INTRINSYC SOFTWARE, INC.

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Annual Information Form
For the fiscal year ended
August 31, 2002

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ANNUAL INFORMATION FORM

CERTAIN INTERPRETATION MATTERS

Unless the context requires, all references to the "Company" or "Intrinsyc" include Intrinsyc Software, Inc. and its predecessors. Certain terms have the meaning specified in "Item 10: Glossary". Unless otherwise specified, all references to "$" or "dollars" refer to Canadian currency.

This Annual Information Form ("AIF") may refer to registered trademarks, trademarks, tradenames and service marks of companies other than Intrinsyc, which names and marks belong to their respective owners.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This AIF contains "forward-looking statements". In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expects," "plans," "intends," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of such terms and other comparable terminology. These forward-looking statements include, without limitation, statements about the Company's market opportunity, strategies, competition, expected activities and expenditures as the Company pursues its business plan, and the adequacy of the Company's available cash resources. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, future results, levels of activity, performance or achievements cannot be assured. Consequently, all forward looking statements made in this AIF or the documents incorporated by reference are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by the Company will be realized.

ITEM 1: CORPORATE STRUCTURE

The Company

The Company 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. Intrinsyc's registered and principal business office is 10th floor, 700 West Pender Street, Vancouver, British Columbia, V6C 1G8, telephone (604) 801-6461, fax (604) 801-6417.

ITEM 2: INTERCORPORATE RELATIONSHIPS

The Company has three wholly owned subsidiaries, Intrinsyc Software (U.S.A.), Inc., NMI Electronics Limited and Linar Ltd.. Intrinsyc Software (U.S.A.) Inc. was incorporated under the laws of Washington State on March 25, 1997. NMI Electronics Limited was incorporated under the laws of the United Kingdom on March 27, 1987. Linar Ltd. was incorporated under the laws of the United Kingdom on November 21, 1997.

ITEM 3: GENERAL DEVELOPMENT OF THE BUSINESS

Overview

The Company develops comprehensive embedded computing solutions and services that allow customers to create, network and manage pervasive networks of specialized intelligent devices. Sample customers and markets include: vendors of industrial and building automation and security and surveillance applications; telecom/datacom providers; financial institutions; software developers and

application service providers; medical device and consumer electronic manufacturers and other original equipment manufacturers. The Company's products and services help bring new Internet-enabled specialized intelligent devices and their applications to market in a timely fashion. The Company has commercialized product and service offerings that support processors from Intel Corporation, Motorola, Inc. and Hitachi America, Ltd. and Linux-based operating systems as well as Microsoft Corporation operating systems, including Windows CE, .NET and Embedded Windows NT.

Specialized intelligent devices are an emerging class of products with sophisticated processing power that are designed for specific computing and communications applications, leveraging the use of wireline and wireless Internet/intranet networks. Embedded computers (information appliances) are electronic systems technically similar to general-purpose computers, but developed and deployed for use in single applications. Intrinsyc not only develops specialized embedded computers for customers, but also networks them to one another, the Internet and enterprise computing systems as well as providing provisioning and management software to service providers. Compared to traditional PC-based computers, these new specialized intelligent devices are often less expensive and more adaptable in terms of their size, weight and shape, while still providing sophisticated computing and Internet based communications capabilities, through wired or wireless telecommunications systems. Embedded computers are being developed in response to the growing use of the Internet as a medium for communicating and transacting business, and to meet the demands of businesses and consumers for smaller and more mobile computing devices.

Many of the Company's products and services were initially developed for the industrial automation market which requires robust and sophisticated communications. Since many of the other Internet-enabled computing device market segments which are now developing have similar needs to the industrial automation market, the Company's target market has expanded to include building automation, consumer electronics, telecom/datacom, medical devices and software tool developers.

The shift towards special purpose intelligent devices, the maturation of the Internet as an everyday tool of business, decreasing cost of 32-bit processors and memory, the convergence of disparate technology worlds and constant technology evolution are all factors which drive the market demand for embedded and Internet technologies, products and solutions.

Three Year History

Significant product and business developments for the Company over the last three fiscal years have been as follows:

Fiscal 2002

- The Company launched several new products including; µEngine™, Cerfworks™, Turbo Boot™ and CerfCruiser™ and released high performance Intel PXA250-based versions of the CerfBoard™, Cerf Cube™ and CerfPod™.

- The Company acquired 100% of the shares of NMI Electronics Limited in June 2002 including the µEngine family of products and an experienced team of hardware and software developers. See "Significant Acquisitions".

- The Company completed a special warrant financing resulting in aggregate gross proceeds to the Company of $10 million.

- The Company secured a $6.4 million conditionally repayable research and development funding commitment from the Canadian Government's Technology Partnerships Canada program.

Fiscal 2001

- The Company launched several new products including; deviceCOM™ for Linux, Cerf™ Pod, Cerf™Cube, Cerf™PDA, and Ja.NET™.

- The Company acquired 100% of the shares of Linar Ltd. in January 2001 and its J-Integra™ software product, a Java-based enterprise connectivity bridging tool. See "Significant Acquisitions".

- The Company completed a special warrant financing resulting in aggregate gross proceeds to the Company of $13.9 million.

- The Company obtained a listing of its Common Shares on the Toronto Stock Exchange under the symbol ICS and its Common Shares were de-listed from the Canadian Venture Exchange.

- The Company was selected into: Microsoft's Windows Embedded Partner Program, Sun's Forte for Java Partner Program, and the Intel Personal Internet Client Architecture Developer Network.

Fiscal 2000

- The Company added significant sales, marketing and management resources.

- The Company doubled the customer base for existing products including significant engagements with Ford Motor Company, Siemens and TouchStar.

- The Company completed a special warrant financing in the second quarter of 2000 resulting in aggregate gross proceeds to the Company of $6.0 million.

Significant Acquisitions

On June 26, 2002, the Company acquired all of the outstanding shares of NMI Electronics Limited, (NMI), a U.K.-based company which develops and sells Windows CE-based products and services including personal digital assistants and mobile telephony solutions. The initial consideration for the acquisition was approximately $6.8 million in cash. Additional consideration of approximately; $4.4 million in guaranteed loan notes, $2.7 million in unsecured loan notes, $950,000 in cash and 1,856,000 common shares in total is contingently payable or issuable on June 26, 2003 and June 26, 2004 upon the achievement of certain revenue targets.

The principal officers, managers and employees of NMI were at arms-length to the Company at the time of the acquisition and have subsequently been retained by the Company and have become significant members of the Company's management and development teams. See also "Item 5: Selected Consolidated Financial Information".

