ANNUAL INFORMATION FORM

For the fiscal year ended

August 31, 2006

INTRINSYC SOFTWARE INTERNATIONAL, INC.

10th Floor, 700 West Pender Street

Vancouver, British Columbia

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Dated: November 14, 2006

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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 14: Glossary”. Unless otherwise specified, all references to “$” or “dollars” refer to Canadian currency.

This Annual Information Form (“AIF”) may refer to registered trademarks, trademarks, trade names 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 opportunities, strategies, competition, expected activities and expenditures as the Corporation pursues its business plan, the adequacy of the Corporation’s available cash resources and other statements about future events or results. Although the Corporation believes that the expectations reflected in the forward-looking statements are reasonable, forward-looking statements are subject to business and economic risks and uncertainties and other factors that could cause actual results of operations, levels of activity, performance or achievements to differ materially from those contained in the forward-looking statements. Consequently, all forward-looking statements made in this AIF are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by the Corporation will be realized. Some of these risks, uncertainties and other factors are described herein under the heading “Risk Factors”. The Corporation disclaims any intent or obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.

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

Intercorporate Relationships

The Corporation has four wholly-owned subsidiaries, Intrinsyc Software (USA), Inc., Intrinsyc Europe Limited (formerly NMI Electronics Limited), Linar Limited, and Intrinsyc Software (Barbados), Inc. Intrinsyc Software (USA), 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 Limited was incorporated under the laws of the United Kingdom on November 21, 1997. Intrinsyc Software (Barbados), Inc. was incorporated under the laws of Barbados on August 31, 2005.

ITEM 2: GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Significant business, operations and management developments for the Corporation over the last three fiscal years (September 1 to August 31) have been as follows:

Current Year – fiscal 2007

Mark McQueen, President and CEO of Wellington Financial LP, a privately-held specialty finance firm, tendered his resignation on November 10, 2006 from the Corporation's Board of Directors. Mr. McQueen served on the Corporation's Board of Directors for one year following his nomination on November 7, 2005.

On November 8, 2006, the Corporation announced it has provided notice to Wellington Financial LP that the Corporation will repay the $8 million principal outstanding under the Series A and Series B Secured Debentures entered into in October 2005. Pursuant to the terms of the Debentures, the Corporation is entitled to repay the principal and any interest thereon on five days notice.

The Corporation announced the appointment of Mark Johnston to the role of Vice President and General Manager, Worldwide Sales and Technical Marketing, on November 2, 2006. Mr. Johnston will be responsible for leading the Corporation's worldwide sales and marketing activities. Mr. Johnston joins the Corporation as a 22-year Intel Corporation veteran, with broad sales and marketing experience. Consequently, Andrew Hurdle assumed the role of Vice President, EMEA Sales.

Fiscal 2006

In fiscal 2006 the Corporation made significant new investments in mobility software product development, which is intended to result in new licensing based revenue streams. In this regard, it delivered in the fall of 2005 preview copies of its Microsoft® Windows® CE based feature phone software development kit, then code named Polaris, to a select group of industry silicon vendors, original equipment and original design manufacturers and wireless network operators in advance of the full product release. The Corporation announced the commercial availability of the Soleus™ product (formerly code named Polaris) to potential customers and industry partners on February 13, 2006 at the 3GSM World Congress event held in Barcelona, Spain. Soleus™ is a turnkey development platform for feature phones that leverages the Microsoft® Windows® CE operating system. At 3GSM, the Corporation demonstrated Soleus™'s ability to run on a variety of different hardware platforms featuring chip sets from Texas Instruments ("TI"), Agere Systems Inc. ("Agere") (formerly Lucent Technologies' mobile chip business unit) and Freescale Semiconductor, Inc. (“Freescale”) (formerly Motorola Inc.’s (“Motorola”) computer chip business unit), and also demonstrated the product with a number of these vendor partners at their booths.

In the latter half of the fiscal year the Corporation also announced a number of customer developments for Soleus™:

- On June 12, 2006, the Corporation announced that Wistron Corporation (“Wistron”), one of the world's leading original device manufacturers producing information and communications technology products, agreed to license Soleus™ as a software platform for the development of mid-tier mobile phones. The licensing agreement followed the February 13, 2006 announcement that Wistron and the Corporation were collaborating to integrate Soleus™ into custom handset solutions;

- On June 29, 2006, the Corporation signed a Memorandum of Understanding with Ginwave Technologies Ltd. (“Ginwave”), an independent design centre headquartered in Shenzhen, P.R.C. Under the Memorandum of Understanding Ginwave agreed to evaluate Soleus™ for use in custom mobile phone designs; and

- On July 18, 2006, the Corporation signed with Cellon International (“Cellon”), a leading provider of end-to-end design and systems integration services for the wireless handset industry, a Memorandum of Understanding to evaluate Soleus™ for use in custom feature phone designs. Cellon is the world's largest independent design house for wireless terminals and modules.

During the year, the Corporation successfully recruited a number of new staff, bringing the total staffing levels worldwide up from 167 to 230 employees and contractors over the course of the year. This hiring was necessary to address the growth in the mobility services business as well as the substantial increase in software development activities and associated marketing and sales initiatives.

In addition, the Corporation has also taken the necessary legal and logistical steps to open a sales office and development centre in Asia to support the Soleus™ initiative and its professional engineering services business.

To fund sales, marketing and research and development related to the new Soleus™ product, as well as for general corporate purposes, the Corporation completed two financings in fiscal 2006:

- On March 30, 2006, the Corporation closed a public offering which sold a total of 26,796,401 units at an offering price of $0.90 per unit for gross proceeds of $24.1 million with net proceeds of approximately $21.8 million after deducting underwriters' fees and expenses. Each unit consisted of one common share of the Corporation and one half of one common share purchase warrant, as a result, a total of 26,796,401 common shares and 13,398,201 common share purchase warrants were issued. Each whole warrant entitles the holder thereof to purchase one common share at a price of $1.05 for a period of four years following the closing of the offering. The underwriters also received 1,607,784 compensation options. Each compensation option is exercisable to purchase one unit at the offering price for a period of two years following the closing date of the offering.

- On October 8, 2005, the Corporation closed an $8.0 million financing with Wellington Financial Fund II ("Wellington Financial") in order to partially fund the mobile software initiative and provide working capital. The financing was by way of secured debentures maturing on October 3, 2007. The maturity date may be extended by one year if Intrinsyc meets certain pre-determined financial targets and may also accelerate in certain circumstances including a default by the Corporation or in the event of a change of control of the Corporation. In addition to events of default which are typical for transaction of this nature, Intrinsyc will be in default in the event that it fails to maintain a cash balance of at least $2 million and a tangible net worth of at least $500,000. Intrinsyc has the right to repay the debentures in whole or in part, subject to certain restrictions. The debentures have an annual interest rate of 12.5% with monthly payments of interest only until maturity, and are secured by a charge over all of the assets of Intrinsyc and its subsidiaries. The net proceeds from the financing were approximately $7.0 million after deducting fees and expenses. Concurrent with the financing, Intrinsyc has issued to Wellington Financial an aggregate of 3,870,968 special warrants of Intrinsyc. Each special warrant is exercisable, without payment of additional consideration, for one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share of Intrinsyc at an exercise price of $0.62 per share at any time prior to October 3, 2010. On November 7, 2005, Mr. Mark McQueen, President and CEO of Wellington Financial, was nominated to the Corporation's Board of Directors.

On August 31, 2006, the Corporation renamed two of its business units. The Mobile Software Products ("MSP") group was renamed as the Mobile Products group and the Mobile and Embedded Solutions ("MES") business unit was renamed as the Engineering Services group.

On July 24, 2006, the Corporation announced the appointment of Glenda M. Dorchak to Chief Executive Officer, succeeding CEO and founder Derek Spratt, and to the Board of Directors of Intrinsyc as Chairman. Prior to joining Intrinsyc, Ms. Dorchak drove the strategic direction and product development for embedded communications and consumer electronics devices as the Vice President & General Manager of Intel Corporation's ("Intel") Consumer Electronics Group. Ms. Dorchak also served as an independent director of Intrinsyc in 2004 and 2005. Mr. Spratt, who founded the Corporation in 1996, and rejoined the Corporation as CEO in 2003 until a succession plan could be developed and implemented, continues to serve as a consultant to the Corporation.

In May 2006 the Corporation announced three important management appointments retuning the organizational structure to address the Soleus™ opportunity: Andrew Hurdle assumed the role of Executive Vice President for Worldwide Sales (formerly Vice President of MES Business Development, Europe); David Manuel was promoted from Vice President of MES to the newly created position of Executive Vice President of Customer Programs; and Randy Kath was promoted from Vice President of MSP to the newly created position of Chief Technology Officer and Vice President of the MSP business unit. Subsequent to the Corporation's fiscal year-end, Mr. Manuel's title changed to Executive Vice President of Engineering Services group to coincide with the business unit name change.

On December 15, 2005, Thomas Bitove was nominated to the Corporation's Board of Directors. Most recently Mr. Bitove served as Chairman of Wireless Airtime Direct Inc and also currently owns the distribution rights for the Red Bull Energy Drink throughout Ontario, Canada.

Fiscal 2005

In fiscal 2005, the Corporation increased its focus on its strategic direction, product development, as well as its marketing and sales efforts around mobility software and service offerings targeting mobile handset manufacturers and associated ecosystem partners. The Corporation also undertook numerous new initiatives designed to help mobile handset and wireless device manufacturers bring their new products to market. Intrinsyc's business activities centred on providing technologies and software that enable the rapid convergence of digital services and mobile phones.

