INTRINSYC SOFTWARE INTERNATIONAL, INC.

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Vancouver, British Columbia
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Annual Information Form
For the fiscal year ended
August 31, 2003

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ANNUAL INFORMATION FORM

CERTAIN INTERPRETATION MATTERS

Unless the context requires, all references to the "Corporation" or "Intrinsyc" include Intrinsyc Software International, 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 Corporation's market opportunity, strategies, competition, expected activities and expenditures as the Corporation pursues its business plan, and the adequacy of the Corporation's available cash resources. Although the Corporation 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 Corporation will be realized.

ITEM 1: CORPORATE STRUCTURE

The Corporation

The Corporation 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 Corporation changed its name to Intrinsyc Software, Inc. on June 16, 1997. Articles of Continuance were filed under the Canada Business Corporations Act on May 1, 2003 to continue the Corporation federally and change the name of the Corporation from Intrinsyc Software, Inc. to Intrinsyc Software International, Inc. 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 Corporation has three wholly owned subsidiaries, Intrinsyc Software (U.S.A.), Inc., Intrinsyc Europe Limited (formerly NMI Electronics Limited), and Linar Ltd. Intrinsyc Software (U.S.A.) Inc. was incorporated under the laws of Washington State on March 25, 1997. Intrinsyc Europe 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 Corporation engineers products, software and solutions that allow customers to create, link and manage pervasive networks of specialized intelligent devices. The Corporation utilizes its diverse knowledge and intellectual property base to build enterprise-to-device connectivity and data processing solutions for Original Equipment Manufacturers ("OEMs"), Wireless Device manufacturers and network operators and providers of networked enterprise applications. Sample customers and markets include: vendors of industrial and building automation and security and surveillance applications; telecom/data-com providers; mobile phone manufacturers and network operators; financial institutions; software developers and application service providers; medical device and consumer electronic manufacturers and other OEMs. The Corporation's products and services help bring new Internet-enabled specialized intelligent devices and their applications to market in a timely fashion. The Corporation has commercialized product and service offerings that support processors from Intel Corporation, Motorola, Inc., IBM, Texas Instruments and Hitachi America, Ltd. The Corporation supports multiple embedded operating systems including Linux, Symbian as well as Microsoft Corporation operating systems, including Windows CE, .NET, Pocket PC Smartphone edition 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, intelligent devices, smart phones and Personal Digital Assistants, (PDA's), are all electronic systems technically similar to general-purpose computers, but developed and deployed for use in more specific applications or environments. 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 Corporation'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 Corporation'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, the 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 Corporation over the last three fiscal years have been as follows:

Fiscal 2003

- The Corporation continued under the Canada Business Corporations Act as Intrinsyc Software International, Inc.

- The Corporation appointed Derek Spratt as President and CEO.

- The Corporation announced a significant re-structuring including a 25% reduction in headcount and a change in product strategy aimed at higher value embedded software solutions.

- The Corporation announced a significant multi-year services engagement for the development of applications relating to telephony operating systems and advanced smart phone functionalities.

- The Corporation was qualified as a Symbian Platinum partner and announced its ability to support the development of Symbian telephony solutions.

- The Corporation announced that Microsoft was the first customer for the µPDA reference platform, a PXA250 based advanced wireless handheld device.

- The Corporation announced its support of the IBM PowerPC 405EP embedded micro-processor and launched the CerfCube 405EP™ reference platform.

- The Corporation announced its CerfPod 255SE reference platform based on Intel's PXA255 micro-processor.

- The Corporation announced the availability of a suite of mobile telephony software applications including the i-RIL, i-MUX and µPhone.

- The Corporation appointed George Duguay as a director and Vincent Schiralli as director and Chief Operating Officer.

- The Corporation announced a re-structuring of the IEL acquisition agreement that lowered the total purchase price, increased available cash by removing certain guarantees and moved out the final settlement date by 12 months.