The Company has consolidated the operating results and financial position of NMI Electronics Limited from June 26, 2002 through to August 31, 2002 into the consolidated audited financial statements for the year ended August 31, 2002. During this period, NMI operations contributed $1,667,865 of

revenue, operating costs of $1,468,476 and a profit before tax of $199,389 after the elimination of all inter-company transactions. Amortization of Goodwill and Intellectual Property established through the acquisition of NMI during the period from June 26, 2002 to August 31, 2002 amounted to $ 52,555.

At the date of acquisition NMI had cash of $408,648, working capital of $742,472, net assets of $865,568 and total assets of $1,656,371.

Industry Background and Future Trends

The increasingly widespread use of electronic communications, including the Internet, is enabling networks of businesses and consumers to collaborate, access information and conduct business and personal interactions more effectively. It is also enabling the communication with, and control over, a host of new embedded specialized intelligent computing devices which may be hidden from view and which may have no local user-interface associated with them. As the number of Internet users grows, and the number of embedded Internet controlled devices grows, so does the diversity of content, services and applications available via the Internet. While the Internet has already had a significant and highly visible impact on business-to-consumer and consumer-to-consumer relationships, the market for business-to-business Internet transactions is expected to expand at a greater rate. According to a November 1998 report by Forrester Research entitled “Resizing On-line Business Trade”, U.S. based Internet commerce between businesses is expected to grow from $43 billion in 1998 to $1.3 trillion in 2003. Gartner Research, in a 2000 report entitled “U.S. Consumer Market for Information Appliances” forecast substantial growth in the embedded computing market with shipments of information appliances reaching USD$17.8 billion in 2004.

As more businesses and consumers access the Internet, and more specialized intelligent devices are connected to, and controlled remotely over the Internet, new ways of conducting business electronically are emerging. Examples of new applications that are leveraging this ability to communicate electronically include:

- businesses that use mobile (in-vehicle) or portable (hand-held) computing devices to permit access to server-based network applications and the Internet from remote sites as well as centralized access to and control over the remote client devices themselves;

- retail businesses that use handheld point-of-sale terminals to provide real-time inventory tracking, automate their procurement processes, and publish information instantly to both internal and external users via the Internet;

- industrial and building automation based businesses that require real-time control over buildings and control systems, real-time devices for enterprise communications, automation of procurement processes and publishing of information instantly to both internal and external users via the Internet;

- healthcare professionals who use mobile computing devices to record and access patient information that can then be shared via the Internet among a broader group of professionals responsible for providing medical care; and

- consumers who use Internet-enabled television set-top boxes, specialized wireless entertainment systems, gaming systems and other devices to access Internet content, communicate and conduct transactions online.

- Smart phones and wireless personal digital assistants using Windows CE, Linux targeted at specialized vertical market applications.

The increasing need for connectivity among both business and consumer users is driving demand for easy-to-use, cost-effective and customizable methods of electronic communication using common operating systems and interfaces. Although the PC has been the traditional means of electronically connecting suppliers, partners and customers, a new class of computing devices has emerged. These include Internet-enabled computing device, "set-top boxes," handheld and palm-size PDA's, gaming systems, handheld industrial data collectors, and consumer "Internet appliances" such as kiosk terminals and vehicle navigational devices. The wide spread acceptance of Windows CE, CE.NET and Linux as broad, scalable operating systems as well as the availability of broadband communications through GPRS/CDMA cellular, WiFI and Bluetooth allows these embedded devices to connect to the enterprise quickly and efficiently. As well, embedded controllers in such locations as building security, heating and ventilation systems, factories and hospitals are increasingly required to be connected to corporate computing networks via the Internet rather than proprietary networks.

These computing devices are particularly attractive to business and consumer users because they are often less expensive than traditional computers; have adaptable configurations, including size, weight and shape; and are able to support a variety of customized applications and user interfaces that can be designed for particular tasks. In addition, these devices are typically compatible with existing business information systems due to the commonly accepted operating systems involved.

Internet-enabled computing devices can be used for a number of purposes, from consumer information to industrial automation, and can be custom designed for a range of unique and specific applications. As a result, the computing device industry is characterized by a wide variety of hardware configurations, and end-user applications, each often designed for a specific market. To accommodate these diverse characteristics in a cost-effective manner, semiconductor vendors and original equipment manufacturers require an operating system that can be integrated with a number of different computing devices and support an expanding range of industry-specific content and applications.

ITEM 4: NARRATIVE DESCRIPTION OF THE BUSINESS

The Company's Products and Services

Reference Design Products

The Company currently markets a family of Internet-enabled intelligent hardware reference designs and development platforms, which are small computers that run standard operating systems, including Windows CE and Linux, and the Company's other software products. These reference designs and development platforms are initially provided to original equipment manufacturers in initial prototype orders, with volume run-time licensing revenue being generated once a product developed using a reference design or development platform is commercialized. The Company is currently working with leading chip manufacturers such as Intel Corporation, Motorola Inc. and Hitachi America, Ltd. to prepare and customize these designs, which include:

- *CerfBoard SA1110 and CerfBoard PXA250*, a customizable Internet-enabled reference platform based on the 32-bit Intel Corporation, StrongARM or PXA250 RISC processor, with various memory configurations and several open standard data connectivity built-in ports including Ethernet, USB, Compact Flash, serial, and GPIO. The PXA250 platform runs at 400Mhz**,** conforms to industrial temperature requirements and optionally supports a colour

touch screen liquid crystal display and was released generally for Windows CE and Linux in 2002;

- *CerfBoard SH3 7708*, a lower cost implementation than CerfBoard SA1110 based on a 32-bit Hitachi America, Ltd. SuperH RISC SH3 microprocessor. This version offers fewer peripherals and is best suited for lower cost, headless applications where basic Internet connectivity is sufficient, and was released generally for Windows CE in October 1998;

- *CerfPod*, a comprehensive developer's kit for designing in-vehicle computers, web tablets and point-of-sale devices running either Windows CE or Linux and complete with a 7.5" display, off-the-shelf embedded tools and multiple configuration options available with a low cost SA1110 processor or high performance PXA250 processor;

- *CerfCube SA1110 and PXA250*, a high-performance, low-power gateway server for developing new Internet devices or Internet enabling existing equipment;

- *CerfCruiser*, a development platform consisting of customizable hardware and software designed specifically for the telematics market based on the high-performance PXA250, the platform provides a rich feature set which enables security, safety, navigation, and entertainment capabilities for in-vehicle applications;

- *CerfPDA*, a comprehensive all-in-one solution for hand-held applications with a variety of communication and networking options including 802.11b, GPRS, CDPD, GPS, Bluetooth, and LAN OEM modules;

- *µEngine*, a complete hardware and software single board computer, ideally suited for use in systems using Microsoft's Windows® CE and other operating systems. It contains all of the elements of the CPU subsystem including the microprocessor, RAM, flash memory, FPGA and support circuitry, all on an industry accepted form factor board;

- *µPCA*, a baseboard that provides developers with a means of interfacing the µEngine to a PCI bus, and to use "off the shelf" PCI cards, such as graphics or Ethernet cards, to demonstrate new ideas and develop new products quickly and easily; and

- *µNET*, a means of interfacing the µEngine to an Ethernet network which allows developers to develop and demonstrate new products.