The most important mobile software development initiative began in late fiscal 2004 and continued throughout fiscal 2005. The Corporation set up the MSP business unit (renamed the Mobile Products group in fiscal 2006) to build software products that leverage the widely adopted Microsoft® Windows® CE operating system and that will allow mobile phone manufacturers to design more cost-effective and feature-laden handsets. The Corporation opened a Bellevue, Washington facility and hired Randy Kath, a former Microsoft Corporation ("Microsoft") senior manager, to the Vice President, MSP (renamed the Mobile Products group in fiscal 2006). The Bellevue office staff grew to over 30 people in the year. The software was previewed and demonstrated at the 3GSM World Congress in Cannes, France on February 14, 2005.

To fund the mobile software product initiative and provide working capital, the Corporation completed a $5.6 million common share rights offering at a price of $0.50 per share on October 28, 2004. The rights offering was fully subscribed and rights were exercised for a total of 11,246,743 common shares.

During the year, the Corporation also established MES business unit (renamed the Engineering Services group in fiscal 2006), including a Mobile Solutions Team, and launched its new iQuickStart 3G technology program. The iQuickStart 3G Program extends support for Windows® Mobile® software to 3G and leverages Intrinsyc's licensable Radio Interface Layer ("RIL") telephony components for Windows Mobile® 5.0-based device development. As part of this program, four new products that enable mobile device makers to start their development cycles earlier and take their products to market faster were launched later in the year. These products take the form of Board Support Package ("BSP") kits which provide the bridge between the embedded operating system and the target mobile hardware:

1. Windows Mobile® BSP Kits
2. Windows® CE BSP Kits
3. Windows® CE and Windows Mobile® Power Management Kits
4. Windows Mobile® Quality Assurance Kits

The Enterprise Interoperability Solutions ("EIS") business unit was also established during the year focusing on the sale of the Corporation's J-Integra suite of interoperability products and related support and maintenance. Later in the year, the business unit expanded its interoperability software offering with the new J-Integra Espresso product, which provides an interoperability bridge between Java, CORBA and Microsoft® .NET. The product is based on third-party software licensed by the Corporation.

In July 2005, the Corporation completed the final stage of a reorganization of the sales and marketing group splitting the team into each of the business units discussed above.

On September 13, 2004, Andrew Morden CA was appointed as Chief Financial Officer of the Corporation, replacing Chuck Leighton, who acted as Intrinsyc's Chief Financial Officer since 2001. Mr. Morden brought over 15 years of finance, accounting and public markets experience to the Corporation as well as experience in the high tech industry

Fiscal 2004

In fiscal 2004, the Corporation focused on operating its existing business and planning future expansion as well as renegotiating two critical contracts:

1. On August 25, 2004 the Corporation settled a complaint by the Government of Canada on account of the Corporation’s engagement of a consultant in connection with the funding under the Technology Partnerships Canada (“TPC”) Agreement, deemed by the Government to be in breach of the TPC Agreement. See “Material Contracts”.
2. In connection with the acquisition in June 2002 of all of the issued shares of NMI Electronics Limited. (“NMI”), a privately-held company, the Corporation reached an agreement with the former principals of NMI on June 21, 2004 to amend the terms and conditions of the initial acquisition agreement (the “Acquisition Agreement”) related to the remaining contingent and future consideration payable thereunder. Under the amendment agreement, all contingent and unpaid cash consideration as at May 28, 2004 payable by the Corporation was considered extinguished in return for the issuance of 4,105,727 common shares of the Corporation. The maximum contingent consideration payable for fiscal 2004 was $4.1 million and the unpaid consideration related to fiscal 2003 was $399,560. The issuance of the 4,105,727 shares satisfied all amounts payable by the Corporation under the Acquisition Agreement.

On March 16, 2004, Glenda M. Dorchak was appointed as an independent member of the Corporation’s Board of Directors. Ms. Dorchak is currently the Corporation’s Chairman and CEO but at that time held the position of Vice President, Digital Home Group and General Manager of the Consumer Electronics Group at Intel. In addition, on March 15, 2004, Mr. William K. Bryant was appointed as an independent member of the Corporation’s Board of Directors. Mr. Bryant has had extensive involvement with over twenty leading software technology companies in the Seattle, Washington area, serving as a founder, senior executive, investor and/or board member.

Significant Acquisitions

There were no significant acquisitions in fiscal 2006.

ITEM 3: NARRATIVE DESCRIPTION OF THE BUSINESS

Summary

The Corporation is a mobility software and services company that specializes in providing smartphone and feature phone software licensing and supporting systems integration services to handset manufacturers and their partners. The Corporation's technologies and services make it possible for customers to identify, create and deliver mobile devices and solutions.

The Corporation is comprised of three business units:

- Mobile Products group, which is responsible for the development of the Corporation's Soleus™ feature phone product;

- Engineering Services group, which provides the required systems integration services to handset manufacturers; and

- Enterprise Interoperability Solutions ("EIS") business unit, which provides networking software to bridge Java and Windows® -based systems.

The Corporation has strategically positioned its product and service initiatives and offerings to take advantage of what the Corporation perceives to be an increasing trend in the industry towards "digital convergence" in mobility technology. This digital convergence involves an anticipated convergence of four industries: the telecommunications industry; the computing industry; the entertainment industry; and the consumer electronics industry related to mobility products and services. The Corporation's business plan contemplates increased demand and value for its products and services as a result of this trend. Management believes that the Corporation's products, such as its licensable Soleus™ feature phone software product and its supporting systems integration services, are key enablers in delivering mobile digital convergence products, such as feature phones, smartphones and wireless gaming devices.

The Corporation is currently making significant new investments in mobility software product development, specifically its Soleus™ feature phone software product, which is intended to result in new licensing based revenue streams. Soleus™ is a Windows® CE based feature phone software product that can be used by industry silicon vendors, original equipment manufacturers and original design manufacturers ("handset manufacturers"), wireless network carriers and mobile virtual network operators ("MVNO"). The product is targeted at the feature phone market segment, which Ovum Corporation ("Ovum"), a wireless industry analyst firm, describes as midrange mobile handsets. Ovum estimates in its report dated January 2006 that this market represented approximately 508 million handset units in 2005, and will grow to approximately 850 million units by 2009. The Corporation announced the commercial availability of the Soleus™ product to potential customers and industry partners on February 13, 2006 at the 3GSM World Congress event held in Barcelona, Spain.

Management's strategy is to partner with leading silicon vendors, mobile application software companies, and network operators to achieve market adoption of new high level operating systems, including Soleus™. The Corporation is currently working with several manufacturers and designers to bring Soleus™-based handsets to market. In 2006, Wistron Corporation, one of the world's leading original device manufacturers producing information and communications technology products, licensed Soleus™ as a software platform for the development of their mid-tier mobile phones. Management believes there is a growing interest among handset manufacturers to make the shift to a high-level operating system, and they are in active discussion with a number of key players in the mobility industry. The Corporation's development work for Soleus™ remains on schedule. The Corporation expects to complete Soleus™ version 1.0 final release by the end the 2006 calendar year,

Products and Services

Mobile Products Group

The Mobile Products group is based in Bellevue, WA, USA with a regional office in Singapore and is responsible for the development of the Soleus™ feature phone software product. This group was created in 2004 and located in Washington State specifically to allow for convenient co-location and collaboration with Microsoft. Soleus™ is based on the Microsoft® Windows® CE operating system, which Microsoft also uses as the underlying operating system for its Windows Mobile® software product. The Windows Mobile® software product is targeted at the high-end smartphone market segment, while the Corporation's Soleus™ product is targeted at the highly customized and differentiated consumer oriented feature phone market segment.

The Mobile Products group is leveraging the Engineering Services group's technical expertise and understanding of handset manufacturers and industry silicon vendors. The Engineering Services group has built strategic technology and marketing relationships with major mobile silicon vendors including TI, Freescale and Agere. These relationships allow the Mobile Products group to development better products that deliver lower product development risk and reduced go-to-market cycles for new handsets. Management expects some customers may choose to use the Corporation's engineering services to develop their Soleus™-based handset in order to take advantage of the Engineering Services group's expertise and risk-reduction to increase time-to-market. Management believes this may generate incremental engineering services revenue for the Corporation.

The Mobile Products group has also initiated a third-party independent software vendors ("ISV") program for companies who wish to offer their mobile handset application programs in conjunction with the Soleus™ product offering.

Engineering Services Group

The Engineering Services group is based in Vancouver, Canada, with a regional office in Birmingham, United Kingdom and provides Microsoft® Windows® CE, Windows Mobile®, Symbian Software Ltd. ("Symbian") operating systems and Linux-related engineering systems integration services to OEMs and handset manufacturers such as Nokia Products Limited ("Nokia"), Motorola, and Samsung Electronics Co., Ltd. ("Samsung"), as well as other mobile handset partners such as the silicon vendors mentioned above (TI, Freescale and Agere). The Engineering Services group also provides its services to major software vendors, including Microsoft and Symbian, related to the development of their smartphone operating systems. As a systems integrator, the Corporation has over 10 years experience helping customers bring leading-edge wireless, mobile and embedded devices to market in industry sectors including manufacturing, health care, industrial, telecommunications, and retail. In fiscal 2006, the Corporation reported solid growth in North American engineering services business which more than offset a decline in European revenues. Overall total revenue in 2006 grew by 6% to $18.7 million compared to the prior year.

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

- Turnkey design services and assistance to OEMs in designing and certifying mobile devices using Microsoft® Windows Mobile®, Windows® CE, Linux or Symbian operating systems;
- Developing customized software and hardware solutions using common operating systems including Windows Mobile®, Windows® CE, Linux and Symbian;
- Customizing the Corporation's products for in-house use by OEMs;
- 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 to 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.

Service Kits are offered by the Corporation as packaged service solution specific to the mobile device makers and original equipment manufacturers. These include:

- Windows Mobile® Board Support Packages (BSP) Kits, packaged services for implementing Windows Mobile® BSPs on a wide range of embedded processors from key silicon vendors for system integration;
- Windows® CE Board Support Packages (BSP) Kits, packaged services for implementing Windows® CE BSPs on a wide range of embedded processors from key silicon vendors for system integration;
- Power Management Kits, packaged services for product development to help reduce the total power consumption of the final product, improving its battery life and power management capabilities; and
- Windows Mobile® Quality Assurance Kits, packaged services to ensure the Windows Mobile® device in development receives independent validation and verification.