Fiscal 2002

- The Corporation 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 Corporation acquired 100% of the shares of Intrinsyc Europe Limited (IEL) (formerly NMI Electronics Limited) in June 2002 including the µEngine family of products and an experienced team of hardware and software developers.

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

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

Fiscal 2001

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

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

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

- The Corporation 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 Corporation 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.

Significant Acquisitions

There were no significant acquisitions in the 2003 fiscal year.

Industry Background and Future Trends

The increasingly widespread use of electronic communications, via both the Internet and multiple wireless networks, is enabling businesses and consumers to collaborate, access information and conduct business and personal interactions faster, more effectively and on demand, regardless of location. The growth of common operating systems and bridging protocols combined with steadily decreasing hardware costs is allowing the proliferation of computing intelligence into all walks of life. New embedded specialized intelligent computing devices may be hidden from view and may have no local user-interface associated with them or they may be feature rich, stand alone devices that mirror any and all applications available on the common desktop environment.

As the number of Internet users and embedded and mobile Internet enabled 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 as mobile and stand alone devices become more powerful and use application and system software that bridges or inter-operates with enterprise back-end information management systems.

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;

- intelligent collection, processing and management of data from many nodes without human interface over wireless and wire-line connectivity in the form of machine to machine interaction (M2M);

- 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;

- 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 as well as record, store and play various entertainment media; and

- Smart phones and wireless personal digital assistants using Windows Smartphone, Linux or Symbian operating systems targeted at both consumer and business 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 PC-like mobile “smart phones”, 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, Symbian and Linux as broad, scalable operating systems as well as the availability of broadband communications through GPRS/CDMA cellular, WiFi and Bluetooth allows these 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 OEMs 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.

As this environment experiences rapid growth and operating systems and processing power evolve there will be a continuing opportunity for new applications as well as continued growth in business requirements for user security, remote user support and remote device and network management.

ITEM 4: NARRATIVE DESCRIPTION OF THE BUSINESS

The Corporation's Products and Services

Reference Design Products

The Corporation 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 Corporation's other software products. These reference designs and development platforms are initially provided to OEMs 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 Corporation is currently working with leading chip manufacturers such as Intel Corporation, IBM, Texas Instruments, Motorola Inc. and Hitachi America, Ltd. to prepare and customize these designs, which include:

- *CerfBoard™ PXA255*, a customizable Internet-enabled reference platform based on the 32-bit Intel Corporation PXA255 RISC processor, with various memory configurations and several open standard data connectivity built-in ports, including Ethernet, USB, Compact Flash, serial, and GPIO. The PXA255- platform runs at 450Mhz**,** 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 2003;

- *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 255SE,* 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 high performance PXA255 processor;

- *CerfCube™ PXA255,* a high-performance, low-power gateway server for developing new Internet devices or Internet enabling existing equipment;

- *CerfCube™ 405EP*, a high-performance, low-power gateway server for developing new Internet devices or Internet enabling existing equipment based on the IBM PowerPC 405Ep microprocessor;

- *µPDA™,* 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.

Bridging Technology Products

The Corporation also currently markets a suite of commercialized connectivity and remote management based software products to OEMs 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 Corporation 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 Corporation 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 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.

Wireless Handheld Software Tools

The Corporation also offers middleware products that are available off-the-shelf for various modems and hardware configurations used for developing embedded devices utilizing Microsoft's Pocket PC Phone Edition or Smartphone that require a wireless GSM/GPRS modem, including:

- *i-RIL*™, a proven off-the-shelf radio interface allowing you to integrate your application with your choice of GSM/GPRS modem;

- *i-MUX*™, a powerful off-the-shelf software layer that enables multiple simultaneous streams of voice and data between your wireless modem and your applications by creating a number of virtual COM ports; and

- *µPhone*, a highly portable and customizable set of telephony drivers and applications ideal for bringing telephony-enabled wireless handhelds to market.