Linking Technology Products

The Company also currently markets a suite of commercialized connectivity and remote management based software products to original equipment manufacturers and software developers. These products are initially provided either in "toolkit" form or in downloadable software format from the Intrinsyc website. Volume run-time licensing revenue is generated once a product developed using a toolkit or software download is commercialized. The products currently offered by the Company include:

- *deviceFT*™, a set of operating system components designed to improve system reliability, which were released generally for Windows NT in February 1998 and Windows CE in September 1999;

- *deviceCOM*, a COM-based protocol designed to improve communications efficiency and reliability of wireless and wireline networks, which was initially released generally for Windows CE and Windows NT in November 1998;

- *deviceCOM for Linux*, a Linux-based protocol designed to improve communications efficiency and reliability of wireless and wireline networks, which was released in September 2000;

- *deviceOPC*™, a set of deviceCOM application level extensions tailored to the industrial automation and building automation markets for use in low-level "headless" embedded systems, which were released generally in August 1998;

- *J-Integra*™ *Suite*, a set of tools that enables software developers to create bi-directional bridging solutions between Java and COM (Microsoft's Component Object Model) components including J-Integra Servlet-Com Bridge, J-Integra VB-EJB Bridge, J-Integra ASP-Java Bridge, J-Integra Java-Excel Bridge and J-Integra Java-Exchange bridge; and

- *Ja.Net*™, a set of tools that supports Web Services and provides pure Java implementation for Microsoft's new distributed object infrastructure called .NET Remoting. Ja.Net aids software developers by creating bi-directional bridging solutions between .NET and Java.

Remote Management Solutions

The Company also markets remote management solutions that allow customers to remotely manage networks of devices and appliances. These solutions are comprised of web server technologies, web browser interfaces and various network communications infrastructure technologies and are specifically available as:

- *CerfWorks*™, a complete remote management and data collection solution for specialized, intelligent devices CerfWorks helps original equipment manufacturers (OEMs) centrally manage their specialized devices, deploy and manage new services on devices and integrates them within key business systems, and

- *Embedded Web Services*™, a product complementary to Microsoft's .NET Compact Framework that includes several standard software components, Web Services and applications services that combine to deliver remote configuration, application management and operating system updates to virtually any Internet enabled device.

Consulting Services and Support

The principal engineering services provided by the Company are as follows:

- Conducting feasibility studies, requirements analyses and architecture designs;

- Developing detailed product specifications in conjunction with original equipment manufacturer's product development team;

- Providing detailed technical training and support programs for original equipment manufacturer's staff;

- Developing customized software to allow original equipment manufacturer's selected hardware (CerfBoard or third party) to run their selected operating system (e.g. Windows CE, Linux);

- Customizing the Company's products for in-house use by original equipment manufacturers;

- Developing customized hardware design and producing prototypes;

- Integrating off-the-shelf components; and

- Providing technical support and service to existing customers as well as software maintenance and upgrades based on annual service contracts.

The Company provides these services only if it involves the licensing of existing Company technologies, or if it presents an opportunity to sell into a new strategic account or to develop new licensable technology modules. The Company's services are provided on a time and materials basis.

Strategic Relationships

The Company has relationships with a variety of operating systems vendors, semiconductor manufacturers, distributors and OEM customers. The Company considers certain of these relationships as described below, to be strategically important and works to maintain these relationships, or establish new relationships of equivalent strategic value.

Operating System Vendors

The Company has, since early 1997, worked with Microsoft Corporation in the promotion and enhancement of Microsoft Corporation's various embedded Windows operating system initiatives along with the Company's product and service offerings. This includes cooperative participation in advertising campaigns, tradeshows, promotional and educational road shows, web site links, and related activities. Microsoft Corporation currently maintains a number of active web site links to the Company's web site in addition to having references to the Company and its products and services in various marketing and technical support materials that Microsoft Corporation provides to the software development community. In 2002, Intrinsyc and NMI both received Gold status in the Windows Embedded Partner Program (WEP) providing new and ongoing product development opportunities and expanded sales channels.

In 2001, Intrinsyc became a Sun Microsystems Forte™ for Java™ program partner. Forte is Sun Microsystems' integrated development environment for the Java developer community. As a program partner, Intrinsyc's Java solutions are marketed on the Sun Microsystems Forte™ for Java™ Portal and will seamlessly plug into the Forte development environment, effectively reaching a market of more than 3 million Java developers. In August, 2000, the Company entered into an alliance agreement with MontaVista Software Inc. ("MontaVista"), a Linux operating system and tool vendor for the embedded software industry. Under the terms of this agreement, the Company and MontaVista will support each other's products. For the Company, this represents channel opportunities for its CerfBoard designs as well as further Linux-based software technologies into the telecommunications market, where MontaVista is strong.

Semiconductor Manufacturers

The Company has worked with Hitachi America, Ltd. since early 1998, Intel Corporation since mid 1997, and Motorola, Inc. since late 1998 in the promotion and enhancement of their respective

embedded processor lines. The Company has also worked closely with Intel Corporation and Hitachi America, Ltd. in the development of the Company's CerfBoard reference platforms and with Motorola, Inc. in conjunction with Motorola's embedded processor platform partner, Embedded Planet, LLC. This includes cooperative participation in advertising campaigns, trade shows, promotional and educational road shows, web site links, and related activities with each of these companies. Intel Corporation, Motorola, Inc., Hitachi America, Ltd. and Embedded Planet, LLC and others currently maintain active web site links to the Company's web site in addition to having references to the Company and its products and services in various marketing and technical support materials that they provide to the software and hardware development community.

In 2001, Intrinsyc was accepted into Intel's Personal Internet Client Architecture Developer network. Membership gives Intrinsyc enhanced access to a broad range of new Intel ship technologies and development resources.