The Corporation's services are provided on either a fixed fee or a time and materials basis.

The Engineering Services group also licenses its telephony ("µPhone"), RIL, and radio multiplexing or MUX software products to a number of the same customers, primarily mobile device manufacturers. A number of features within these software products have been embedded into the Soleus™ product offering.

The Engineering Services and Mobile Product groups' sales and marketing teams work closely on joint sales and marketing efforts and also offer potential Soleus™ customers a full range of engineering service offerings relating to integration and testing of Soleus™ on a wide range of different mobile platforms and computer chip sets.

Raw materials for production purposes are sourced from many different vendors and the Corporation endeavors to ensure that multiple vendors are available for its production requirements to mitigate supply side issues such as manufacturers experiencing production shortfalls limiting the availability of specific products. The Corporation uses contract manufacturers for the outsourcing of volume production.

Enterprise Interoperability Solutions

The EIS group is based in Vancouver, Canada, and develops and licenses networking software that bridges Microsoft® Windows® based systems to Java-based systems. It also provides product support and systems integration services to its customers, who include Fortune 100 companies software vendors such as IBM Corporation, Adobe Systems Incorporated, BEA Systems Inc. and Environmental Systems Research Institute Inc., as well as a host of 'end-users' including major banking and pharmaceutical companies. Management believes the Corporation's interoperability products are market-leading solutions for the interoperability challenges facing the IT sector as they attempt to integrate disparate technologies into their networks. Software revenue for fiscal 2006 compared to fiscal 2005 decreased as the volume and size of interoperability software product transactions declined in year due to the maturation of the markets into which the Corporation sells its software solutions.

Examples of interoperability software technologies and products include application level inter operability protocols between Java, Common Object Request Broker Architecture (CORBA) and Microsoft® Windows® based systems. These products are provided in a downloadable software format from the J-Integra Intrinsyc website. These products are marketed to end-users, independent software vendors and OEMs. Volume run-time licensing revenue is generated once products developed using the software are commercialized.

These products are marketed primarily to large end user organizations and enterprise software vendors.

Soleus™ Feature Phone Platform

Soleus™ is built on the Microsoft® Windows® CE 5.0 operating system, and has been optimized for use in designing and developing lower cost consumer oriented feature phone mobile handsets. Soleus™ provides a turnkey development platform that takes a modular approach to configuring handset software. Soleus™ has been designed as a software platform that provides a standard set of software components that can be deployed across multiple handset designs and provide an effective economic model for the handset manufacturer.

Soleus™ also supports a high degree of user-interface customization through a framework for building and deploying a mobile handset user-interface. Not only does this framework simplify the user-interface design, it enables the use of that same user-interface on a wide range of mobile handsets.

Management believes that Soleus™ provides the following benefits to the principal participants in the handset market, being the wireless carriers, the handset manufacturers, the silicon vendors and the independent software vendors.

Handset Manufacturers

- Shortens handset development time compared to many existing software solutions due to the ease of use of the development tools.

  Many of the existing mobile handset software solutions are based on proprietary operating systems that have evolved over time without the benefit of modern high-level operating system productivity features. As a result, developers must write a significant amount of new code in order to bring new handset features to market, especially in the current environment where wireless carriers continue to invest in 3G and 3.5G networks and increasingly demand that new handsets take advantage of this new technology. Soleus™ is integrated into the Microsoft® tool chain and takes full advantage of the advanced features found in Microsoft® Platform Builder and Microsoft® Visual Studio for platform development. This platform development methodology minimizes the amount of custom code required as multiple models are developed from the same base hardware platform.

- Requires less memory than alternative software platforms.

  Soleus™ is built on Microsoft® Windows® CE 5.0, an operating system that has been on the market for more than a decade. Unlike Linux, which was ported from a desktop/server operating system, Windows® CE was built from the ground up to be a small embedded operating system. Management believes that this ability to run in a smaller footprint than other operating systems such as Linux allows the development of mobile handsets with lower total memory, which in turn lowers the total bill-of-materials cost for a mobile handset. This directly translates into increased profitability in a Soleus™-powered mobile handset for the handset manufacturers.

- Lowers total handset development costs.

  A report released in July 2003 by Embedded Market Forecasters compared the total cost of development for Windows® Embedded (which includes Windows® CE and Windows® XP Embedded) and Linux. The report concludes that projects based on Windows® Embedded were completed 43% faster and at 68% lower cost, on average, than similar projects using embedded Linux. Soleus™ extends these platform development efficiencies to mobile handset manufacturers.

- Increases ability to respond to wireless carrier requirements.

  With its configurable software and user-interface and modular component architecture, Soleus™ provides the handset manufacturer with the capability to respond quickly and effectively to wireless carrier requirements.

Silicon Vendors

An important element in the mobile handset value chain is provided by silicon (semiconductor) vendors, which provide the hardware foundation on which Soleus™ and all other software must rely. The Corporation regards the silicon vendors as important partners, as a cooperative effort is required not only in the engineering effort required to allow Soleus™ to run on a new hardware or reference platform, but also in the sales and marketing efforts needed to bring certified designs to handset manufacturers. The Corporation creates value for its silicon vendor partners both through its sales and marketing efforts and by assisting the silicon vendors in demonstrating the advantages of their chip sets to the handset manufacturers.

Independent Software Vendors (ISVs)

The Corporation is partnering with mobile application software providers or ISVs to supplement Soleus™'s core application software. The Corporation's Mobile Products group is providing the dialer, SMS messaging, phone book, and basic media player components but is working with these ISVs for other components that are typically required for feature phones, including a Java Virtual Machine and a WAP Browser.

The Soleus™ platform provides ISVs with several benefits:

- Opportunity to address both the smartphone and feature phone market.

  Soleus™ and Windows Mobile® are both built on the Microsoft® Windows® CE operating system and, as a result, products that run with Windows Mobile® also can run on Soleus™ with only minor modifications. Soleus™ provides the vendors of these products an opportunity to extend the product beyond the Window™ Mobile smartphone market and into the feature phone market. For products that do not run on Windows® CE, Soleus™ provides an opportunity for entering the world of Windows Mobile®-compatibility and the smartphone market.

- Microsoft application development tools.

  Soleus™ is built on the Microsoft® Windows® CE operating system and as a result the Microsoft® development tools can be used by the Corporation's ISV partners to integrate their products with the handset. Microsoft has made a substantial investment in its tool chain products, specifically Visual Studio and Platform Builder, which are application development tools that are used around the world. These products are very easy for developers to use and are also powerful, allowing developers to produce higher quality applications faster than they otherwise could. Quality and speed to market are very important factors for ISVs.

Wireless Carriers

Wireless carriers work to tailor their handsets for the best delivery of their respective services. There are many examples of this, such as the Orange Signature handsets, in which the user-interface for all handsets, irrespective of manufacturer, has many common elements. Another example is Vodafone Live, with its branded browser interface for accessing online content. Both are examples of carriers fine-tuning their customers' handset experiences. Soleus™, through its user interface framework, allows wireless carriers to have control over their mobile handsets in several ways:

- Control of customer user-experience.

  The most obvious example of a wireless carrier's branding is the user-interface, which is the user-experience of a handset. Some elements of a user-experience are obvious, such as the structure of the commands, the look-and-feel of the graphics that are displayed, animation, and sounds. Other elements of the user-experience might be less obvious, such as, among others, the timing of response to user actions, customization of new input based on previously remembered input, automatic language-detection and automatic date/time updating.

- Control of handset branding.

  There are many elements that make a handset unique, all of which are part of the branded experience that the wireless carrier creates. The branding is more than the company's name on the product; it is the sum of all the parts that make up the product. Many aspects of the branding involve elements that the user never sees and is not even aware of. Some of these elements include the market research undertaken by the company, the hardware and software design, the user-interface design and the quality control. All of these elements are part of what a wireless carrier sees as its contribution to a handset that it subsidizes and provides to its customers.

- Custom selection of available applications.

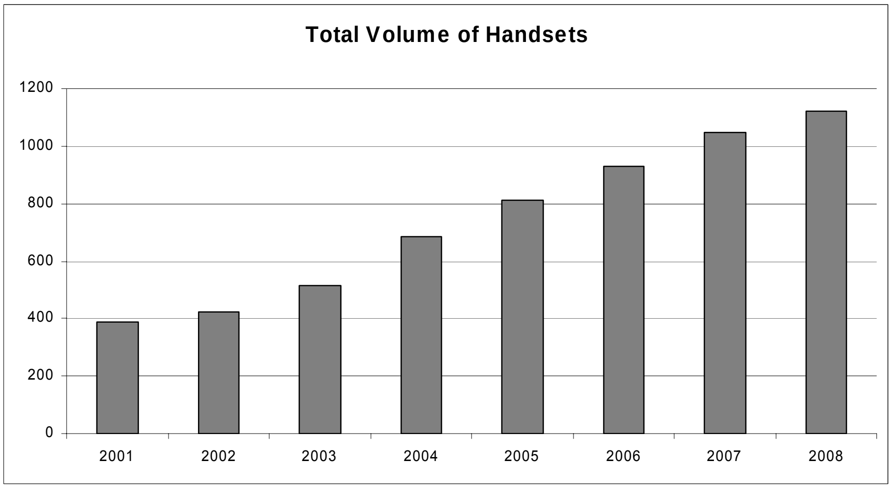
  To meet the needs of the specific market segments that they are targeting, wireless carriers, and especially the MVNOs (i.e. a mobile carrier that does not own its own spectrum and, instead, has a business arrangement with traditional wireless carriers to buy minutes of use for sale to its own customers), need available applications that are available on a given mobile handset.