Consulting Services and Support

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

- Conducting feasibility studies, requirements analyses and architecture designs;

- Developing detailed product specifications in conjunction with OEM's product development team;

- Providing detailed technical training and support programs for OEM's staff;

- Developing customized software and hardware solutions using common operating systems including Windows CE, Pocket PC, Linux and Symbian;

- Designing and assisting OEMs in manufacturing and certifying mobile phones operating using Microsoft Pocket PC Phone Edition, MS Smartphone or Symbian;

- Customizing the Corporation's products for in-house use by OEMs;
- 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 Corporation provides these services only if it involves the licensing of existing Corporation technologies, or if it presents an opportunity to sell into a new strategic account or to develop new licensable technology modules. The Corporation's services are provided on a time and materials basis.

Strategic Relationships

The Corporation has relationships with a variety of operating systems vendors, semiconductor manufacturers, distributors and OEM customers. The Corporation 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 Corporation 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 Corporation'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 Corporation's web site in addition to having references to the Corporation 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 IEL both received Gold status in the Windows Embedded Partner Program (WEP) providing new and ongoing product development opportunities and expanded sales channels. The Corporation also participates in the Microsoft Mobility Partner Advisory Council (MPAC).

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 Corporation 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 Corporation and MontaVista will support each other's products. For the Corporation, this represents channel opportunities for its CerfBoard designs as well as further Linux-based software technologies into the telecommunications market, where MontaVista is strong.

In August of 2003 Intrinsyc became a member of the Symbian Platinum Program. The Symbian Platinum Program includes companies that have a technology or strategic position that is key to the success of mobile computing technology surrounding Symbian OS. As part of the program, Platinum Partners benefit from a range of commercial services, including technical support and joint marketing

opportunities as well as privileged access to Symbian OS source code and a dedicated Partner Support team.

Semiconductor Manufacturers

The Corporation has worked with Hitachi America, Ltd. since early 1998, Intel Corporation since mid 1997, Motorola, Inc. since late 1998, and now Texas Instruments and IBM Global Services starting in 2003. Intrinsyc engages in the promotion and enhancement of these companies' respective embedded processor lines. The Corporation has also worked closely with Intel Corporation and Hitachi America, Ltd. in the development of the Corporation'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. The Corporation is a member of the TI OMAP center of excellence. Intel Corporation, IBM, Texas Instruments, Motorola, Inc., Hitachi America, Ltd. and Embedded Planet, LLC and others currently maintain active web site links to the Corporation's web site in addition to having references to the Corporation 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 OEMs 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 Corporation 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 Corporation'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 Corporation currently has identified as strategic for growth are: industrial and building automation; consumer electronics; mobile telephony; security and surveillance; OEM products; telecom/datacom; financial institutions; software developers and application service providers and medical device and management solutions.

To support its sales efforts, the Corporation 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 OEMs.

Events

The Corporation participates and exhibits at several key industry conferences throughout the year. These include events, such as the Embedded System Conference, Consumer Electronics Show, Cellular Technology Industry Association, Intel Developer Forums, Microsoft DevCon, Linux World and JavaOne, where embedded solutions and networking products are presented to prospective OEMs 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 Corporation's products to the industrial and building automation markets. The Corporation also attends other conferences in wireless telecommunications and in-vehicle computing.

Media and Web Presence

The Corporation 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 Corporation's solutions.

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

The Corporation holds quarterly conference calls accompanied by simultaneous web-casts which allow any interested party to call in and listen to a discussion of the quarterly results and current business outlook. These conference calls include a question and answer session open to any and all participants. A recorded replay of the conference call in its entirety is available for two weeks either over the internet or by a dial in number.

The Corporation targets its web presence through several portal service providers that offer vendor and solutions information to specific vertical market customers. In addition the Corporation maintains its own web site at www.intrinsyc.com and provides links to its partners, channels and significant customers through this medium. Reference designs and software development kits and licenses are available for purchase through the web site by way of a third party web store and credit card payment system.

