular embedded product line;
- Developing detailed product specifications in conjunction with an OEM's product development team;
- Developing customized software to integrate the Company's products within the overall software associated with an OEM's embedded system; and
- Customizing the Company's products for in-house use by OEMs.

These services are sold on a time and materials basis. Such services are designed to facilitate sales of the Company's software tools and components by educating prospective customers on the merits of using Windows CE and Windows NT and building credibility for the Company and its products.

Over the past two years, the Company has performed a wide variety of feasibility studies and custom software development projects for OEMs who are investigating or initiating preliminary development of embedded Windows CE systems. Some of these companies are now moving towards the product development phase with the assistance of the Company.

Marketing and Sales Strategy

The Company's marketing and sales strategy faces two principal challenges. The first is that Windows CE is new and the market must be persuaded of the benefits of adopting Windows CE and distributed component based computing. If Microsoft is not persuasive, there will be no meaningful market for the Company's Windows CE based products. The other challenge is that the sales cycle is complex and lengthy, primarily for two reasons. The first is that the adoption of Windows CE will be expensive for most OEM's, as it involves a shift in the development and deployment of embedded systems away from old but familiar operating systems. Accordingly, any decision to proceed with Windows CE will likely follow thorough and lengthy research by prospective customers. The other reason is that because the adoption of Windows CE involves such a shift, it affects many parts of an OEM's organization, and therefore requires the assent of multiple decision-makers.

To address these challenges the Company is marketing its offerings via a Partnership Program that combines services, technologies, and tools for a set fee. A member of the Partnership Program is entitled to the following:

- **Priority Access to Intrinsyc DECF Technologies** – time to market pressures require that important new technologies be designed into product lines ahead of the competition. DECF program partners gain important early access to Intrinsyc's upcoming DECF technologies and are

invited to participate in DECF planning sessions to provide input into Intrinsyc's technology roadmap;

- **Priority Technical Assistance** – DECF program partners are entitled to priority technical assistance. This will enable partners to quickly become productive and knowledgeable in evaluating and demonstrating effective implementations of DECF technologies in their development programs as well as in released product lines;
- **Access to Intrinsyc DECF Development Tools** – DECF program partners get tools to simplify and accelerate the design-in of Intrinsyc and other 3rd party licensable DECF technologies while reducing the end-product's overall development and production costs;
- **Discounted Paid-Up Royalties on Intrinsyc DECF Technologies**; DECF program partners are entitled to pay license fees up-front and by so doing get a discount against the fees that would otherwise be payable; and
- **Priority Access to Intrinsyc Consulting Services** – DECF program partners can augment their internal design resources with world-class Intrinsyc consultants to further accelerate the design-in of Intrinsyc's licensable DECF technologies.

Although the Partnership Program forms the basis of the Company's principal marketing strategy, the Company has also established non-exclusive distribution channels for the Company's products through Annabooks Software LLC for North America, Wizard Information Systems for Europe and the Middle East, Allan Crawford Associates for Canada, and Kanematsu for Japan.

Research and Development

Current product development activities include enhancement, extension, and porting of existing technologies. Enhancements include the addition of new features such as security, real-time support, and automation interfaces to the deviceCOM product line. Extensions include the addition of new products such as event servers, database servers, OPC servers, and DNA demonstrations for the deviceCOM product line. Porting activity includes the migration of the deviceCOM core technology and add-on components to other commercial real-time operating systems such as VxWorks, pSOS, NT-RTX, etc.

The Company is also developing the following products:

- **deviceCOM Event Server**: a technology that provides a powerful yet simple framework for synchronizing activities and sharing data between software components. With this framework, embedded systems developers can simplify application development, reduce application/service dependencies, and conserve system resources. This technology is currently under development, but has already proved useful in one of the Company's major integration contracts. It is scheduled for release in the third quarter of 1999.

- **deviceCOM Data Access & Data Storage Servers**: a technology that provides unified access and persistence for data collected, processed, and used by embedded systems. This technology is also currently under development, and targeted for use in one of the Company's major integration contracts. It is scheduled for release in the third quarter of 1999.