  In some cases, customization might only involve relatively minor source code changes. Regardless of the customization effort that is required, Soleus™ is built as a modular platform with flexibility in configuration that simplifies the customization process.

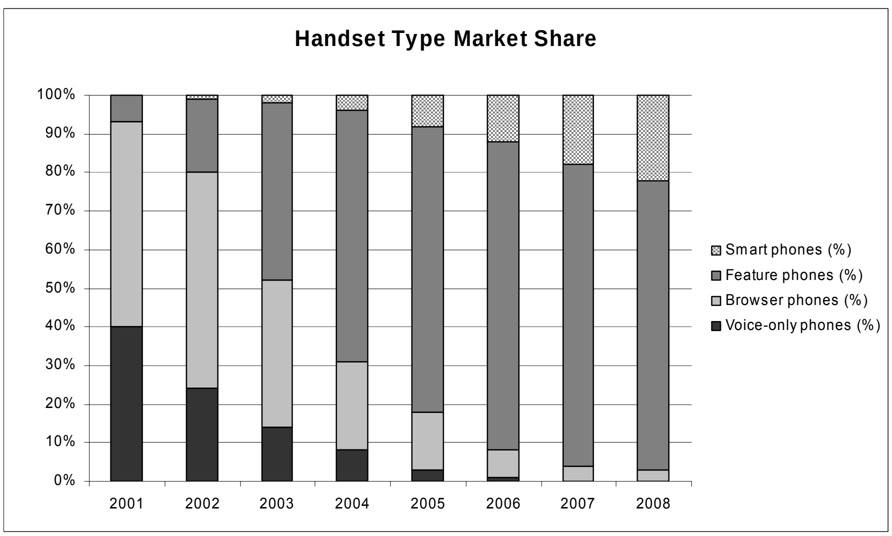
Market Opportunity

Based upon numerous industry reports published by both independent and financial analysts, management of the Corporation estimates that only a small percentage of feature phones that are currently being manufactured use a standard high level operating system. The rest are built on home-grown operating systems, or on tiny real-time operating systems ("RTOS"), which management believes were built for an earlier generation of microprocessors. The market for feature phones has grown dramatically over the last decade, and management believes that these older operating systems and the tools needed to support them have not kept pace with the increased demands of the next generation of feature phones.

The following tables illustrate the historical and estimated growth by total volume of handsets and by handset type between 2001 and 2008.



Source: Management compilation and interpretation of data from Ovum, Yankee Group, Strategic Analytics and IDC. The estimates for the last three years in the above table have been projected based on historical rates.



Source: Management compilation and interpretation of data from Ovum, Yankee Group, Strategic Analytics and IDC. The estimates for the last three years in the above table have been projected based on historical rates.

Management believes that annual handset sales will continue to grow, and the Corporation believes that handset manufacturers face increasing pressure not only to increase the number of designs they bring to market, but also to bring those designs to market faster. Management also believes that the handset manufacturers' business success requires, among other things, that they provide consumers with appealing, innovative designs, within an ever shrinking time-to-market framework, while simultaneously keeping their bill-of-material and engineering costs to a minimum. Industry analysts are reporting that existing software/hardware design paradigms for feature phones are proving inadequate to meet these challenges. Management believes that proprietary software stacks are nearing obsolescence, and will not support handset manufacturer requirements for future success in the mobile handset business.

In addition to the challenges related to the number of designs, time-to-market and design costs, management of the Corporation also believes that the handset manufacturers are being pressured to add new features by the wireless carriers, who want to add new services that often cannot be served with existing handsets. The most obvious example of this involves 3G data capabilities (e.g. 3G phones), but is also represented by media requirements (pictures and music), and other revenue-generating data opportunities that wireless carriers are developing.

Management believes that the handset manufacturers are retooling to keep up with new demands, and are carefully evaluating future platforms and software tools. Management also believes that Soleus™ allows handset manufacturers to reduce their development costs and bring their mobile handsets to market more quickly than many legacy development platforms, while meeting the demands of the wireless carriers.

Relationship with Microsoft

The Corporation has a 10-year relationship with Microsoft, beginning with the Corporation's position as one of the first Windows® CE systems integrators and ISVs in 1996, and continuing today as a Windows Mobile® 'gold partner' systems integrator. Intrinsyc is also a Gold Level Member of the Microsoft® Windows® Embedded Program ("WEP"), which enables WEP partners to bring their Windows powered products to market faster. Many of the Corporation's engineers dedicated to performing Windows® CE and Windows Mobile® engineering work for Microsoft's and the Corporation's joint customers.

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: mobile telephony, consumer electronics; 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, silicon vendors, network operations, and handset manufacturers.

Events

The Corporation participates and exhibits at several key industry conferences throughout the year. These include events, such as 3GSM, Cellular Technology Industry Association conferences, Intel Developer Forums, Microsoft Mobile® and Embedded Developer Conferences, and the Sun JavaOne Conference, where mobile and embedded solutions and networking products are presented to prospective OEMs and software/product developers from a wide range of industries. The Corporation also attends other conferences in wireless telecommunications.

Media and Web Presence

The Corporation advertises in selected trade press, with a focus on cooperative marketing programs with Microsoft and other strategic partners. Ad placements are aligned with editorial calendar content that best matches 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 targets its web presence through several portal service providers that offer vendor and solutions information to specific vertical market customers.

The Corporation has also engaged a search engine placement company to assist in the ranking and placement of the Corporation 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 TI and Freescale) and key software developers and application service providers with specific market expertise or geographical area of operation (such as BEA Systems, SAP, and IBM).

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 into Asia.

The following table sets out revenues for each category of products and services accounting for over 15% of total revenue from sales:

		2006	Percentage of total revenue		2005	Percentage of total revenue
Software revenue[(1)]	$	1,832,282	9.8%	$	2,670,154	15.2%
Services revenue		14,938,377	80.1%		12,924,041	73.7%

[(1)] Software revenue above relates to sales from the Corporation's Enterprise Interoperability Solutions group and not the Corporation's new Window CE based software product, Soleus™ which in fiscal 2006 was pre-revenue.

Customers

The Corporation focuses on providing mobility solutions and specialized intelligent devices to a wide variety of customers through direct 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 licence fee. The Corporation currently has over 1,500 distinct customers with a historical range of contract values from US$500 to US$1,600,000.

The Corporation'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, Freescale, Hand Held Products, Microsoft, Samsung, Symbian, TI, and SAP. In fiscal 2006, Symbian and Hand Held Products accounted for 17% and 11% respectively of the Corporation's revenue.

Industry Partnerships

The Corporation has various long-standing business relationships with a number of the major technology vendors in the mobile device market, including Freescale, Microsoft, Symbian and TI. These relationships have been formed to leverage common investments and strategic direction in the mobility space, for instance, semiconductor vendors act as channels to market for the Corporation's software and services offerings as they encourage the adoption of these vendors' hardware products, while software vendors benefit similarly via the accelerated adoption of their offerings along with the Corporation's offerings.

Competitive Conditions

Competitors

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 with mobile Linux operating system offerings such a Monta Vista, Access (formerly China MobileSoft/Palm Source) and Trolltech;

- Companies that provide system integration services for Microsoft® Windows Mobile® and Windows® CE, such as BSquare Corporation, Taproot Systems and Teleca AB;
- Companies with interoperability solutions such as Borland Software Corp.; and
- Companies with in-house capabilities to build mobile software solutions.

Some of the Corporation's current and potential competitors, alone or together with their trade associations and partners, have greater financial, technical, marketing, service and other resources, as well as 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 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 competitive strength is derived mainly from the expertise and specialized knowledge of its engineering resources, its history with its customers and the quality and performance of its software products. The Corporation seeks to maintain its competitive strength through its continuous research and development programs as well as by capturing dominant customers in the mobility and interoperability vertical markets.

Barriers to Entry

While potential competitors may have similar products or levels of competence in individual areas, the Corporation believes its uniqueness lies in its experience and skills of its engineering resources and the quality and performance of its mobile and interoperability software products. The technical barriers to entry into the market for these solutions are high on the mobility software and the enterprise interoperability J-Integra suite product lines due to the complex nature of these technologies.

The Corporation also believes that the handset manufacturers are being pressured to add new features by the wireless carriers, who want to add new services that often cannot be served with existing handsets and legacy operating systems. The most obvious example of this involves 3G data capabilities, but is also represented by media requirements (pictures and music), and other revenue-generating data opportunities that wireless carriers are developing. To cope with these challenges, handset manufacturers are rapidly moving to high level operating system platforms that reduce R&D cost and increase go-to-market flexibility. Soleus™ along with Linux, Symbian and Microsoft® Windows Mobile® are all high level operating systems, but only Soleus™ offers the flexibility needed to address operator customizations and consumer-branded product strategies while utilizing the unmatched efficiency found in Microsoft's Windows® CE operating systems and tools. The Corporation believes the Soleus™ development team, comprised of ex-Microsoft personnel that built Windows® CE, is uniquely positioned to deliver a platform of this type for the industry.

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. Research and development activities are undertaken by both employees and subcontractors.

With regard to new products, the Corporation has taken on major development of Soleus™ product, a Microsoft® Windows® CE based software platform for the mid-range mobile handset market, via its Mobile Products group. The Corporation is applying the Microsoft® Platform Builder and Visual Studio development tools to handset development and plans to enable use of these tools for teams internal to the device maker as well as the extended set of vendors and programming resources currently working with feature phones. In addition, the Mobile Products group is working with silicon vendors to ensure that handsets with an optimized bill-of-materials are matched with the upcoming Intrinsyc product offerings.

Other development activities are as follows:

- Ongoing development of smartphone and other mobile technologies that allow Windows Mobile® and Windows® CE, Symbian, Linux and other operating systems to operate on various cell phones and wireless PDA's;

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

- Continued integration and development of the Java to Microsoft® .NET and Exchange as well as CORBA bridging solutions that will allow for future Microsoft®, CORBA Java enterprise computing.