The Corporation 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 Corporation sales strategy includes a mix of direct and indirect channels. The Corporation has a direct sales team today consisting of business development managers responsible for large OEM accounts and large bridging software accounts. The direct sales team also responds to sales leads from several sources, including the Corporation's web site, trade shows and telephone inquiries.

The Corporation's direct sales force employs a consultative sales process, working closely with customers and the Corporation's engineering services team and highly qualified field application

engineers, to understand and define customer requirements and specifications and develop optimal solutions. 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 Corporation'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 Corporation'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 Corporation has established channel relationships with value-added resellers (i.e. companies that can provide system integration services to their OEM 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 Corporation also works closely with technology partners to identify specific client opportunities and requirements. It is intended that these alliances will result in the Corporation'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 Corporation to use the reputation of these partners as leverage to increase market coverage and acceptance of the Corporation's services and solutions. These activities include jointly conducted seminars, trade shows and conferences.

To date, the Corporation's revenues have been derived primarily from the United States and Europe. The Corporation 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 Corporation's research and development team performs two primary functions: (i) the support and enhancement of the Corporation's existing products; and (ii) the development of new products for the Corporation and its customers. 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 and PXA255 reference platforms.

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

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

- Ongoing development of Smart phone technologies that allow Symbian, Linux and Windows CE operating systems to operate on cell-phones 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 as well as the inter-operability of Java based infrastructure with Linux, Symbian and Microsoft based intelligent devices.

- Continue to package J-Integra for new implementations and continued customization for large OEM 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, to a full-scale engineering services agreement followed by a run-time license fee. The Corporation currently has over 1500 distinct customers with a historical range of contract values from USD$500 to USD$1,600,000. In fiscal 2003 and 2002 no one customer accounted for more than 10% of revenue.

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

Competition

The markets in which the Corporation participates are competitive and the Corporation expects competition to intensify in the future. The Corporation'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 Corporation, International Business Machines Corporation, Lucent Technologies and Nortel Networks Corporation; and

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

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

The principal competitive factors that affect the market for the Corporation'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 Corporation's products; and
- potential customers' awareness and perception of the Corporation's products as well as device servers generally.

The Corporation'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 Corporation's competitive strength is derived mainly from its integrated ensemble of products, as it provides OEMs 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 Corporation 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 Corporation 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 Corporation'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 Corporation'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 these technologies.

Business Objectives and Strategies

The Corporation's objective is to establish itself as a world leader in the development of technologies and solutions that allow customers to engineer networks of specialized intelligent devices and bridge these devices to the enterprise. The Corporation'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 Corporation 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 Corporation's strategy incorporates the following principal elements:

- *Leverage Third-Party Relationships.* The Corporation 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 Corporation. In an effort to protect itself from such competition, the Corporation 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 Corporation's products and services is predominantly non-Windows based. The Corporation 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 Corporation to broaden its product and service offerings as well as secure additional distribution channels and expand more rapidly.

- *Partner with Strategic Customers.* The Corporation 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 Corporation plans to use its expertise and intellectual know-how to partner with large OEMs as they invest in embedded technologies. The ability to successfully sell services and license technology to these partners will enable the Corporation 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 Corporation plans to continue the development of market leading technologies and products including Smart-phones and PDAs, Enterprise Linking and Management Technologies and Remote Management Applications to ensure it continues to deliver viable commercial solutions to its customers.

Production Components and Materials

The Corporation manufactures and sells a number hardware products used by customers as development platforms and reference designs. The Corporation 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 Corporation endeavors to ensure that multiple vendors are available for its production requirements.

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

Intellectual Property

The Corporation relies upon copyright, trademark and patent laws to protect its proprietary rights in its software and hardware products. The Corporation 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 Corporation's competitive position may be affected by its ability to protect its proprietary information, the Corporation 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 Corporation'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 Corporation's competitive position. Nonetheless, the Corporation has invested in ongoing patent and trademark protection and continues to review opportunities to file intellectual property protection on an ongoing basis.