Distributors and OEM Customers

In March of 2002 Intrinsyc signed an agreement appointing Avnet Applied Computing as an official distribution partner for Intrinsyc's products and services. Avnet Applied Computing is Avnet's newest and fastest growing operating group, with operations in North America, Europe and Asia. Avnet Applied Computing has structured itself to serve original equipment manufacturers and system builders that use computing technologies such as CPUs, mass storage, displays, embedded computing boards, commercial motherboards, memory modules, networking and software products. As a distributor of Intrinsyc products and services, Avnet will refer customers who require connectivity to network embedded devices, and rapid embedded product development assistance.

In November of 2001, Intrinsyc signed an agreement appointing Asahi Techneion as the exclusive distributor of Intrinsyc's products and services in Japan. Asahi Techneion will promote and distribute Intrinsyc's solutions to its customer base, and will leverage the products and services to target new market verticals such as instrumentation maintenance, medical equipment, analyzers, and test and measurement.

Marketing and Sales Strategy

The Company markets its products and solutions through its direct sales force and web site as well as indirect channels such as alliances, component manufacturers, system integrators and regional distributors. The Company's solutions and products are vertical in nature in that the solutions created and sold tend to be specific to a given market. The principal vertical markets that the Company currently has identified as strategic for growth are: industrial and building automation; security and surveillance; OEM products; telecom/datacom; financial institutions; software developers and application service providers; medical devices and consumer electronics.

To support its sales efforts, the Company markets its solutions through an active set of marketing programs including attendance at industry events, trade shows alliance developer forums, through distributor referral programs, a web presence, focussed direct mail, seminars, public relations and ongoing strategic relationships with key system integrators and original equipment manufacturers.

Events

The Company participates and exhibits at several key industry conferences throughout the year. These include events, such as the Embedded System Conference, Intel Developer Forums, Microsoft DevCon, Linux World and JavaOne, where embedded solutions and networking products are shown to

prospective original equipment manufacturers and software/product developers from a wide range of industries. Events such as National Manufacturing Week and ISA Expo highlight the specialized nature of some of the Company's products to the industrial and building automation markets. The Company also attends other conferences in wireless telecommunications and in-vehicle computing.

Media and Web Presence

The Company advertises in selected trade press, with a focus on cooperative marketing programs with Microsoft Corporation, Intel and other strategic partners. Ad placements are aligned with editorial calendar contents that best match the Company's solutions.

The Company maintains an active media contact list and disseminates all relevant news to key industry analysts and technical editors. The Company actively plans press interviews to maximize coverage at all trade show events.

The Company targets its web presence through several new portal service providers that offer vendor and solutions information to specific vertical market customers. For example, one such portal provider is VerticalNET, Inc., with vertical user communities in several of the Company's business segments. The Company can expand its solutions visibility through VerticalNET, Inc. and other similar providers.

The Company has also engaged a search engine placement company to assist in the ranking and placement of Intrinsyc and its technologies in key search engines.

Sales

The Company sales strategy includes a mix of direct and indirect channels. The Company has a direct sales team today consisting of business development managers responsible for large original equipment manufacturer accounts. The direct sales team also responds to sales leads from several sources, including the Company's web site, trade shows and telephone inquiries. The Company has remote sales offices in Los Angeles, Dallas, Philadelphia, Toronto, Cleveland and London (UK) in addition to the principle offices in Vancouver, B.C. and Birmingham, U.K..

The Company's direct sales force employs a consultative sales process, working closely with customers and the Company's engineering services team and highly qualified field application engineers, to understand and define customer requirements and specifications and develop the optimum solution. These solutions are typically strategic for the customer involving new technologies or product development, and marketing efforts are generally directed to the senior management of a prospective customer. The Company's strategy is to form long-term relationships and supply agreements with its customers and generate licensing revenue from ongoing usage of products and solutions developed based on the initial services engagement.

With respect to indirect sales channels, the Company's major objective has been to establish several points of presence in its vertical markets, both in North America and abroad. To this end, the Company has established channel relationships with value-added resellers (i.e. companies that can provide system integration services to their original equipment manufacturer customers such as Asahi Techneion in Japan), platform companies (silicon vendors and single board computer vendors such as Intel Corporation, Hitachi America, Ltd., and Motorola, Inc.), major distributors of existing Microsoft Corporation products and silicon products (such as Pioneer Standard Electronics, Inc. and Avnet Applied Computing Inc.) and key software developers and application service providers with specific market expertise or geographical area of operation (such as BEA Systems Inc. or Rational Corp.).

The Company also works closely with technology partners to identify specific client opportunities and requirements. It is intended that these alliances will result in the Company's introduction to new accounts, increased ability to service new accounts and reduced sales cycle length. Joint marketing activities conducted with these partners allow the Company to use the reputation of these partners as leverage to increase market coverage and acceptance of the Company's services and solutions. These activities include jointly conducted seminars, trade shows and conferences.

To date, the Company's revenues have been derived primarily from the United States and Europe. The Company intends to continue to expand its direct sales force and its web presence but intends to focus significant resources on growing indirect channels and regional distribution channels in Asia and Europe.

Research and Development Activities

The Company's research and development team performs two primary functions: (i) the support and enhancement of the Company's existing products; and (ii) the development of new products. Research and development activities are undertaken by both employees and subcontractors.

Current significant development activities are as follows:

- Development of *CerfWorks*, a customizable remote management solution based on standard Internet protocols including UPnP, UDDI, SOAP and XML, that provides for automatic detection, provisioning and configuration of devices on a network from centrally-maintained device profiles. This includes the installation or upgrading of new operating systems, applications, content, and configuration data.

- Development of wireless extensions of existing Intel StrongARM SA-1110 and PXA250 reference platforms.

- Continued integration and development of latest operating system technologies, including Microsoft Windows CE, .NET and Linux.

- Development of next-generation Intel processor reference platforms, extending the Company's existing CerfBoard range of products.

- Development of µPDA, a combination cellphone PDA development platform that features multiple communication, networking and peripheral support options including a color, high resolution touchscreen display, audio, web camera, 'always-on' Internet connectivity in a compact design that can be easily customized to fit an OEM's exact needs and is also a powerful "out of the box" solution for creating, demonstrating, and debugging handheld applications.

- Ongoing development of Smartphone technologies that allow Linux and Windows CE operating systems to operate on Cellphones and Wireless PDA's.

- Delivery of a Java to Microsoft .NET bridging solution (Ja.NET) that will allow for future Microsoft and Java enterprise computing compatibility.

- Continue to package J-Integra for new implementations and continued customization for large OEN and ISV opportunities.