Intellectual Property

The Corporation has applied for and received registration in Canada, the United States and the European Union of the mark "Intrinsyc". The Corporation has also applied for registration in China of the Chinese characters equivalent of "Intrinsyc" and the Pinyin version of the Chinese characters trademark (Yin Chuan Xin). The Chinese applications have been accepted, with the trademarks to be subsequently issued.

The Corporation has applied for registration of the mark "Soleus" in the United States, Canada, the European Union, Taiwan and China and is undertaking registrability searches of that mark in Japan and Korea.

The Corporation has applied for and/or received registration of the mark "J-Integra" in the United States and Canada. The Corporation has applied for and/or received registration of the mark "CERF" in the United States, Canada and the European Union.

The Corporation currently has three utility and four design patent applications and four provisionals for utility patents issued or pending with the US Patent and Trademark Office, the Canadian Patent and Trademark Office and/or 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". Once issued, utility patents are valid for a period of 20 years and, depending on the country, design patents are valid for a period of 14 or 16 years. Continued validity is dependent upon paying the requisite government agency fees.

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 protect intellectual property protection on an ongoing basis.

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.

Cycles

The Corporation does not experience significant annual industry-based economic cycles.

Economic Dependence & Changes to Contracts

The Corporation's various major customer engagements are described above under "Industry Partnerships" and "Significant Customers". In fiscal 2006, Symbian and Hand Held Products accounted for 17% and 11% respectively of the Corporation's revenue, while no other customer engagement accounted for more than 10% of revenues. The Symbian contract is on a time and materials basis and is renewable by Symbian every six months. Each of the other customer relationships involves annual (or more frequent) re-negotiation of the value and amount of products and services provided by the Corporation, and other than future payments for per-use or per-unit software royalties, may be subject to cancellation or discontinuation by these customers. See "Risk Factors".

Employees

As of the end of fiscal 2006, the Corporation employed 223 full-time personnel and 7 contractors. Of these, 190 were engaged in research, development, services engagements and customer support activities, 16 in sales and marketing and 24 in finance and administration.

Foreign Operations

The Corporation operates a research and development organization in each of Bellevue, Washington, USA; Birmingham, UK; and Singapore; and an administrative centre in Barbados which represent the Corporation's four significant foreign operations. Certain of the Corporation's intellectual property is owned, developed and managed out of each of these operations and internal transfer pricing mechanisms are in place to manage the transfer and use of this intellectual property. The Corporation's customers are located throughout the world, and as a result, there is no significant dependence of the Mobile Products group and EIS unit on foreign operations. However, as the Corporation's Bellevue operation is the centre of the Soleus™ product development activities, it is critical to the success of the Mobile Products group.

Lending

The Corporation has no lending arrangements in place with third parties and does not anticipate entering into any significant lending arrangements in the foreseeable future.

Risk Factors

An investment in the securities of the Corporation may be regarded as speculative due to the Corporation's stage of development. Risk factors relating to the Corporation could materially affect the Corporation's future results and could cause them to differ materially from those described in forward-looking statements relating to the Corporation. Prospective investors should carefully consider these risk factors along with the other matters set out this AIF.

The following are some of the risks that are associated with the Corporation's business and operations and should be carefully considered by any potential investor in the Corporation's shares:

Additional Financing

The Corporation currently operates at a loss and uses cash raised in capital markets to fund working capital. If adequate funds are not available with 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 favourable 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.

Research and Development

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.

Major Industry Software Vendor Partners May Become Competitors

The Corporation relies on software developed by Microsoft and Symbian in order to develop and market its products and services. As the developer of Windows Mobile®, Windows® CE, Microsoft® .NET and Symbian-based software technologies, Microsoft or Symbian or both could add features to their operating systems and application product offerings 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 or Symbian that compete with the Corporation's software products and services could harm the Corporation's business.

History of Losses

The Corporation has a history of losses, and there can be no assurance that the Corporation's revenue will continue to grow. As at August 31, 2006, the Corporation had an accumulated deficit of approximately $52 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 operation results in the results of product development and sales and marketing initiatives. There can be no assurances that implementation of the Corporation's strategies will result in the Corporation becoming profitable.

Stock Price Volatility

The market price for the common shares of the Corporation 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.

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.

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 or non-competitive.

Sales and Marketing and Strategic Alliances

If the Corporation is to become successful, it must continue to 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, independent software vendors 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.

Length of Sales Cycle

The typical sales cycle of the Corporation's products and services is lengthy (generally between six and nine 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 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.

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 costs of defending against such a claim.

Competition

Because of intense market competition, the Corporation may not succeed. Some of the Corporation's current and potential competitors have longer operating histories, stronger brand names and greater financial, technical, marketing and other resources than the Corporation. Current and potential 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.

International Expansion of Business Operations

The Corporation plans to increase international operations, including the possible establishment of a sales office and development centre in Asia, 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 the Corporation's business, results of operations and financial conditions.

Dependence on Market Acceptance of Mobile Devices and Inter-Operability Solutions

The market for mobile device and interoperability software and services is emerging and the potential size of this market and the timing of its development are not well 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 business and consumers of mobile devices, particularly feature phones, as well as supporting applications, which will depend on many factors, including:

- the development of content and applications for mobile devices;
- the willingness of large numbers of consumers and businesses to use mobile devices such as feature phones, smartphones, PDAs, wireless gaming consoles, and other such specialized mobile devices such as set top boxes, handheld medical devices and industrial data collectors to perform functions currently carried out manually, by traditional PCs or by other electronic devises, including entertainment, personal communication, inputting and sharing data 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.

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. The Corporation has a foreign exchange hedging program that effectively hedges approximately 60% to 80% of its net monthly United States dollar receipts.

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.

Management of Growth

The Corporation's growth continues to place 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.

Acquisitions

The Corporation has, and from time to time in the future may, acquire businesses, products or technologies that it believes complement or expand its existing business. Acquisitions of this type involve a number of risks, including the possibility that the operations of the acquired business will not be profitable or that the attention of the 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.

Product Liability

The Corporation's licence agreements with its customers typically contain provisions designed to limit the Corporation's exposure to potential products 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.

Shareholder Rights Plan

The Corporation has implemented a Shareholder Rights Plan. The Shareholder Rights Plan provides for substantial dilution to an acquirer making a take-over bid for the common shares of the Corporation unless the bid meets the requirements described in the Shareholder Rights Plan. This could discourage a potential acquirer 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. The Shareholder Rights Plan expires December 6, 2006 and the Corporation intends to seek approval from shareholders for the continuation and the amendment and restatement of the Shareholder Rights Plan at the Corporation's 2006 Annual and Special General Meeting.

ITEM 4: DIVIDEND POLICY

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 at this time.

ITEM 5: DESCRIPTION OF CAPITAL STRUCTURE

Authorized and Issued Share Capital

The Corporation's authorized share capital consists of an unlimited number of common shares and an unlimited number of preference shares. As at August 31, 2006, the Corporation's issued share capital consisted of 83,043,369 common shares. The Corporation has no issued and outstanding preference shares. In addition, as of August 31, 2006 the Corporation has outstanding warrants to purchase an aggregate of 19,680,845 common shares at a prices ranging from $0.62 per share to $1.05 per share, and stock options to purchase an aggregate of 6,374,413 common shares at prices ranging from $0.49 per share to $3.21 per share granted under the Corporation's Incentive Stock Option Plan. To the extent that outstanding stock options or warrants are exercised, dilution to the interests of the Corporation's shareholders will occur.

Share Rights

Common Shares

Each common share entitles the holder thereof to (i) dividends if, as and when declared by the directors of the Corporation (subject to the rights of the holders of another class or series of shares), (ii) one vote at all meetings of shareholders of the Corporation (except meetings at which only holders of a specified class of shares are entitled to vote), and (iii) participate on a *pro rata* basis, subject to the rights of the holders of another class of shares, in any distribution of the assets of the Corporation upon liquidation, dissolution or winding-up, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs.

Preference Shares

If the directors create any series of preference shares, such shares shall have the rights determined by the directors, provided that with respect to the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, the preference shares rank in priority to the common shares and any other shares of the Corporation ranking junior to the preference shares.

Stock Option Plan

Under the terms of the Corporation's employee stock option plan, the Board of Directors may grant stock options to employees, officers, directors and consultants. The plan provides for the granting of stock options at the closing price of the Corporation's stock prior to the grant date. Stock options granted on or after May 11, 1999 and before April 5, 2001 generally vest over three years with the first one-third vesting at the first anniversary date of the grant and the balance vesting in equal amounts at the end of each quarter thereafter. The Corporation determines the term of each stock option at the time it is granted, with stock options generally having a five-year term. The Corporation has reserved 11,095,744 stock options for issuance under its employee stock option plan, a total of 4,109,024 stock options have been exercised to date leaving a total of 6,986,750 stock options available for issuance of which 6,374,413 have been granted and 612,337 are available to be granted as at August 31, 2006. The Corporation intends to seek approval from shareholders for the amendment to the Incentive Stock Option Plan at the Corporation's 2006 Annual and Special General Meeting.

Shareholder Rights Plan

The Corporation has adopted a Shareholder Rights Plan (the "Plan"). Under the Plan, one Right is issued in respect of (i) each common share of the Corporation outstanding at the date of the implementation of the Plan, and (ii) each common share of the Corporation issued thereafter, prior to the earlier of the Separation Time and the Expiration Time (as those terms are defined in the Plan). The Plan provides for substantial dilution to an acquirer making a take-over bid for the common shares of the Corporation unless the bid meets the requirements described in the Plan. The Plan was implemented pursuant to a Shareholder Rights Plan Agreement dated December 6, 2000 between the Corporation and Computershare Investor Services Inc. A summary description of the Plan can be found in the Corporation's Management Proxy Circular dated November 6, 2003 and filed on SEDAR (www.sedar.com). See "Risk Factors". The Plan expires December 6, 2006 and the Corporation intends to seek approval from shareholders for the continuation and the amendment and restatement of the Shareholder Rights Plan of the Corporation entered into on December 6, 2000 at the Corporation's 2006 Annual and Special General Meeting.