- **deviceCOM Reliability Server**: a technology that provides software watchdog, data logging, and persistence service for high reliability and unattended embedded system applications. This technology was originally implemented as a stand-alone product called WinFT, and is now being

incorporated into the deviceCOM framework for use in one of the Company's major integration contracts. It is scheduled for release in the third quarter of 1999.

- **Rainbow RMS**: a ready-made Remote Management System (RMS) web-based application and a powerful OEM Development Kit to support custom system development. No release date has been scheduled.

In addition to product development activities, the Company is engaged in custom software development projects for selected OEMs. The most significant development activities include the development of a TruckPC demonstration and infrastructure system for Eaton Corporation.

Competition

There are currently two principal competitive threats to the Company: (1) alternative standards and technologies and (2) direct competition to the Company's technologies, tools, and services.

Alternative Standards and Technologies

The Company has positioned itself as a supplier of distributed component software technologies for the embedded systems market. Competition could potentially come from historical non-distributed non-component-based software technologies. Alternatively, competition could come from distributed component software technologies based on standards other than those chosen by the Company.

The historical embedded systems market employs a wide variety of software technologies running on literally hundreds of industry and application-specific operating systems. While component software technologies are widely supported for the desktop and enterprise markets, until recently there was little or no use of similar technology in the embedded market. The highly publicized trend towards Internet connectivity, general-purpose operating systems, and component based computing indicates that the Company will have limited competition from historical embedded computing standards and technologies in the development of new Internet-enabled embedded devices.

Component-based computing standards include language-independent standards such as Microsoft's COM and the Object Management Group's Common Object Request Broker Architecture ("CORBA"), as well as language-dependent standards such as Java Beans which defines a set of standard component software APIs for the Java platform. Of these standards, COM is the most widely used component software model in the world. It provides the richest set of integrated services, the widest choice of easy-to-use tools, and the largest set of available applications. In addition, it provides the only viable market for reusable, off-the-shelf, client and server components. CORBA has been adopted by selected vertical markets, but remains a niche technology due to complexity and lack of a large development community. Support for Java Beans is growing, but is still very weak at this time. Additional important language-specific technologies coming from Sun and others include Personal Java, Real-time-Java, and various flavors of embedded Java.

Distributed computing standards include language-independent standards such as CORBA and DCOM, as well as language-dependent standards such as Java Remote Method Invocation which supports distributed Java-to-Java applications.

The Company's current technology base is heavily oriented towards COM/DCOM based solutions. In the future the Company plans to include additional offerings that cater to Java/CORBA based solutions to support the emergence of technologies from future competitors.

Direct Competition to the Company's Technologies, Tools, and Services

- **deviceCOM** – The Company is not aware of any product offerings that provide a DCOM-compatible framework for embedded systems. Microsoft plans to introduce a DCOM solution for

Windows CE in the version 3.0 release of their operating system in the fourth calendar quarter of 1999. The Company differentiates deviceCOM from DCOM by overcoming limitations of the DCOM standard that makes it unsuitable for many embedded applications. The Company is also porting the deviceCOM technology to various RTOS platforms to reduce the risk associated with Microsoft providing a competing technology at some time in the future.

- **IX** - The Company is not aware of any product offerings that compete with IX except for Component Integrator which is offered by VenturCom, Inc., a private U.S. company. Recently VenturCom licensed Component Integrator to Microsoft. Microsoft has committed to incorporating Component Integrator into the next major release of its Windows CE embedded toolkit which is expected in the third calendar quarter of 1999. The Company believes that IX compares favourably to Component Integrator by virtue of having greater functionality and greater support for third party components. The lack of other competition is due to the fact that the market is in the early stages of development. Competition is expected to intensify as the market matures. The Company believes that being early to market will represent a competitive advantage to the Company.
- **Rainbow** - The Company's principal competition comes from GoAhead, Spyglass Inc. (Microserver), emWare Inc. (emGateway) and Dundas Software Ltd. (Ultimate TCP/IP), all of which are more established, benefit from greater market recognition and have substantially greater technical, financial, and marketing resources. Rainbow differentiates itself from these competitive offerings by providing compatibility with Windows NT web server extensions, as well as providing a much smaller product that is tailored for embedded applications. Rainbow enables customers to reduce development and integration costs for their embedded Windows applications by allowing for the use of the well known and supported Microsoft Windows NT web server extension specifications.