The Corporation 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 Corporation attempts to protect its proprietary rights by requiring each employee, prior to commencing employment with the Corporation, to enter into an agreement with the Corporation 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 Corporation, 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 Corporation all intellectual property rights in any work undertaken by the employee. See "Risk Factors".

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

Human Resources, Premises and Production

As at December 31, 2003, the Corporation employed 112 full-time personnel and had 4 contractors. Of these, 81 were engaged in research, development and customer support activities, 15 in sales and marketing and 20 in finance and administration.

The Corporation has offices in Vancouver, British Columbia and Birmingham, England. All of the Corporation's existing office space is leasehold. The Corporation's total annual lease payments for office space is approximately $700,000. The Corporation's principal business office is located in Vancouver, British Columbia.

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

Limited Operating History

The Corporation has a limited operating history, and there can be no assurance that the Corporation's revenue will continue to grow. As at August 31, 2003, the Corporation had an accumulated deficit of $27.0 million. The Corporation's prospects must be considered in the context of its stage of development, the risks and uncertainties it faces, and the inability of the Corporation 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 Corporation's strategies will result in the Corporation 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 Corporation's profit potential is uncertain and the Corporation's revenue may not grow as fast as the Corporation anticipates, if at all. The Corporation 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 Corporation's products is characterized by rapidly changing technology, evolving industry standards and frequent new product introductions. To be successful, the Corporation 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 Corporation 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 Corporation's products obsolete.

Lengthy Sales Cycle

The typical sales cycle of the Corporation'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 Corporation's products and services. The purchase of the Corporation'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 Corporation's products or services, the Corporation'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 Corporation's products are to integrate. As a result, the Corporation'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 Corporation provides. The ability of the Corporation's customers or potential customers to obtain software products and services directly from Microsoft Corporation that compete with the Corporation's software products and services could harm the Corporation's business.

Competition

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

Additional Financing

The Corporation 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 Corporation 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 Corporation 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 Corporation depends on third party manufacturing facilities to manufacture many of its products, which reduces the Corporation's control over the manufacturing process and exposes the Corporation 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 Corporation does not have supply agreements with its manufacturers and instead obtains manufacturing services on a purchase-order basis. The Corporation's manufacturers have no obligation to supply the Corporation with any specific product, in any specific quantity or at any specific price. If the Corporation'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 Corporation's business might be seriously harmed. As a result, the Corporation 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 Corporation out-sources its manufacturing, it is responsible for procuring raw materials for its products. The Corporation's products incorporate components or technologies that are only available from single or limited sources of supply. In particular, some of the Corporation's integrated circuits are available from a single source. In the past, certain integrated circuits used by the Corporation in its products have been phased out of production. When this happens, the Corporation attempts to purchase sufficient inventory to meet its needs until a substitute component can be incorporated into the Corporation's products. Nonetheless, the Corporation might be unable to purchase sufficient inventory to meet its demands, or the Corporation might incorrectly forecast its demands and purchase too many or too few components. Further, the Corporation's products use components that have in the past been subject to market shortages and substantial price fluctuations. From time to time, the Corporation has been unable to meet its orders because it was unable to purchase necessary components for its products. If the Corporation 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 Corporation 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 attention of the Corporation's management will be diverted from the day-to-day operation of its business. An unsuccessful acquisition could reduce the Corporation'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 Corporation 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 Corporation is to become successful, it must expand its sales and distribution channels and its marketing and technology alliances. There is no assurance the Corporation 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 Corporation's interests.

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

Management of Growth

The Corporation's growth has placed significant demands on its management and other resources. The Corporation'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 Corporation'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 Corporation's future success depends on the ability of the Corporation's management to operate effectively, both individually and as a group. If the Corporation were to lose the services of any management employees, the Corporation may encounter difficulties finding qualified replacement personnel and integrating them into the management group.