ITEM 6: MARKET FOR SECURITIES OF THE CORPORATION

Trading Price and Volume

The Corporation's securities are listed and posted for trading on the Toronto Stock Exchange under the symbol "ICS". The table set forth below lists the average daily trading volume and price for each month of the Corporation's fiscal 2006 year from September 1, 2005 to August 31, 2006.

Month in fiscal 2006	Trading price (average)	Trading volume (average)
September	$ 0.67	32,171
October	0.87	41,540
November	0.80	25,600
December	0.82	37,520
January	1.06	70,700
February	1.22	127,285
March	0.88	80,700
April	0.83	63,394
May	0.89	74,204
June	0.80	82,072
July	0.79	43,740
August	0.69	24,345

ITEM 7: DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The table set forth below lists the directors and executive officers of the Corporation as at August 31, 2006 (unless otherwise indicated), indicating their names, municipalities of residence, their respective positions and offices held with the Corporation, their principal occupation and their length of service to the Corporation. The additional biographical information following the table sets out each person's principal occupation within the five preceding years.

To the knowledge of the Corporation, the directors and executive officers as a group, beneficially own, directly or indirectly, or exercise control or direction over 903,944 common shares (not including an aggregate 2,735,833 common shares issuable upon the exercise of stock options and an aggregate 3,906,490 common shares issuable upon the exercise of warrants) representing as at August 31, 2006 approximately 1.1% of the issued and outstanding common shares.

Name and residence	Position with the Corporation	Principal occupation	Director since(6)
Glenda M. Dorchak(1) California, USA	Chairman of the Board and Chief Executive Officer	Chairman and Chief Executive Officer of the Corporation	31 Jul 2006(2)

Name and residence	Position with the Corporation	Principal occupation	Director since[6]
Vincent P. Schiralli British Columbia, Canada	President, Chief Operating Officer, and Director	President and Chief Operating Officer of the Corporation	14 Apr 2003
Thomas Bitove[4][5] Ontario, Canada	Director	Corporate Director	15 Dec 2005
George A. Duguay[3][4] Ontario, Canada	Director	President of G. Duguay Services Inc.	14 Apr 2003
Robert J. Gayton[3][5] British Columbia, Canada	Director	Corporate Director	23 Feb 1995
Mark McQueen[3][4][5][8] Ontario, Canada	Director	President and CEO of Wellington Financial LP	7 Nov 2005
Randy Kath Washington, USA	Chief Technology Officer & VP of the Mobile Products Group	Chief Technology Officer & VP of the Mobile Products Group of the Corporation	Not applicable
David Manuel British Columbia, Canada	Executive Vice President of Engineering Services Group	Executive Vice President of Engineering Services Group of the Corporation	Not applicable
Andrew Morden British Columbia, Canada	Chief Financial Officer	Chief Financial Officer of the Corporation	Not applicable
Mark Johnston[7] British Columbia, Canada	Vice President and General Manager, Worldwide Sales and Technical Marketing	Vice President and General Manager, Worldwide Sales and Technical Marketing of the Corporation	Not applicable

Note:

(1) Ms. Dorchak's tenure as Chairman and CEO began on July 31, 2006.
(2) Ms. Dorchak previously served as an independent director of the Board of Directors from March 16, 2004 to December 15, 2005.
(3) Member, Audit Committee.
(4) Member, Compensation Committee.
(5) Member, Corporate Governance and Nominating Committee.
(6) 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.
(7) Mr. Johnston was appointed to the position of Vice President and General Manager, Worldwide Sales and Technical Marketing of the Corporation on November 2, 2006.
(8) On November 10, 2006, Mr. McQueen resigned from the Corporation's Board of Directors.

Background of the Directors and Executive Officers

Set forth below is a brief profile of each director and executive officer of the Corporation.

Glenda M. Dorchak is the Chairman of the Board and Chief Executive Officer of the Corporation. Prior to joining Intrinsyc, Ms. Dorchak drove the strategic direction and product development for embedded communications and consumer electronics devices as the Vice President & General Manager of Intel's Consumer Electronics Group. Ms. Dorchak joined Intel in 2001 as Vice President and COO of its Communications Group playing a leading role in the consolidation of Intel's many communications technology businesses. Prior to her tenure at Intel, Ms. Dorchak served as Chairman and CEO of Value America, Inc., a leading online retailer that pioneered the sale of consumer products on the Internet. Ms. Dorchak began her career with IBM Canada in Vancouver, B.C., in 1974 and remained with IBM in Canada and the U.S. for over 20 years. She served in a variety of executive positions in sales, marketing and planning, including director of PC Direct and PC worldwide customer relationship marketing executive. Ms. Dorchak served as an independent director on the Board of the Corporation in 2004 and 2005.

Vincent P. Schiralli is President and Chief Operating Officer of the Corporation. Mr. Schiralli joined the Corporation in April 2003 as a Director of the Board and became President and Chief Operating Officer in September 2004 where he is responsible for corporate marketing and business development. He has been working in the software and telecommunications industry since 1968, where he began his career at IBM Canada Ltd. He served 25 years at IBM, holding several different positions including sales, operations and senior management. Mr. Schiralli was the former CEO of Qobra Systems Inc., a Virtual Private Network hardware and software company, and Passport Online Inc., an Internet Service Provider, which was purchased by Primus Telecommunications Canada Inc. in 2002. Mr. Schiralli was also the founder and President of Communitech, an Ontario-based technology association.

Thomas Bitove is a director of the Corporation. Mr. Bitove has a successful history of leadership in several corporate sectors, including the retail technology, hospitality and foodservices industries. Most recently, as Chairman of Wireless Airtime Direct Inc., Mr. Bitove was instrumental in the successful launch of a process that allows customers to use ATM bank machines as point-of-sale terminals. He also currently owns the distribution rights for the Red Bull Energy Drink throughout Ontario, Canada, one of the largest distributors in North America. Between 1989 and 2002, Mr. Bitove was CEO and President of Lettuce Serview LP and its successor companies. He successfully grew the business and sold it, together with the airport foodservice operations, to HMS Host, the world's foremost travel centre and air terminal food services company. Mr. Bitove is a Business and Economics graduate of the University of Western Ontario.

George A. Duguay is a director of the Corporation. Mr. Duguay is a senior executive with experience in the technology, financial services and resource industries. Since 1988, he has been the President of G. Duguay Services Inc, a partner of Duguay and Ringler Corporate Services until February 2006, and a provider of corporate and financial administrative services to public companies. G. Duguay Services Inc. continues to act as a consultant to Duguay & Ringler Corporate Services. In addition for the past 10 years, he has served as Director of Genesis Microchip Inc., the world's leading supplier of display image processors, and was a founder of Equity Transfer & Trust Company, a provider of transfer agency and corporate trust services. He is presently Corporate Secretary of two public companies. Mr. Duguay is a Certified General Accountant and an associate of the Institute of Chartered Secretaries.

Robert J. Gayton, Ph.D, FCA is a director of the Corporation. He holds a doctorate in Business from the University of California at Berkeley and was a former partner at Peat Marwick Mitchell. Dr. Gayton has directed the accounting and financial matters of public companies in the resource and non-resource fields since 1987 and currently serves as director for twelve public companies, including Intrinsyc.

Mark McQueen is a director of the Corporation and the President and CEO of Wellington Financial LP, a privately-held bridge financing and venture debt fund. He has served in that position since December 2004. He has been involved with the firm since its founding in 2000, acting as Managing Director at an Independent Investment Bank from January 2000 to November 2004.

Randy Kath is the Chief Technology Officer & Vice President of the Mobile Products Group of the Corporation responsible for the development of Intrinsyc's Soleus™ mobile phone software platform. Mr. Kath is a technology business leader with more than 15 years experience in software development, business and product management, and sales and marketing. From 1991 through 2000, Mr. Kath worked for Microsoft Corporation building, delivering and marketing operating systems and tools platforms for developers, silicon vendors and systems integration partners. In 1995, Randy joined the newly formed Mobile & Embedded Devices Group and built the first Windows® CE embedded platform for Microsoft. As General Manager of this group, Mr. Kath's team released the first three versions of the Windows® CE operating system and tools, and he was awarded Partner status for his efforts. Prior to Microsoft, Mr. Kath worked as a software engineer for Shepard's McGraw-Hill in Colorado Springs and for General Dynamics in San Diego. Mr. Kath received his Bachelor of Science in Electrical engineering from the University of Colorado at Colorado Springs in 1989.

David Manuel is the Executive Vice President of the Engineering Services Group of the Corporation. Mr. Manuel is a seasoned engineer with more than 18 years of international experience in engineering turnkey systems and software development projects. His background includes leadership roles in establishing strategic technology direction, advanced technology research and developing partnerships with major technology vendors. Prior to Intrinsyc, Mr. Manuel worked in South America leading the infrastructure build-out of a satellite-based, two-way messaging system. Preceding that, he spent nearly a decade at MacDonald Dettwiler and Associates running large systems developments for various space agencies and international governmental agencies. Mr. Manuel has a Bachelors of Engineering degree in Computer Engineering.

Andrew Morden is the Chief Financial Officer of the Corporation. Mr. Morden brings over 15 years of finance, accounting and public markets experience, coupled with a solid grounding in the high tech industry. Mr. Morden is the former Chief Financial Officer of Digital Dispatch System Inc. ("DDS"), a provider of turnkey wireless mobile data dispatching systems. Mr. Morden played a crucial role in DDS's listing on the TSX and its first public financing. Previously, Mr. Morden worked with Intrawest Corporation as the Vice President of Financial Planning and Systems, SAP Canada as a Client Manager, and KPMG as a Senior Manager in the Assurance and Corporate Finance practices. Mr. Morden is a Chartered Accountant and holds a Bachelor of Commerce degree from the University of British Columbia.