Customers

Intrinsyc focuses on providing embedded-to-enterprise solutions and specialized intelligent devices to a wide variety of customers through direct and indirect distribution channels. There is no typical customer purchase in that an individual sale may consist of a single reference design or development kit of nominal value through to a full scale engineering services agreement followed by a run-time license fee. The Company currently has over 1500 distinct customers with a historical range of contract values from USD$500 to USD$1,600,000. In fiscal 2002, no one customer accounted for more than 10% of revenue. In fiscal 2001, BEA Systems Inc. accounted for approximately 15% of the Company's revenues.

Intrinsyc's historical and current customers include some of its alliance partners. Some of the Company's key customers based on revenue or strategic importance to the Company include: BEA Systems Inc., Microsoft Corporation, Rational Software, Siemens, GE, Ford Motor Company, Sun Microsystems, Macromedia, Phillips Electronics, Bayer, Baxter, CyberCare, Symbol Technologies and Panasonic.

Competition

The markets in which the Company participates are competitive and the Company expects competition to intensify in the future. The Company's current and potential future competitors may include:

- companies that network-enable devices, such as Echelon Corporation, Bsquare Corp., Accelent Systems and VentureCom Inc.;

- companies with significant networking experience and research and development resources, including 3Com Corporation, Cisco Systems, Inc., Hewlett-Packard Company, International Business Machines Corporation, Lucent Technologies and Nortel Networks Corporation; and

- companies with in-house capabilities to network-enable their products.

Many of the Company's current and potential competitors, alone or together with their trade associations and partners, have significantly greater financial, technical, marketing, service and other resources, greater name recognition, broader product offerings, and longer operating histories.

The Company's industry involves rapidly changing technology, frequent new product introductions and evolving standards and protocols. To maintain or improve the Company's competitive position, it must continue to develop and introduce, on a timely and cost-effective basis, new products and services. The Company must also strengthen its relationships with original equipment manufacturers, value added resellers and system integrators.

The principal competitive factors that affect the market for the Company's products are:

- product quality, technological innovation, compatibility with standards and protocols, reliability, functionality, ease of use and compatibility;

- market and general economic conditions and requirements for new and innovative products;

- price of the Company's products; and

- potential customers' awareness and perception of the Company's products as well as device servers generally.

The Company's products form an integrated framework of licensable software and hardware components. Individually, each of the products faces discrete competitive threats from more specialized vendors. The Company's competitive strength is derived mainly from its integrated ensemble of products, as it provides original equipment manufacturers with the benefit of being able to obtain from a single supplier a relatively complete products and services solution highly specific for its product development needs. The Company seeks to maintain its competitive strength through its continuous research and development programs as well as by capturing dominant customers with highly integrated solutions in specified vertical markets.

Barriers to Entry

The barriers to entry to compete with the Company span multiple fronts, ranging from hardware expertise, distributed computing system expertise, low-level programming expertise and complex engineering services expertise. While potential competititors may have similar products or levels of competence in individual areas, the Company's uniqueness lies in its ability to span a range of technologies, products and services to deliver complete Internet-ready computing device solutions. The technical barriers to entry are moderate for the Company's CerfBoard and deviceWEB™ product lines but quite high on the J-Integra suite, deviceCOM, deviceOPC, deviceFT and deviceRMS product lines due to the complex nature of technologies.

Business Objectives and Strategies

The Company's objective is to establish itself as a world leader in the development of technologies and solutions that allow customers to create, link and manage networks of specialized intelligent devices. The Company's vision is one where millions of devices are smart and connected, and the information transfer between device and the enterprise is seamless and part of everyday operations. The Company intends to accomplish its objective by assisting its customers and partners to develop new products by using Intrinsyc's licensable technologies and its technical support and design services.

The Company's strategy incorporates the following principal elements:

- *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 enhance its relationships with its current hardware and software customers and suppliers, and focus on securing long term supply relationships with the dominant customer in targeted vertical market segments.

- *Continue to Expand Through Alliances and Acquisitions.* The market for the Company's products and services is predominantly non-Windows based. The Company plans to consider alliances with and acquisitions of other related or complementary businesses or assets, including non-Windows based technologies. Strategic acquisitions, alliances or asset purchases may enable the Company to broaden its product and service offerings as well as secure additional distribution channels and expand more rapidly.

- *Partner with Strategic Customers.* The Company believes that the convergence of low cost processing power combined with the growth of Linux and Windows CE as standard operating

systems provides a significant opportunity as large well established companies enter the specialized intelligent device market. The Company plans to use its expertise and intellectual know-how to partner with large OEM's as they invest in embedded technologies. The ability to successfully sell services and license technology to these partners will enable the Company to grow at a faster rate due to the leverage of the marketing and distribution efforts of these strategic customers.

- *Invest in Ongoing Development of Market Leading Technologies.* The Company plans to continue the development of market leading technologies and products in Reference Designs, Linking Technologies and Remote Management Applications to ensure it continues to deliver viable commercial solutions to its customers.

Production Components and Materials

The Company manufactures and sells a number hardware products used by customers as development platforms and reference designs. The Company also manufactures proto-types of custom designs for customers and will on occasion prime the manufacturing of volume unit production.

Raw materials for production purposes are sourced from many different vendors and include microprocessors, memory chips and flash memory devices, circuit boards, displays, touch screens, capacitors, resistors as well as a large variety of processing and communication modules and sub-components. The majority of purchases are made through many different component distributors the largest of which are; Arrow, Avnet and Pioneer Electronics. At any given time, due to economic forces of supply and demand, prices and availability of components may fluctuate. In extreme cases some manufacturers experiencing production shortfalls may limit the availability of specific products. The Company endeavors to ensure that multiple vendors are available for its production requirements.

The Company uses contract manufactures for the outsourcing of volume production. The Company has three main suppliers of manufacturing services and obtains competitive quotes for each significant production run.

Intellectual Property

The Company relies upon copyright, trademark and patent laws to protect its proprietary rights in its software and hardware products. The Company has applied for registration in Canada and the United States of the trademark "Intrinsyc". The United States application for this trademark is being held in abeyance pending filing of the required certified copy of the Canadian Certificate of registration. 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 and hardware products may be more significant than formal intellectual property protection measures in maintaining the Company's competitive position. Nonetheless, the Company has invested in ongoing patent and trademark protection and continues to review opportunities to file intellectual property protection on an ongoing basis.

The Company currently has seven patent applications approved or under consideration with the US Patent and Trademark Office, the Canadian Patent and Trademark Office and the European Patent Office. 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 employment and for a 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. See "Risk Factors".