Future Strategy

The Company's objective is to establish itself as the leading supplier of distributed component software technologies for the embedded systems market. The Company intends to do this by supplying application architectures, software components, platform development tools, and reference platforms that meet the needs of OEMs who are building the next generation of Internet-enabled consumer and commercial electronics products. Implementation of this strategy began in late 1997 with the Company's transition from a pure product development organization into more broadly based marketing, sales and service organization.

The Company's strategy incorporates the following elements:

- **Expansion of the Sales and Marketing Team**: The Company must build a strong sales and marketing team. In January 1999, the Company hired Donald J. Sutcliffe as Executive Vice President of Sales and Marketing. As a seasoned Silicon Valley executive Mr. Sutcliffe brings over 20 years of sales and marketing experience to the Company and is charged with strengthening the company's position as a leader in the embedded systems market. See "Directors and Officers".
- **Expansion of Corporate Communications Program**: The Company must create a strong industry presence for itself with a view to differentiating itself from competitors. To this end, the Company plans to establish a US office in San Francisco, attend more trade shows and embedded systems promotional events, increase its advertising in trade publications, conduct more educational seminars and continue to develop and refine its web site.
- **Completion of Key Development Initiatives**: The Company must enhance, extend, and port the deviceCOM technologies to provide a comprehensive portfolio of distributed software component

technologies as quickly as possible. The research and development staffing level is expected to grow significantly over the next six months.

- **Expansion of the Systems Integration Services Team**: The Company plans to expand its systems integration team to support custom development projects. The Company expects to add staff and contractors on an as-needed basis.
- **Leverage Third Party Relationships**: The Company expects strong competition to emerge as the market for embedded software and services grows, much of it from companies that are more established, benefit from greater market recognition and have substantially greater technical, financial and marketing resources than the Company. In an effort to protect itself from such competition, the Company intends to establish an arrangement with a major provider of embedded hardware services pursuant to which the Company's software services would be used to complement the hardware services provided by the major provider. In exchange, the Company would receive a more stable revenue stream than without such an arrangement.
- **Establish Alliances with Others**: The market for the Company's products and services is predominantly non-Windows based. Although the Company believes that embedded Windows technologies will eventually dominate the embedded software market, the Company believes it should, in the meantime, align with and/or acquire additional non-Windows based technologies. This would broaden the Company's market.

Trademarks and Copyrights

The Company relies upon copyright, trademark and trade secret laws to protect its proprietary rights in its software products. The Company has applied for registration in Canada and the United States of the trademark "Intrinsyc". While the Company's competitive position may be affected by its ability to protect its proprietary information, the Company believes that because of the rapid pace of technical change in the industry, factors such as the technical expertise, knowledge and innovative skill of the Company's management and technical personnel and its ability to rapidly develop, produce, enhance and market its software products may be more significant than formal intellectual property protection measures in maintaining the Company's competitive position. The Company attempts to protect its proprietary rights by requiring each employee, prior to commencing employment with the Company, to enter into an agreement with the Company which provides, among other things, that during their employment and for a specified period not less than one year subsequent to the termination of employment, the employee is prohibited from competing with the Company, and is prohibited from disclosing confidential information to third parties for an indefinite period. These agreements also provide that the employee shall assign to the Company all intellectual property rights in any work undertaken by the employee.

Corporate History

The Company's history can be divided into two phases. The first phase started with the Company's inception in August 1992, during which the Company focused on developing and marketing a microchip, circuit boards using the microchip and software associated with the microchip. The Company obtained a patent for the microchip it developed, and in April 1996 it completed an initial public offering and listed its common shares on the Vancouver Stock Exchange. The second phase began in the summer/fall of 1996, when the Company abandoned the microchip business due to low margins and barriers to entry into the market. As a result of the shift in focus the Company began acquiring and developing software tools and components which would facilitate the development of embedded systems that use Windows CE and/or Winows NT as their operating systems. The two acquisitions that remain material to the Company are as follows:

1. The Company purchased fault tolerant technology pursuant to an asset purchase agreement (the "WinFT Agreement") dated March 7, 1997 with Instituto Pedro Nunes ("IPN"). This software technology formed the basis for the development of the Company's WinFT. During the summer of 1997, IPN provided consulting services to the Company towards the initial release of WinFT 1.0 in August 1997. Further development of the technology resulted in the beta release of WinFT 2.0 in November 1997. Pursuant to the WinFT Agreement, the Company paid IPN $25,000, issued to IPN 100,000 Common Shares and agreed to pay a 10% royalty on all sales of WinFT to a maximum of $100,000. The consideration payable was determined through negotiation. IPN and the Company were at arm's length during the negotiations.