Mark Johnston is the Vice President and General Manager, Worldwide Sales and Technical Marketing of the Corporation. Mr. Johnston joins Intrinsyc as a 22-year Intel Corporation veteran, with broad sales and marketing experience. Most recently, Mr. Johnston held global leadership roles in support of Intel's wired and wireless communications businesses, including Director, Worldwide Technical Sales and Support; Director, Global Marketing for the Cellular and Handheld Products Group; and General Manager, Communications Sales and Marketing for Asia Pacific. He began his career in 1984 with Intel in Canada, holding technical support and strategic sales positions. For the last 10 years he has been in management positions focused on Intel sales to the industry leaders in handheld and communications technology products. Mr. Johnston has degrees in Physics and Mathematics. He completed his undergraduate studies at Miami University in Oxford, Ohio and graduate work at Rice University in Houston, Texas.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as disclosed elsewhere in this AIF and below, none of the directors or executive officers of the Corporation or, to the knowledge of the Corporation, any shareholder holding a sufficient number of shares of the Corporation to materially affect the control of the Corporation:

(a) is, at the date of this AIF, or has been, within 10 years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity:

   (i) was the subject of a cease trade or similar order, or an order that denied the other relevant company access to any exemption under securities legislation, for a period of more than 20 consecutive days,

   (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of the cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days, or

   (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or

(b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the such person.

Vincent P. Schiralli, President and Chief Operating Officer of the Corporation, was the Chief Executive Officer of Qobra Systems Inc. from February 10, 2002 to August 2, 2002. On August 2, 2002, Qobra Systems Inc. filed for bankruptcy.

Glenda M. Dorchak, Chairman and Chief Executive Officer of the Corporation, was the Chief Executive Officer of Value America, a U.S. retailer, from November, 1999 to December, 2000. In the second quarter of its fiscal 2000 year, Value America filed for bankruptcy protection in the Commonwealth of Virginia. Value America's assets were sold to Merisel Inc. in December 2000.

Except as otherwise disclosed in this AIF, none of the directors or executive officers of the Corporation or, to the knowledge of the Corporation, any shareholder holding a sufficient number of shares of the Corporation to materially affect the control of the Corporation, has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

ITEM 8: LEGAL PROCEEDINGS

The Corporation is not a party to any outstanding legal proceedings, and the directors of the Corporation do not have any knowledge of any contemplated legal proceedings that are material to the business and affairs of the Corporation.

ITEM 9: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described in this AIF, no director, senior officer or principal shareholder of the Corporation, or any associate or affiliate of such person, has any material interest, direct or indirect, in any material transaction within the Corporation's three most recently completed financial years or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

On September 9, 2003, the Corporation acquired from Consequent Technologies, Inc. all of its capital assets, a strategic alliance agreement with Neoteric, Inc. and a non-competition agreement with an employee in return for a cash payment of $330,000.

Consequent Technologies, Inc. is considered a related party because Mr. Derek Spratt, the former Chief Executive Officer of the Corporation, was formerly the Chief Executive Officer and Chairman of the Board of Consequent Technologies, Inc. This acquisition of tangible and intangible assets was reviewed and approved by the directors of the Corporation who are unrelated and independent of Consequent Technologies, Inc.

ITEM 10: TRANSFER AGENT AND REGISTRAR

The Corporation's Registrar and Transfer Agent is Computershare Investor Services Inc. located at 510 Burrard Street, Suite 400, Vancouver, British Columbia, V6C 3B9.

ITEM 11: MATERIAL CONTRACTS

The only material contracts entered into by the Corporation, other than contracts entered into in the ordinary course of business, are as follows:

(a) On March 2, 2006, the Corporation announced that it had entered into an agreement with a group of underwriters in connection with a public offering of units comprised of common shares and warrants to purchase common shares in the Corporation. Please refer to the information provided under the headings *"Item 2: General Development of the Business" – "Fiscal 2006"*.

(b) On October 8, 2005, the Corporation closed an $8.0 million financing with Wellington Financial Fund II by way of secured debentures maturing on October 3, 2007. On November 8, 2006, the Corporation announced it has provided notice to Wellington Financial LP that the Corporation will repay the $8 million principal outstanding under the Series A and Series B Secured Debentures entered into in October 2005. Please refer to the information provided under the headings *"Item 2: General Development of the Business" – "Fiscal 2007" and "Fiscal 2006"* for particulars of the financing.

(c) The Corporation has entered into agreements under the Government of Canada's TPC program, which are discussed below.

Under agreements with the Government of Canada's Technology Partnerships Canada ("TPC") program, the Company was eligible to receive conditionally repayable research and development funding amounting up to $5,415,648 to support the development of embedded devices and wireless internet-enabled network connectivity.

In December 2004, payments totalling $985,063, representing $947,374 previously withheld and applied against the receivable outstanding as at August 31, 2004 and an additional $37,689, were received of which $947,374 was applied against the other receivable balance. The additional $37,689 of funds received was recorded as Technology Partnerships Canada Funding Investment in the accompanying consolidated statements of operations.

During the year ended August 31, 2005, the Company determined that it had received an overpayment from TPC of $22,063 and accordingly recorded a liability for this amount. In addition, the Company paid royalties of $226,173 during the year ended August 31, 2006 [2005 - $5,278] and accrued a further $259,732 in royalties.

The Technology Partnerships Canada Funding Investment reflected in the accompanying statements of operations comprises the following:

		2006		2005
Payment received from the Government of Canada, under the TPC program	$	–	$	(37,689)
Overpayment received and payable to the Government of Canada, under the TPC program		–		22,063
Royalties paid to the Government of Canada, under the TPC program		226,173		5,278
Accrued royalties payable to the Government of Canada, under the TPC program		259,732		225,000
	$	485,905	$	214,652

All Government of Canada audits of the Company's compliance with the TPC agreements that were in process in prior periods are complete and the Company is currently reviewing the results of the audits and negotiating an extension of its TPC agreement, which expired in March

2004. If the extension is granted by TPC and the Company accepts the extension, the Company will be required to pay approximately $387,000 and the original terms and conditions will be amended. If the Company does not accept the extension, the Company is not obligated to pay this $387,000. The outcome of these negotiations is not known or determinable at this time. Accordingly no provision has been made as at August 31, 2006. If the Company is found to be in default of its agreement with TPC, TPC can suspend or terminate any obligation and it can demand repayment of all or part of the contributions disbursed to the Company. To date the Company has received approximately $3.8 million in contributions from TPC and paid and accrued approximately $491,183 to TPC in royalties.

ITEM 12: AUDIT COMMITTEE

1. Charter

The text of the Audit Committee's Charter is attached as Schedule "A".

2. Composition of the Audit Committee

The Corporation's Audit Committee is comprised of Robert J. Gayton, George Duguay and Mark McQueen, each of whom is a financially literate, independent director of the Corporation.

3. Relevant Education and Experience

The following education and experience of each Audit Committee member is relevant to the performance of his or her responsibilities as an Audit Committee member. The table below outlines the financial literacy of each of the Audit Committee members.

Name and Position	**Business Experience and Professional Qualifications of Audit Committee Members**
Robert J. Gayton, Audit Committee Chair	Dr. Gayton holds a Ph.D. from the University of California, Berkeley, in Accounting, Finance and Business and qualified as a Chartered Accountant in 1964. Dr. Gayton articled with Peat Marwick from 1962 to 1964 and taught accounting at the University of British Columbia and the University of California, Berkeley from 1965 to 1974. Dr. Gayton joined Peat Marwick in Toronto to head up training and after being made Partner and establishing firm-wide training, he entered the audit practice. He remained with Peat Marwick for 13 years, eight as an audit partner. In 1967, Dr. Gayton joined a client company in the capacity of Chief Financial Officer and over the past 17 years has held this position with a number of public companies. He has also been a board member and the audit committee chair of numerous public companies.
George Duguay Audit Committee member	Mr. Duguay is a member of the Certified General Accountants Association (C.G.A.), an Associate of the Institute of Chartered Secretaries (A.C.I.S.) and a Professional Administrator (P.Admin). In addition Mr. Duguay also completed the Canadian Securities Course. Mr. Duguay is an officer of other public companies, in addition to having been a director and member of the audit committee of another public company.
Mark McQueen, Audit Committee member	Mr. McQueen has worked in the finance industry since 1993 and is currently President and CEO of Wellington Financial LP, a privately-held bridge financing and venture debt fund. He has previously served on audit committees as an observer of a number of other public companies.

3. External Auditor Service Fees

Audit Fees

The aggregate fees billed by the Corporation's external auditor for audit services in each of the last two fiscal years are as follows**:**

Fiscal 2005	Fiscal 2006
$139,650	$163,200

The services comprising these fees included quarterly review engagements.

Audit-Related Fees

The aggregate fees billed in each of the last two fiscal years for assurance and related services by the Corporation's external auditor that are related to the performance of the audit or review of the Corporation's financial statements and are not reported above under *Audit Fees* as follows:

Fiscal 2005	Fiscal 2006
$15,040	$80,050

Tax Fees

The aggregate fees billed in each of the last two fiscal years for professional services rendered by the Corporation's external auditor for tax compliance, tax advice and tax planning are as follows:

Fiscal 2005	Fiscal 2006
$18,051	Nil

All Other Fees

The aggregate fees billed in each of the last two fiscal years for products and services provided by the Corporation's external auditor, other than the services reported above under *Audit Fees, Audit-Related Fees,* and *Tax Fees* are as follows:

Fiscal 2005	Fiscal 2006
Nil	Nil

ITEM 13: ADDITIONAL INFORMATION

Additional information concerning the Corporation may be found on SEDAR at www.sedar.com. 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 Information Circular dated November 14, 2006 and filed on SEDAR. Additional financial information is provided in the Corporation's audited consolidated financial statements for the year ended August 31, 2006 (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 7 to 24 of the Corporation's 2006 Annual Report. The Audited Consolidated Financial Statements and MD&A were filed on SEDAR on November 8, 2006 and the Annual Report was filed on SEDAR on November 22, 2006.