Potential Fluctuations in Quarterly Results

The Corporation'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 Corporation and its competitors, market acceptance of new and enhanced versions of the Corporation's products and the timing of significant orders. Because the Corporation's operating expenses are based on anticipated revenues and a high percentage of the Corporation'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 Corporation's Common Shares may be highly volatile in response to such quarterly fluctuations.

Research and Development Expenditures

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

International Expansion of Business Operations

The Corporation plans to increase international operations in the current fiscal year. 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 Corporation 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 Corporation's sales are denominated in United States dollars and are made to United States-based customers. Because the Corporation's operations are based in Canada and

the United Kingdom, the Corporation 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 Corporation's operating results may be adversely impacted. To date, the Corporation has not entered into any transactions to hedge against gains or losses from foreign exchange fluctuations.

Intellectual Property Protection

The Corporation'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 Corporation 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 Corporation's technology is difficult, and the prohibitive cost of litigation may impair the Corporation's ability to prosecute any infringement. The commercial success of the Corporation will also depend upon its products not infringing any intellectual property rights of others and upon no claims for infringement being made against the Corporation. The Corporation 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 Corporation by a third party, even if it is invalid, could have a material adverse effect on the Corporation because of the cost of defending against such a claim.

Product Liability

The Corporation's license agreements with its customers typically contain provisions designed to limit the Corporation's exposure to potential product liability claims. There can be no assurance that such provisions will protect the Corporation from such claims. The Corporation does not maintain product liability insurance. A successful product liability claim brought against the Corporation could have a material adverse effect upon the Corporation'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 Corporation or its competitors, and the gain or loss by the Corporation of significant orders or broad market fluctuations.

Shareholders' Rights Plan

The Corporation 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 Corporation 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 Corporation, even if such acquisition or bid would be beneficial to the Corporation's shareholders.

Outstanding Rights to Acquire Common Shares

As at December 31, 2003, the Corporation had outstanding stock options and warrants to purchase an aggregate of 5,298,616 Common Shares at prices ranging from $0.49 per share to $5.30 per

share. To the extent that outstanding options or warrants are exercised, dilution to the interests of the Corporation's shareholders will occur.

ITEM 5: SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table presents selected historical consolidated financial data of the Corporation 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 Corporation for the year ended August 31, 2003 which are incorporated by reference herein. The information contained herein should be read in conjunction with the Corporation's Management Discussion and Analysis under Item 6. The selected historical consolidated financial data for the Corporation as of and for each of the years ended August 31, 2001, 2002 and 2003 are derived from the audited consolidated financial statements of the Corporation. 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 Corporation acquired all of the outstanding shares of Intrinsyc Europe Limited, ("IEL"), (formerly NMI Electronics Limited), a U.K. based corporation, which materially impacted the operating results of the Corporation. As a consequence, results of operations include the operating results for IEL from June 26, 2002. IEL had 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, IEL had working capital of £520,808. The fiscal year end was changed to August 31st as of August 31, 2003.

The Corporation has consolidated the operating results and financial position of IEL 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, IEL 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 IEL during the period from June 26, 2002 to August 31, 2002 amounted to $52,555.

For the year ended August 31, 2003 the operating results and financial position of IEL have been fully consolidated into the results of the Corporation 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 IEL into the operating activities of the Corporation.

On January 26, 2001 the Corporation acquired all of the outstanding shares of Linar Ltd., a U.K. corporation, which materially impacted the operating results of the Corporation. 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 Corporation 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 and August 31, 2003 the operating results and financial position of Linar have been fully consolidated into the results of the Corporation 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 Corporation.

The Corporation 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, 2003.