2. The Company purchased web server technology from Spidex Technologies ("Spidex") pursuant to an agreement (the "Spidex Agreement") dated April 4, 1997. Pursuant to the Spidex Agreement the Company agreed to assume any GST obligations arising as part of the transaction, paid Spidex $10,000 upon signing the agreement, agreed to pay $28,000 by way of monthly payments of $1500, agreed to pay $10,000 on June 30, 1997 and issued to Spidex 100,000 Common Shares. The consideration payable was determined through negotiation. Spidex and the Company were at arm's length during the negotiations. Mr. Greg Corcoran, the key technical founder of Spidex, joined the Company as the product manager of the Web Technologies group. The software technology acquired from Spidex formed the basis for the development of the Company's Rainbow Web Technologies product line.

On August 26, 1998 the Company entered into an agreement to merge with Annabooks Software LLC. Certain conditions precedent to the completion of that transaction were not satisfied, with the result that the agreement lapsed in November 1998.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Annual Financial Information

The following is a summary of selected financial information concerning the Company for the four years ended August 31, 1998.

	Years Ended August 31,			
	1998	**1997**	**1996**	**1995**
Operating results:				
Sales	$562,904	$69,036	$82,472	$107,387
Net loss	$3,874,376	$2,070,239	$602,928	$314,009
Net loss per common share	$0.24	$0.16	$0.09	$0.07
Financial position:				
Working capital (Deficiency)	$584,319	$28,864	$120,142	$(37,397)
Total assets	$1,791,696	$1,127,808	$443,297	$166,460
Capital sources:				
Shareholders' equity (Deficiency)	$1,021,851	$(11,119)	$(79,297)	$1,453

Quarterly Financial Information

The following table is a summary of selected financial information concerning the Company for each of the last 8 quarters ended August 31, 1998.

	1998				1997			
	Aug.	**May**	**Feb.**	**Nov.**	**Aug.**	**May**	**Feb.**	**Nov.**
Net Sales	$428,837	$109,723	$18,841	$5,503	$14,431	$5,776	$39,227	$9,602
Operating expenses	$1,850,464	$952,909	$868,527	$765,380	$996,566	$524,541	$341,124	$277,044
Net Loss	$(1,421,627)	$(843,186)	$(849,686)	$(759,877)	$(982,135)	$(518,765)	$(301,897)	$(267,442)
Loss per share	$(0.07)	$(0.06)	$(0.05)	$(0.061)	$(0.06)	$(0.03)	$(0.04)	$(0.028)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Results - Fiscal 1998 compared to Fiscal 1997

Revenue in the year ended August 31, 1998 increased to $562,904 as compared to $69,036 during the previous year. Most of the revenue arose in the second half of fiscal 1998, with revenue during the six months ended February 28, 1998 being only $28,703. The reason for this is that during the first six months of fiscal 1998 the Company was transitioning away from its abandoned microchip business, but its software products were not yet available. With the release of its new software products revenues began to increase.

Total operating costs increased by 111% in the year ended August 31, 1998 to $4,400,000 from $2,100,000 in the previous year. The increase is primarily attributable to the Company's efforts to transition away from the microchip business and bring its new products to market as quickly as possible and to the costs associated with the aborted merger with Annabooks Software LLC. All categories of expenses increased, but sales and marketing expenses increased the most to $1,099,000 in fiscal 1998 as compared to $382,000 in fiscal 1997, an increase of 188%. Research and development costs increased 71% to $1,577,000 in fiscal 1998 from $924,000 in fiscal 1997. Administration expenses increased by 49% to $1,240,000 in fiscal 1998 from $834,000 in fiscal 1997.