Despite precautions taken by the Company, it may be possible for unauthorized third parties to copy aspects of the Company's hardware and software solutions, or to obtain and use information that the Company regards as proprietary. There can be no assurance that the Company's competitors will not independently develop similar or superior solutions.

Human Resources, Premises and Production

As at December 31, 2002, the Company employed 108 full-time personnel and had 10 contractors. Of these, 81 were engaged in research, development and customer support activities, 18 in sales and marketing and 19 in finance and administration.

The Company has offices in Vancouver, Los Angeles, Toronto, Philadelphia, Atlanta, Dallas, London and Birmingham. All of the Company's existing office space is a leasehold arrangement. The Company's total annual lease payments for office space is approximately $800,000. The Company's principal business office is located in Vancouver, British Columbia.

The Company relies on third party manufacturers for the production of its hardware products but is not restricted to a single source vendor for any of its manufacturing requirements.

Risk Factors

Due to the Company's stage of development, investment in securities of the Company may be regarded as speculative. In addition, the following factors should be considered by potential investors.

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, 2002, the Company had an accumulated deficit of $20.0 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 inputing 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, Microsoft Corporation 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 Corporation 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 original equipment manufacturer 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 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 outsources 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 compliment 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 Company's management's attention 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.

International Expansion of Business Operations

The Company plans to increase international operations in fiscal 2003. International sales and the related infrastructure support operations carry certain risks and costs such as the administrative complexities and expenses of administering a business abroad; complications in both compliance with and also unexpected changes in regulatory requirements, foreign laws, international import and export legislation, trading policies, tariffs and other barriers; potentially adverse tax consequences; and uncertainties of law and enforcement relating to the protection of intellectual property and unauthorized duplication of software. There can be no assurance that these factors will not be experienced in the future by the Company or that they will not have a material adverse impact on Intrinsyc's business, results of operations and financial conditions.

Foreign Exchange Risk

A substantial portion of the Company's sales are denominated in United States dollars and are made to United States-based customers. Because the Company's operations are based in Canada and the United Kingdom, the Company is exposed to risks associated with fluctuations in the exchange rate between the United States dollar, the British Pound and the Canadian dollar. If the Canadian dollar or British Pound rise relative to the United States dollar, the Company's operating results may be adversely impacted. To date, the Company has not entered into any transactions to hedge against gains or losses from foreign exchange fluctuations.

Intellectual Property Protection

The Company's ability to compete may be affected by its ability to protect its intellectual property. It relies primarily on a combination of copyright, trademark and trade secret laws, confidentiality procedures and contractual provisions to protect its intellectual property. While the Company believes that its products and technologies are adequately protected against infringement, there can be no assurance of effective protection. Monitoring and identifying unauthorized use of the Company's technology is difficult, and the prohibitive cost of litigation may impair the Company's ability to prosecute any infringement. The commercial success of the Company will also depend upon its products not infringing any intellectual property rights of others and upon no claims for infringement being made against the Company. The Company believes that it is not infringing any intellectual property rights of third parties, but there can be no assurance that such infringement will not occur. An infringement claim against the Company by a third party, even if it is invalid, could have a material adverse effect on the Company because of the cost of defending against such a claim.

Product Liability

The Company's license agreements with its customers typically contain provisions designed to limit the Company's exposure to potential product liability claims. There can be no assurance that such provisions will protect the Company from such claims. The Company does not maintain product liability insurance. A successful product liability claim brought against the Company could have a material adverse effect upon the Company's business, results of operations and prospects.

Stock Price Volatility

The market price for the Common Shares fluctuates significantly, and these fluctuations tend to be exaggerated if the trading volume is low. The market price of the Common Shares may rise or fall in response to announcements of technological or competitive developments, acquisitions or strategic alliances by the Company or its competitors, and the gain or loss by the Company of significant orders or broad market fluctuations.

Shareholders' Rights Plan

The Company has implemented a Shareholders' Rights Plan. The Shareholders' Rights Plan provides for substantial dilution to an acquiror making a take-over bid for the Common Shares of the Company unless the bid meets the requirements described in the Shareholders' Rights Plan. This could discourage a potential acquiror from making a take-over bid and make it more difficult for a third party to acquire control of the Company, even if such acquisition or bid would be beneficial to the Company's shareholders.

Outstanding Rights to Acquire Common Shares

As at December 31, 2002, the Company had outstanding stock options and warrants to purchase an aggregate of 5,546,936 Common Shares at prices ranging from $0.77 per share to $5.30 per share. To the extent that outstanding options or warrants are exercised, dilution to the interests of the Company's shareholders will occur.

ITEM 5: SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table presents selected historical consolidated financial data of the Company for the periods indicated. The following selected financial information should be read in conjunction with, and is qualified in its entirety by, the audited consolidated financial statements of the Company for the year ended August 31, 2002 which are incorporated by reference herein. The information contained herein should be read in conjunction with the Company's Management Discussion and Analysis under Item 6. The selected historical consolidated financial data for the Company as of and for each of the years ended August 31, 2000, 2001 and 2002 are derived from the audited consolidated financial statements of the Company. Historical results are not necessarily indicative of the results that may be expected for any future period or for a full year.

On June 26, 2002, the Company acquired all of the outstanding shares of NMI Electronics Limited, (NMI), a U.K. based corporation, which materially impacted the operating results of the Company. As a consequence, results of operations include the operating results for NMI from June 26, 2002. NMI has a fiscal year ending March 31 and for the years ended March 31, 2000, 2001 and 2002, had revenues of £1,410,841, £2,479,070 and £1,914,719 respectively. For the same periods the net income recorded was £142,545, £429,150 and a loss of £90,247 respectively. As at March 31, 2002, NMI had working capital of £520,808.

The Company has consolidated the operating results and financial position of NMI from June 26, 2002 through to August 31, 2002 into the consolidated audited financial statements for the year ended August 31, 2002. During this period, NMI operations contributed $1,667,865 of revenue, operating costs of $1,468,476, and a profit before tax of $199,389 after the elimination of all inter-company transactions. Amortization of Goodwill and Intellectual Property established through the acquisition of NMI during the period from June 26, 2002 to August 31, 2002 amounted to $52,555.

At the date of acquisition NMI had cash of $408,648, working capital of $742,472, net assets of $865,568 and total assets of $1,656,371.

On January 26, 2001 the Company acquired all of the outstanding shares of Linar Ltd., a U.K. corporation, which materially impacted the operating results of the Company. As a consequence, results of operations include the operating results for Linar Ltd. from January 26, 2001. Linar has a fiscal year ending July 31 and for the years ended July 31, 1999, 2000 and 2001 had revenues of £70,408, £301,065 and £578,974 respectively. For the same periods the net income recorded was £34,320, £156,430 and £138,254 respectively. As at July 31, 2001 Linar had working capital of £219,008.