	Years Ended August 31,		
	2003	**2002**	**2001**
Statement of Operations Data:			
Revenues	$13,879,023	$14,175,201	$10,940,424
Cost of Sales	9,082,426	7,061,063	4,660,290
Revenues less Cost of Sales	4,796,597	7,114,138	6,280,134
Expenses:			
Administration	2,408,045	2,241,754	2,891,097
Marketing and Sales	4,218,864	5,038,000	4,362,627
Research and development	3,659,959	3,877,304	2,769,602
Amortization	1,288,863	1,532,960	884,818
Restructuring costs	712,393	—	—
Less: Technology Partnerships Canada Funding Investment	(1,327,675)	(1,256,418)	—
Total expenses	$10,960,449	$11,433,600	$10,908,144
Loss before other (earnings)/expense and income taxes	$6,163,852	$4,319,462	$4,628,010
Foreign Exchange Loss (gain)	1,158,692	(226,009)	
Interest Income	(255,105)	(388,876)	(823,845)
Loss before income taxes	$7,067,439	$3,704,577	$3,804,165
Income tax expense (recovery)			
Current	194,782	206,144	—
Future	(214,600)	(135,767)	(70,000)
	(19,818)	70,377	(70,000)
Loss for the year	$7,047,621	$3,774,954	$3,734,165
Loss per share	$0.18	$0.10	$0.12

	As At August 31,		
	2003	**2002**	**2001**
Balance Sheet Data:			
Current Assets	$14,445,258	$17,177,183	$17,710,850
Current Liabilities	$5,679,397	$4,046,926	$3,900,269
Shareholders' Equity	$22,938,530	$28,889,228	$19,539,499
Total Assets	$28,973,960	$33,471,787	$23,609,768

	Quarter Ended (unaudited)							
Income Statement Data	**Aug 31 2003**	**May 31 2003**	**Feb 28 2003**	**Nov 30 2002**	**Aug 31 2002**	**May 31 2002**	**Feb 28 2002**	**Nov 30 2001**
Revenues	$3,017,967	$3,666,339	$2,718,107	$4,476,610	$5,112,176	$2,487,785	$3,427,571	$3,147,669
Loss from operations	($1,029,553)	($1,761,326)	($2,178,626)	($1,194,347)	($441,867)	($2,575,157)	($621,179)	($455,250)
Loss for the quarter	($1,044,199)	($2,342,522)	($2,495,638)	($1,165,262)	($383,525)	($2,472,629)	($592,897)	($325,903)
Loss per share	($0.02)	($0.06)	($0.07)	($0.03)	($0.01)	($0.07)	($0.02)	($0.01)

Dividend Policy and Record

The Corporation has not paid any cash dividends on its Common Shares to date. The Corporation currently intends to retain any future earnings to finance the growth and development of the business and, therefore, the Corporation 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 Corporation's Annual Report to shareholders for the year ended August 31, 2003 is incorporated herein by reference. See "Additional Information and Documents Incorporated by Reference".

ITEM 7: MARKET FOR SECURITIES OF THE CORPORATION

The Corporation'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 Corporation as at January 15, 2004, indicating their names, municipalities of residence, their respective positions and offices held with the Corporation, their principal occupation within the five preceding years and their length of service to the Corporation.