The increase in sales and marketing expense is primarily attributable increases in advertising costs from $17,000 in fiscal 1997 to $304,000 in fiscal 1998 and in salaries and commissions for sales personnel from $206,000 in fiscal 1997 to $549,000 in fiscal 1998. During fiscal 1998, the Company advertised in a number of industry-related magazines, journals and papers to promote its image and new products products.. The Company had two full time sales professions in the United States, as well as additional personnel in Canada supporting the sales and marketing campaigns. Travel costs increased from $41,000 in fiscal 1997 to $79,000 in fiscal 1998 due to the six trade shows Company attended and additional client requirements.

The increase in research and development expenses is primarily attributable to increases in salaries and benefits (an increase of 232% from $260,000 to $863,000) and professional fees paid to contractors (an increase of 72% from $238,000 to $409,000). The Company had 12 employees and 6 contractors in the research and development department as at August 31, 1998, as compared to 4 employees and 5 contractors one year earlier.

The increase in administration expenses is a reflection of the expansion of the research and development and sales and marketing departments. The largest increase was in shareholder relations (which consists primarily costs associated with shareholder meetings and communications) which increased from $37,000 in fiscal 1997 to $233,000 in fiscal 1998. Office expenses also increased by 191% from $50,000 in fiscal 1997 to $146,000 in fiscal 1998. This is primarily attributable to the effects of a full year of lease payments for the Company's new premises in Vancouver and the Kirkland, Washington.

Costs related to the aborted merger with Annabooks Software LLC aggregated $516,000, most of which is attributable to fees for legal and tax services. The costs were high primarily because of the complexity involved in structuring the cross border transaction in a tax effective manner.

Loss for the year increased from $2,070,239 to $3,874,376 during fiscal 98.

Liquidity and Capital Resources

Throughout fiscal 1997 and 1998, the Company financed its operations primarily through share issuances. The Company completed share offerings in February 1997, August 1997, November 1997 and the first calendar quarter of 1998 resulting in gross proceeds of $1,365,000, $700,000, $225,000 and $2,636,000, respectively. As a result of financing activities, the Company's working capital increased from $29,000 as at August 31, 1997 to $584,000 as at August 31, 1998.

Working capital will, however, continue to be depleted unless and until revenues increase sufficiently to meet expenditures. It is not expected that that will occur within the foreseeable future. Accordingly, the Company will continue to evaluate additional means of financing, including additional equity or debt financings, to satisfy its longer term working capital and other cash requirements. If the Company is not successful in increasing its revenues or securing such financing, it could be forced to delay or eliminate some of its product development and/or sales and marketing initiatives, which would have an adverse impact upon the Company's business, results of operations and prospects.

MARKET FOR SECURITIES

The common shares of the Company are listed on the Vancouver Stock Exchange under the symbol "ICS".

DIRECTORS AND OFFICERS

The names and municipalities of residence, offices held with the Company and principal occupations of the directors and officers of the Company as at August 31, 1998 are as follows:

Name and municipality of residence	Office	Principal occupations in last 5 years	Director Since
Derek William Spratt [(1)] Vancouver, B.C.	Director, President & Chief Executive Officer	President and Chief Executive Officer of the Company from April 18, 1996 to Present; Executive Vice-President of PCS Wireless Inc. (a telecommunications equipment manufacturing company) from April 1993 to January 1996; Vice-President of Nexus Engineering Inc. (a telecommunications equipment manufacturing company) from November 1991 to September 1992.	1996
Robert J. Gayton [(1)], Ph.D, FCA West Vancouver, B.C.	Director	Business Consultant from 1990 to Present; Vice President, Finance/Chief Financial Officer of Western Copper Holdings Limited from October 1995 to Present.	1995
William Tsu-Cheng Yu Vancouver, B.C.	Director, Chief Financial Officer & Secretary	Chief Financial Officer of the Company from January 1997 to Present; Business Consultant from December 1995 to Present; Associate, Corporate Finance at Marleau, Lemire Securities Inc. (a securities brokerage company) from July 1994 to December 1995; Portfolio Management Consultant of Discovery Enterprises Inc. (a venture capital firm) from 1991 to June 1994.	1996
Peter Tilsley [(1)(4)] Northamptonshire, England, U.K.	Director	President and Chief Executive Officer of Computer Park Software Limited (a computer software company) from 1991 to Present.	1996
Ronald P. Erickson Seattle, Washington	Director	Chairman and Chief Executive Officer of Globaltel Resources Inc. (a telecommunications service company) from January, 1996 to Present; Managing Director of Global Vision LLC (a telecommunications service company) from August 1994 to January 1996; Chairman of Egghead Inc. (a computer software retailer) from September 1992 to August 1996.	1997