The Company has consolidated the operating results and financial position of Linar from January 26, 2001 through to August 31, 2001 into the consolidated audited financial statements for the year ended August 31, 2001. During this period, Linar operations contributed $102,462 of revenue, operating costs of $80,889, and a profit before tax of $21,573 after the elimination of all inter-company transactions. Amortization of Goodwill and Intellectual Property established through the acquisition of Linar during the period from January 26, 2001 to August 31, 2001 amounted to $530,442.

For the year ended August 31, 2002 the operating results and financial position of Linar have been fully consolidated into the results of the Company and have not been separately disclosed nor would they be meaningful subsequent to the integration and consolidation of the business activities and product line of Linar Ltd. into the operating activities of the Company.

The Company prepares its consolidated financial statements in accordance with Canadian GAAP. The selected historical consolidated financial data should be read in conjunction with the audited consolidated financial statements and the notes thereto for the year ended August 31, 2002.

	Years Ended August 31,		
	2002	**2001**	**2000**
Statement of Operations Data:			
Revenues	$14,175,201	$10,940,424	$2,974,363
Cost of Sales	6,835,054	4,660,290	1,808,288
Revenues less Cost of Sales	7,340,147	6,280,134	1,166,075
Expenses:			
Administration	2,241,754	2,891,097	1,373,921
Marketing and Sales	5,038,000	4,362,627	2,204,411
Research and development	3,877,304	2,769,602	1,049,101
Amortization	1,532,960	884,818	128,980
Less: Technology Partnerships Canada Funding Investment	(1,256,418)	—	—
Total expenses	$11,433,600	$10,908,144	$4,756,413
Loss before interest income and income taxes	$4,093,453	$4,628,010	$3,590,338
Interest Income	388,876	823,845	192,060
Loss before income taxes	$3,704,577	$3,804,165	$3,398,278
Income tax expense (recovery)			
Current	206,144	—	—
Future	(135,767)	(70,000)	—
	70,377	(70,000)	—
Loss for the year	$3,774,954	$3,734,165	$3,398,278
Loss per share	$0.10	$0.12	$0.16

	As At August 31,		
	2002	**2001**	**2000**
Balance Sheet Data:			
Current Assets	$17,177,183	$17,710,850	$8,266,764
Current Liabilities	$4,046,926	$3,900,269	$838,650
Shareholders' Equity	$28,889,228	$19,539,499	$8,152,660
Total Assets	$33,471,787	$23,609,768	$8,991,310

	Quarter Ended (unaudited)							
Income Statement Data	**Aug 31 2002**	**May 31 2002**	**Feb 28 2002**	**Nov 30 2001**	**Aug 31 2001**	**May 31 2001**	**Feb 28 2001**	**Nov 30 2000**
Revenues	$5,112,176	$2,487,785	$3,427,571	$3,147,669	$3,846,686	$3,384,148	$2,057,701	$1,651,889
Loss from operations	($441,867)	($2,575,157)	($621,179)	($455,250)	($357,762)	($1,136,875)	($1,576,111)	($1,557,262)
Loss for the quarter	($383,525)	($2,472,629)	($592,897)	($325,903)	($117,526)	($975,113)	($1,264,383)	($1,377,143)
Loss per share	($0.01)	($0.07)	($0.02)	($0.01)	($0.01)	($0.03)	($0.04)	($0.05)

Dividend Policy and Record

The Company has not paid any cash dividends on its Common Shares to date. The Company currently intends to retain any future earnings to finance the growth and development of the business and, therefore, the Company does not anticipate paying cash dividends in the foreseeable future.

ITEM 6: MANAGEMENT'S DISCUSSION AND ANALYSIS

The information contained under "Management Discussion and Analysis" in the Company's Annual Report to shareholders for the year ended August 31, 2002 is incorporated herein by reference. See "Additional Information and Documents Incorporated by Reference".

ITEM 7: MARKET FOR SECURITIES OF THE COMPANY

The Company's securities are listed and posted for trading on the Toronto Stock Exchange under the symbol "ICS".

ITEM 8: DIRECTORS AND OFFICERS

The table set forth below lists the directors and senior officers of the Company as at January 15, 2003, indicating their names, municipalities of residence, their respective positions and offices held with the Company, their principal occupation within the five preceding years and their length of service to the Company.

Name, Place of Residence and Position with Company	**Present and Principal Occupation during the last five years**	**Date of Appointment as Director**
Ronald P. Erickson,[(1) (2)(3)] Seattle, Washington Chairman (Independent of Management)	Chairman of eCharge Corporation from November 1999 to Present; Chief Executive Officer of eCharge Corporation from August 1998 to November 1999; Chairman and Chief Executive Officer of Globaltel Resources Inc. (a telecommunications service company) from January 1996 to August 1998.	October 27, 1997
Robert J. Gayton,[(1)(2)(3)] PH.D, FCA West Vancouver, B.C. Director (Independent of Management)	Business Consultant from 1990 to Present; Vice President, Finance/Chief Financial Officer of Western Copper Holdings Limited from October 1995 to Present. Director/Officer of several additional private and public companies.	February 23, 1995
Vincent P. Luciano[(2)(3)] Port Jefferson Station, New York Director (Independent of Management)	Vice President, Product Management, Symbol Technologies from January 2000 to Present; Sr. Director, Product Management from January 1998 to December 2000; Director, Product Management from June 1997 to December 1998; Senior Manager, Product Management, Symbol Technologies from February 1995 to May 1997.	August 15, 2002