Name, Place of Residence and Position with Corporation	Present and Principal Occupation during the last five years	Date of Appointment as Director
Derek W. Spratt Vancouver, B.C. President, C.E.O., Director	President and Chief Executive Officer of the Corporation from April 14, 2003 to present; Chief Strategist of the Corporation from September 1, 2001 to April 14, 2003; Chief Executive Officer of the Corporation from April 18, 1996 to August 31, 2001; President of the Corporation from November 7, 1996 to September 6, 2000.	April 18, 1996
Vincent P. Schiralli[(2)] Vancouver, B.C. C.O.O. Director	Chief Operating Officer of the Corporation from August 5, 2003 to present; President Vinsuvius International, Inc. Sept. 2002 to Present; CEO Cobra Systems Inc. Feb. 2002 to Sept. 2002; COO Rodin Communications Inc. Sept. 2000 to April 2001; President Communitech Technical Association Sept. 1997 to Aug. 2000.	April 14, 2003
Robert J. Gayton[(1) (2) (3)] Ph.D, FCA West Vancouver, B.C. Director	Business Consultant from 1990 to present; Vice President, Finance/Chief Financial Officer of Western Silver Holdings Limited from October 1995 to present.	February 23, 1995
Moiz M.E. Beguwala[(2) (3)] Anaheim Hills, California Director	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
George A. Duguay[(3)] Toronto, Ontario Director	President of G. Duguay Services Inc. from 1988 to present. Director of Genesis Microchip Inc. since May 1993 to present. Officer of several public companies. Mr Duguay is a Certified General Accountant, and an associate of the Institute of Chartered Secretaries.	April 14, 2003
Geoffrey S. Belsher Vancouver, B.C. Director	Partner, Blake, Cassels & Graydon LLP.	December 5, 2003
Charles M. Leighton Vancouver, B.C. Chief Financial Officer and Corporate Secretary	Chief Financial Officer of the Corporation from December 2001 to present; Director of Finance for the Corporation 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 Corporation from July 1999 to present; Director of Product Development for the Corporation from February 1999 to July 1999; Director of Engineering and Operations for DAMOS SudAmerica from November 1997 to January 1999;	N/A

Name, Place of Residence and Position with Corporation	Present and Principal Occupation during the last five years	Date of Appointment as Director
Kevin Heawood Birmingham, U.K. Vice President, Intrinsyc Europe	Vice-President of Intrinsyc Europe from June 2002 to present. Vice-President, Director and Co-Founder of NMI Electronics Limited from 1990 to June of 2002.	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) The position of Chairman is vacant and during this period Mr. Gayton is the Lead Independent Director.
(2) Member, Audit Committee.
(3) Member, Compensation Committee and Governance Committee.

Each director is elected at the Corporation'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 Corporation, the directors and senior officers as a group, beneficially own, directly or indirectly, or exercise control or discretion over 1,445,345 Common Shares (not including 1,723,333 Common Shares issuable upon the exercise of stock options), representing as at January 15, 2004 approximately 3.5% of the issued and outstanding Common Shares.

ITEM 9: ADDITIONAL INFORMATION AND DOCUMENTS INCORPORATED BY REFERENCE

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

a) when the securities of the Corporation 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 Corporation, 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 Corporation 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 Corporation that have been filed, if any, for the period after the end of its most recently completed financial year;

   iii. one copy of the management proxy circular of the Corporation 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 management proxy 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 Corporation may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Corporation.

Additional information, including directors' and officers' remuneration and indebtedness to the Corporation, principal holders of the securities of the Corporation, options to purchase securities and interests of insiders in material transactions, is contained in the Corporation's Management Proxy Circular dated November 10, 2003 (the "Proxy Circular"). Additional financial information is provided in the Corporation's audited consolidated financial statements for the year ended August 31, 2003 (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 4, 5 and 6 of the Corporation's 2003 Annual Report. The Proxy Circular was filed on SEDAR (www.sedar.com) on November 18, 2003. The Audited Consolidated Financial Statements and MD&A were filed on SEDAR (www.sedar.com) on November 19, 2003. These documents are incorporated herein by reference.

ITEM 10: GLOSSARY

CDMA	Code Division Multiple Access. A wireless cellular protocol.
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.
GPRS	GSM Packet Radio System. A data protocol for GSM networks.
GSM.....	Global System for Mobile Communications. A wireless cellular protocol.

HTTP	Hyper Text Transfer Protocol, the underlying protocol used by the World Wide Web.
ISV	Independent Software Vendor. A company that licenses application or system software through variety of distribution channels for either consumer or industrial consumption.
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.
SOAP	Simple Object Access Protocol.
UDDI	Universal Description, Discovery and Integration.
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.