ITEM 14: GLOSSARY

BSP................................	Board Support Package.
CDMA	Code Division Multiple Access, a digital cellular communications standard.
CETK	Microsoft® Windows® CE Test Kit.
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.
DirectX	A Microsoft proprietary application programming interface for multimedia.
DLL	Dynamic Link Library, a software component that can be added as a subroutine or function into a program dynamically.
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.
GPRS.............................	General Packet Radio Service, a digital cellular communications standard.
GSM...............................	Global Systems for Mobile communication, a digital cellular communications standard.
IDE.................................	Integrated Development Environment. Software Tools for development of software code.
ISV	Independent Software Vendor.
Java	A high-level operating system using independent programming language developed by Sun Microsystems, designed for handheld devices and set-top boxes.
JVM................................	Java Virtual Machine.
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.
PDA................................	Personal Digital Assistant.
SD	Secure Digital. Peripheral interface for portable devices.

SDK................................	Software Development Kit.
Windows Mobile/CE........	Microsoft® mobile and embedded operating systems used in low cost devices that are less complex than Windows XP® desktop PC based 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.

Schedule A

AUDIT COMMITTEE CHARTER

1. Purpose

The purpose of the Audit Committee is to:

(a) assist the Board in its oversight of:

 (i) the effectiveness of the overall process of identifying and addressing principal business risk and the adequacy of the related disclosure;

 (ii) the integrity of the Corporation's financial reporting process and systems of internal controls regarding finance, accounting and legal compliance;

 (iii) the independence of the and performance of the Corporation's independent auditors;

(b) provide an avenue of communications among the independent auditors, management and the Board of Directors;

(c) encourage adherence to, and continuous improvement of, the Corporation's policies, procedures and practices at all levels; and

(d) establish and maintain a framework of the management of complaints and whistle-blowing.

2. Composition

(a) the Audit Committee shall consist of a minimum of three directors of the Corporation; and

(b) all members of the Audit Committee shall be independent directors (as defined in Section 4 of the Governance Manual of the Corporation).

3. Qualifications and Experience

At the time of appointment or within a reasonable period of time following appointment, each member of the Committee must be financially literate, having the ability to read and understand a set of financial statements that present the breadth and level of complexity or accounting issues that are generally comparable to the breadth and complexity of the issues that can be reasonably be expected to be raised by the Corporation's financial statements.

(a) At least one member (the "financial expert") of the Committee must have:

 (i) an understanding of financial statements and accounting principles used by the Corporation to prepare its financial statements;

 (ii) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;

 (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more persons engaged in such activities;

(iv) an understanding of internal controls and procedures for financial reporting; and

(v) an understanding of audit committee functions.

(b) The financial expert must have acquired the foregoing attributes through one or more of the following:

(i) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;

(ii) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;

(iii) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or

(iv) other relevant experience.

4. Member Appointment and Removal

(a) the Audit Committee members are appointed by the Board on the recommendation of the Governance and Nominating Committee in consultation with the Chairman and Lead Independent Director (if any) and with consideration of the desires of individual Board members;

(b) consideration will be given to rotating the Audit Committee members periodically;

(c) the Audit Committee Chairman is selected by the Board on the recommendation of the Governance and Nominating Committee; and

(d) the Board may at any time remove a member from the Audit Committee.

5. Mandate and Responsibilities

The Audit Committee shall:

review the Corporation's annual and quarterly audited financial statements, management's discussion and analysis of financial conditions and results of operations, and earnings press releases prior to releasing the quarter end or year end earnings, filing or distribution. Review should include discussion with management and independent auditors of significant issues regarding accounting principles, practices and judgments and include any communications that the independent auditor are required to present to the Committee. The Committee will specifically address:

(i) review of major issues regarding accounting, including any significant changes in the Corporation's selection or application of accounting principles;

(ii) review of major issues as to the adequacy of the Corporation's internal control over financial reporting and any specific remedial actions adopted in light of significant deficiencies or material weaknesses;

(iii) discussions with management and the independent auditor regarding significant financial reporting issues and judgments made in connection with the preparation of the financial statements and the reasonableness of those judgments, including analyses of the effects of alternative GAAP methods on the financial statements;

(iv) consideration of the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements;

(v) consideration of the clarity of the disclosures in the financial statements;

(vi) review and approval of all related party transactions and discuss with management the business rationale for the transactions and whether appropriate disclosures have been made;

(vii) review any accounting adjustments that were noted or proposed by the independent auditor but were "passed" (as immaterial or otherwise);

(viii) review any communications between the audit team and the audit firm's national office respecting auditing or accounting issues or internal control-related issues presented by the engagement;

(ix) review any "management" or "internal control" letter issued, or proposed to be issued, by the audit firm to the Corporation that is in addition to their audit report on the effectiveness of internal control over financial reporting, if applicable;

(x) receive and review a report from the independent auditor, prior to the filing of the Corporation's Annual Report, on all critical accounting policies and practices of the Corporation; all material alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the independent auditor; and other material written communications between the independent auditor and management.

(b) consider the judgment of both management and the independent auditor about the quality, not just the acceptability of accounting principles;

(c) in consultation with management and the independent auditors, consider the integrity of the Corporation's financial reporting processes and controls. Discuss significant financial risk exposures and the steps management has taken to monitor, control and report such exposures. Review significant findings prepared by the independent auditors together with management's responses;

(d) review and approve procedures for disclosures of financial information;

(e) establish procedures for receipt, retention and treatment of complaints about accounting, internal controls or auditing matters and for whistle-blowing structure;

(f) have such other duties, powers and authorities, consistent with the provisions of the CBCA, as the Board may, by resolution, delegate to the Audit Committee from time to time;

(g) report regularly to the Board of Directors with respect to its activities;

(h) review with management the Corporation's overall anti-fraud programs and controls;

(i) review the Corporation's code of conduct and programs that management has established to monitor compliance with such code;

(j) perform an evaluation of its performance at least annually to determine whether it is functioning effectively. The Committee also shall discuss with the independent auditor, their observations related to the effectiveness of the Committee; and

(k) review and reassess the charter at least annually and obtain the approval of the Board of Directors.

With respect to the Independent Auditors, the Committee shall:

(a) review the independence and performance of the auditors and annually recommend to the Board of Directors the appointment of the independent auditors or approve any discharge of auditors when circumstances warrant;

(b) approve the fees and other significant compensation to be paid to the independent auditors;

(c) pre-approve all non-audit services provided by the external auditors;

(d) on an annual basis, review and discuss with the independent auditors all significant relationships they have with the Corporation that could impair the auditor's independence;

(e) review the independent auditors audit plan and engagement letter;

(f) prior to releasing the year-end earnings, discuss the results of the audit with the independent auditors;

(g) consider the independent auditors' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting;

(h) be responsible for the resolution of disagreements between management and the auditor regarding financial reporting and internal control-related matters; and

(i) set clear policies for hiring employees who were formerly employees of the external auditor or their partners to comply with regulatory requirements.

With respect to legal compliance the Audit Committee shall:

(j) on at least an annual basis, review with the Corporation's counsel, any legal matters that could have a significant impact on the organization's financial statements, the Corporation's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies;

(k) receive any corporate attorneys' reports of evidence of a material violation of securities laws or breaches of fiduciary duty by the Corporation; and

(l) annually prepare a report to shareholders to be included in the Corporation's annual information circular.

6. Authority

The Audit Committee shall have the authority:

(a) for the purpose of performing its duties, to inspect all of the books and records of the Corporation and its affiliates and to discuss such accounts and records and any matters relating to the financial position or condition of the Corporation with the officers and internal (if any) and external auditors of the Corporation and its affiliates;

(b) to engage independent counsel and other advisors as it determines necessary to carry out its duties;

(c) to set and pay the compensation for any advisors employed by the Audit Committee, including without limitation compensation to any public accounting firm engaged for the purpose of preparing or issuing and audit report or performing other audit, review or attest services for the Corporation;

(d) to set and pay the ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties; and

(e) to communicate directly with the internal (if any) and external auditors.

7. Proceedings

The following shall apply to the proceedings of the Audit Committee.

(a) the business of the Audit Committee shall be transacted either at meetings thereof or by conference telephone or other communications facilities that permit all persons participating in the meeting to hear each other, or by resolution in writing. All questions at a meeting shall be decided in accordance with the vote of a majority of those present and the Chairman of the meeting shall not have a second or casting vote;

(b) a resolution in writing signed by all members of the Audit Committee entitled to vote on that resolution at a meeting of the Audit Committee shall be as valid as if it had been passed at a duly called and constituted meeting. Such resolutions in writing may be in one or more counterparts, all of which, when taken together, shall be deemed to constitute one resolution;

(c) the Audit Committee Chairman shall periodically report to the Board of Directors on the activities of the Audit Committee;

(d) the external auditor of the Corporation shall, at the expense of the Corporation, be entitled to attend and be heard at or may be invited to any meeting of the Audit Committee;

(e) the external auditor and senior management shall have the opportunity or may be invited to meet separately with the Audit Committee;

(f) the minutes of the proceedings of the Audit Committee and any resolutions in writing shall be kept in a book provided for that purpose which shall always be open for inspection by any director of the Corporation; and

(g) a quorum for the transaction of business at all meetings of the Audit Committee shall be a majority of members.

8. Reporting

(a) The Audit Committee has a duty to report to the Board all matters that it considers to be important for Board consideration.

All minutes of the Audit Committee should be attached to the Board minutes and forwarded to each member of the Board by the Secretary in a timely manner.