Opinder (Tom) S. Gill [2] Burnaby, British Columbia	Chief Operating Officer	Chief Operating Officer of the Company from October 1996 to Present; Chief Financial Officer of Silent Witness Enterprises Ltd. (a security equipment company) from February 1998 to Present; Finance & Operations Manager Silent Witness Enterprises Ltd. from October 1996 to January 1998; Business Consultant from June 1995 to October 1996; Operations Manager of Sierra Wireless Inc. (a telecommunications equipment manufacturing company) from May 1994 to June 1995; Finance & Operation Manager CSI Credit Systems International Inc. (a point-of-sale equipment manufacturing company) from February 1991 to May 1994.	N/A
Bruce Forde Richmond, British Columbia	Executive Vice President and General Manager	Executive Vice President and General Manager of the Company from January 1997 to Present; Product Manager at MacDonald Dettwiler and Associates Ltd. (a telecommunications service company) from September 1994 to January 1997; Engineering Manager of MacDonald Dettwiler and Associates Ltd. from November 1990 to September 1994.	N/A
Brian S. Rose[3] Seattle, Washington	Vice President, Sales & Marketing	Vice President, Sales & Marketing of the Company from February 1997 to Present; Strategic Business Development and Account Management of Cadence Design Systems (an electronic design automation company) from June 1993 to January 1997; Application Engineering Manager of Cadence Design Systems from October 1990 to June 1993.	N/A

Notes:

(1) Denotes member of the audit committee.

(2) Mr. Gill devotes approximately 25% of his working time to the affairs of the Company. His services are provided pursuant to a consulting agreement.

(3) Mr. Rose resigned from the Company on October 31, 1998. Mr. Donald J. Sutcliffe was hired in January 1999 to replace him as Vice President, Sales & Marketing. Mr. Sutcliffe was the Worldwide Channel Manager for Fulltime Software, Inc. from December 1997 to November 1998; Canada and Strategic Alliances Manager for Avcom Group from May 1997 to December 1997; Regional Manager - Canada for Avnet Inc. from January 1994 to May 1997; and Sales Manager - Western Canada for GE Capital

Information Technology Services from June 1988 to January 1994. Mr. Sutcliffe is standing for election to the Board of Directors of the Company at the Company's Annual General Meeting to be held on February 25, 1999.

(4) Mr. Tilsley has advised the Company that he does not intend to stand for re-election to the Company's Board of Directors at the Company's Annual General Meeting to be held on February 25, 1999.

Each director of the Company is elected to hold office until the next annual general meeting of the Company or until their successors are elected or appointed, unless his office is earlier vacated in accordance with the Articles of the Company or with the provisions of the *Company Act* (British Columbia).

As at August 31, 1998, to the best of the Company's knowledge, directors and officers of the Company, as a group, held 865,927 common shares of the Company, representing 5% of the outstanding common shares as at that date.

The Board of Directors does not have an executive committee.

ADDITIONAL INFORMATION

A copy of the following documents may be obtained from the Corporate Secretary of the Company at #1050-1075 West Georgia Street, Vancouver, B.C. V6E 3C9, but the Company may require payment of a reasonable charge if the request is made by a person who is not a securityholder of the Company:

(i) the Company's Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in this Annual Information Form;

(ii) one copy of the audited financial statements of the Company for the year ended August 31, 1998, together with the accompanying report of the auditors and one copy of any interim financial statements of the Company subsequent to such financial statements; and

(iii) one copy of the Company's Information Circular dated December 31, 1998 for the Annual General Meeting of the shareholders of the Company to be held on February 25, 1998 (the "Information Circualar").

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Company's Information Circular. Additional financial information is provided in the consolidated financial statements of the Company for the year ended August 31, 1998.