Name, Place of Residence and Position with Company	Present and Principal Occupation during the last five years	Date of Appointment as Director
Moiz M.E. Beguwala,[(1)] Anaheim Hills, California Director (Independent of Management)	Senior Vice President/General Manager of Conexant Systems Inc. (communications semiconductor provider) from January 1999 to Present; Director, Skyworks Solutions Inc. (a wireless semiconductor provider) from June 2002 to present; Vice President, General Manager of Rockwell International, Semiconductor Group from August 1973 to December 1998.	September 12, 2002
Derek W. Spratt Vancouver, B.C. Director and Chief Strategist	Chief Strategist of the Company from September 1, 2001 to Present; Chief Executive Officer of the Company from April 18, 1996 to August 31, 2001; President of the Company from November 7, 1996 to September 6, 2000.	April 18, 1996
Neil McDonnell North Vancouver, B.C. Director, President and Chief Executive Officer	President and Chief Executive Office of the Company from September 1, 2001 to Present; President and Chief Operating Officer of the Company from September 6, 2000 to August 31, 2001; Executive Vice President of Plexus System Design from March 1997 to September 2000; President & Chief Executive Officer of dba Telecom from May 1996 to March 1997.	April 5, 2001
Charles M. Leighton Vancouver, B.C. Chief Financial Officer and Corporate Secretary	Chief Financial Officer of the Company from December 2001 to present; Director of Finance for the Company from February 2001 to December 2001; Chief Financial Officer of RewardStream Inc. from April 2000 to January 2001; Chief Financial Officer of Pacific Wireless International Inc. from January 1999 to December 1999. Various financial positions with Motorola, Wireless Data Group, from 1984 to January 1999.	N/A
David Manuel Surrey, B.C. Vice President, Engineering Services	Vice President, Engineering Services for the Company from July 1999 to present; Director of Product Development for the Company from February 1999 to July 1999; Director of Engineering and Operations for DAMOS SudAmerica from November 1997 to January 1999;	N/A
David W. Monroe Surrey, B.C. Vice President, Worldwide Sales	Vice President, Worldwide Sales for the Company since October 23, 2000; District Sales Manager for RedCelcius Inc. from December, 1999 to October, 2000; Vice President, Sales and Marketing for Plexus Systems Design, Ltd. from June, 1996 to December, 1999; Western Regional Sales Manager for Blockade Systems Corp. from June, 1997 to June, 1998.	N/A

Name, Place of Residence and Position with Company	Present and Principal Occupation during the last five years	Date of Appointment as Director
Andre Viljoen North Vancouver, B.C. Vice President, Research and Development	Vice President, Research and Development for the Company from December 2001 to present; Director, Research and Development for the Company from May 2001 to December 2001; Director, Enterprise Architecture and Research for eCharge Inc. from January 2000 to January 2001; Manager, Enterprise Architecture and Research for eCharge Inc. from June 1999 to January 2000; Engineering Team leader, Glenayre Inc. December 1996 to June 1999.	N/A
Alan Scott Birmingham, U.K. Vice President, Intrinsyc Europe	Vice-President of Intrinsyc Europe from June 2002 to present. Managing Director and Co-Founder of NMI Electronics Limited from 1990 to June of 2002.	N/A

Note:

(1) Member of the Audit Committee.
(2) Member of the Compensation Committee.
(3) Member of the Corporate Governance Committee.

Each director is elected at the Company's annual meeting of shareholders to serve until the next annual meeting or until a successor is elected or appointed, unless such director resigns or is removed earlier. To the knowledge of the Company, the directors and senior officers as a group, beneficially own, directly or indirectly, or exercise control or discretion over 812,176 Common Shares (not including 2,827,500 Common Shares issuable upon the exercise of stock options), representing as at January 15, 2003 approximately 2.1% of the issued and outstanding Common Shares.

ITEM 9: ADDITIONAL INFORMATION AND DOCUMENTS INCORPORATED BY REFERENCE

The Company shall provide to any person, upon request to the Secretary of the Company at the 10th Floor, 700 West Pender Street, Vancouver, B.C., V6C 1G8:

a) when the securities of the Company are in the course of a distribution under a preliminary short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities:

   i. one copy of the current AIF of the Company, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the AIF;

   ii. one copy of the comparative consolidated financial statements of the Company for its most recently completed financial year for which statements have been filed together with the accompanying report of the auditors, and one copy of the most recent interim consolidated financial statements of the Company that have been filed, if any, for the period after the end of its most recently completed financial year;

iii. one copy of the information circular of the Company in respect of its most recent annual general meeting of shareholders that involved the election of directors or one copy of any annual filing prepared instead of that information circular, as appropriate; and

iv. one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above; or

b) at any other time, one copy of any of the documents referred to in (a)(i), (ii) and (iii) above, provided that the Company may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Company.

Additional information, including directors' and officers' remuneration and indebtedness to the Company, principal holders of the securities of the Company, options to purchase securities and interests of insiders in material transactions, is contained in the Company's Information Circular dated November 1, 2002 (the "Information Circular"). Additional financial information is provided in the Company's audited consolidated financial statements for the year ended August 31, 2002 (the "Audited Consolidated Financial Statements"). Management's Discussion and Analysis of Financial Conditions and Results of Operations (the "MD&A") is set out on pages 9 and 10 of the Company's 2002 Annual Report. The Information Circular, Audited Consolidated Financial Statements and MD&A were each filed on SEDAR (www.sedar.com) on November 8, 2002 and are incorporated herein by reference.

ITEM 10: GLOSSARY

COM™……	Component Object Model, a model for binary code developed by Microsoft. The COM enables programmers to develop objects that can be accessed by any COM-compliant application. OLE is based on COM.
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.
FPGA	Field-Programmable Gate Array, software designed to speed up processor-based system performance while lowering power, part count and cost.
GPIO.....	General Purpose Input Output, being the digital communications signals used by microprocessors to interface to other devices.
HTTP.....	Hyper Text Transfer Protocol, the underlying protocol used by the World Wide Web.
Java.....	A high-level operating system using independent programming language developed by Sun Microsystems, designed for handheld devices and set-top boxes.

Linux	A freely distributable implementation of UNIX that runs on a number of hardware platforms, including those of Intel and Motorola.
OEM	Original equipment manufacturer. A Company that manufactures and sells products based on original designs through a variety of distribution channels for either consumer or industrial consumption.
OLE	Object Linking and Embedding, a Microsoft communications protocol that allows separate applications to share data.
RISC	Reduced Instruction Set Computer, a type of microprocessor that recognizes a relatively limited number of instructions but generally processes these instructions at a higher rate than processors with complex instruction sets.
SNMP	Simple Network Management Protocol.
UPnP	Universal Plug and Play, a Microsoft communications protocol that allows computers to automatically discover network services without the need for manual configuration.
UNIX	An operating system originally developed by AT&T Bell Labs.
USB	Universal Serial Bus, a computer peripheral interface standard which is replacing legacy standards such as parallel and serial ports on PCs and peripherals such as printers, scanners, keyboards, and mice.
Windows NT	A desktop and file server-based operating system developed by Microsoft Corporation that is used predominantly in complex, high performance embedded systems.
Windows CE	An embedded operating system used in low cost embedded systems that are less complex than Windows NT® embedded systems.
XML	eXtensible Markup Language, an enhancement to basic HTML (HyperText Markup Language), which is the basic communication protocol for Internet web servers and web browsers.