THIS PROSPECTUS CONSTITUTES A PUBLIC OFFERING OF THESE SECURITIES ONLY IN THOSE JURISDICTIONS WHERE THEY MAY BE LAWFULLY OFFERED FOR SALE AND THEREIN ONLY BY PERSONS PERMITTED TO SELL SUCH SECURITIES. NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE. THESE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, AND SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS.

PROSPECTUS

NEW ISSUE December 8, 2000

INTRINSYC SOFTWARE, INC.

$13,500,000

3,000,000 Units issuable

upon the exercise of Special Warrants

This prospectus qualifies the distribution of 3,000,000 units (the "Units") of Intrinsyc Software, Inc. (the "Company") issuable upon the exercise of outstanding special warrants (the "Special Warrants") of the Company. The Special Warrants were issued pursuant to a Special Warrant Indenture dated September 13, 2000 (the "Closing Date") between the Company and Pacific Corporate Trust Company (the "Trustee"). Each Special Warrant entitles the holder to acquire one Unit, at no additional cost, at any time until 4:30 p.m. (Vancouver time) on the date that is the earlier of (i) the 5th business day after the date of issuance (the date of issuance being hereafter referred to as the "Clearance Date") of a receipt for a (final) prospectus qualifying the Units by each of the British Columbia Securities Commission, the Quebec Securities Commission, the Alberta Securities Commission and the Ontario Securities Commission and (ii) the first anniversary of the date of issuance of that Special Warrant (the "Expiry Time"). Any Special Warrants not exercised prior to the Expiry Time will be deemed to be exercised immediately prior to the Expiry Time. Each Unit consists of one common share ("Common Share") in the capital of the Company and one-half of one warrant ("Warrant"). Each whole Warrant entitles the holder to acquire one Common Share (a "Warrant Share") at a price per share of $5.85 on or before March 13, 2002. In the event that the Clearance Date does not occur prior to the date that is 120 days after the Closing Date, each Special Warrant shall thereafter automatically entitle the holder to receive, without further payment and in lieu of one Unit, 1.03 Units (comprising 1.03 Common Shares and 0.515 of a Warrant). See "Details of the Offering".

Loewen, Ondaatje, McCutcheon Limited and Yorkton Securities Inc. (the "Agents") and the Company entered into an agency agreement dated August 28, 2000 (the "Agency Agreement") pursuant to which the Agents agreed to use their reasonable best efforts to find and introduce to the Company purchasers for the Special Warrants described herein. The Special Warrants were sold to investors pursuant to prospectus exemptions under applicable securities legislation. The price per Special Warrant of $4.50 was determined by negotiation between the Company and the Agents and in accordance with the rules of the Canadian Venture Exchange (the "CDNX"). No commission or fee will be payable by the Company in connection with the exercise of the Special Warrants.

	Price to Investors	**Agents' Cash Commission**[(1)]	**Proceeds to the Company**[(2)(3)]
Per Special Warrant........................	$4.50	$0.315	$4.185
Total	$13,500,000	$945,000	$12,555,000

(1) The Company also granted to the Agents a non-assignable warrant (the "Agent's Warrant") to acquire at any time prior to the Expiry Time, without additional consideration, an option (the "Agent's Compensation Option"). The Agents' Compensation Option will entitle the Agents to purchase 300,000 Units, at a price per Unit of $4.50 until March 13, 2002. This prospectus also qualifies the distribution of the Agents' Compensation Option.

(2) The Company received $6,261,000 from the issue of the Special Warrants. $6,261,000, representing one-half of the net proceeds to the Company after deducting the Agents' cash commission and expenses, is held in escrow by the Trustee pursuant to the Special Warrant Indenture and will be released to the Company on the earlier of September 13, 2001 and the date of receipt by the Trustee of a notice signed by the Agents and the Company confirming that a receipt for a (final) prospectus qualifying issuance of the Units has been issued by the British Columbia Securities Commission, the Quebec Securities Commission, the Alberta Securities Commission and the Ontario Securities Commission.

(3) Before deducting the expenses of this offering payable by the Company, estimated to be $50,000.

INVESTMENTS IN SMALL BUSINESSES INVOLVE A HIGH DEGREE OF RISK AND INVESTORS SHOULD NOT INVEST ANY FUNDS IN THE SECURITIES OF THE COMPANY UNLESS THEY CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT. See "Risk Factors".

The Company's principal offices are located at 10th floor, 700 West Pender Street, Vancouver, BC V6C 1G8, and its telephone number is (604) 801-6461.

The Common Shares are listed on the CDNX under the trading symbol "ICS". On October 31, 2000, the closing price per Common Share was $4.80. The Special Warrants are subject to resale restrictions under applicable securities laws and the rules of the CDNX, and there is no market through which they may be sold.

This prospectus qualifies the issuance of the Units upon exercise of the Special Warrants. Any Units issued prior to issuance of a receipt by the British Columbia Securities Commission, the Quebec Securities Commission, the Alberta Securities Commission and the Ontario Securities Commission for a (final) prospectus will not be qualified and may be subject to statutory resale restrictions.

As at October 31, 2000, the 3,000,000 Common Shares issuable to holders of the Special Warrants (exclusive of Warrant Shares) represent 10.55% of the Common Shares outstanding, as compared to 3.38% that are owned by the directors, senior officers, and controlling persons of the Company, and by the Agents.

Loewen, Ondaatje, McCutcheon Limited
Hazelton Lanes, East Tower
55 Avenue Road, Suite 2250
Toronto, Ontario, M5R 3L2

Yorkton Securities Inc.
1055 Dunsmuir St., 11th Floor
Vancouver, British Columbia
V7X 1L4

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CERTIFICATE OF THE COMPANY

CERTIFICATE OF THE AGENTS

SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information, financial data and financial statements contained elsewhere in this prospectus.

The Issuer:.......... The Company was incorporated under the laws of Alberta on August 31, 1992 under the name I.T.C. Microcomponents Inc. and continued under the laws of British Columbia on July 19, 1995. The Company changed its name to Intrinsyc Software, Inc. on June 16, 1997.

Business: .... The Company develops software and hardware products and provides services that facilitate the development of Internet-enabled computing devices, and enhance the functionality of those devices, especially in terms of network connectivity and remote device management. Original equipment manufacturers, semiconductor vendors and software application developers use the Company's products and services to help bring these new Internet-enabled devices and their applications to market in a timely fashion.

Offering:............ This prospectus qualifies the issuance of the Units to be issued upon the exercise or deemed exercise of the previously issued Special Warrants and the issuance of the Agents' Compensation Option. Each Unit consists of one Common Share and one-half of one Warrant. Each whole Warrant entitles the holder to acquire one Common Share at a price per share of $5.85 on or before March 13, 2002.

Use of
Proceeds: .... The net proceeds from the sale of Special Warrants was $12,522,000, after deduction of the Agents' cash commission and expenses but before deducting the balance of the offering expenses, estimated to be $50,000. $6,261,000 of the net proceeds is held in escrow by the Trustee pursuant to the Special Warrant Indenture and will be released to the Company on the earlier of September 13, 2001 and the date of receipt by the Trustee of a notice signed by the Agents and the Company confirming that a receipt for a (final) prospectus qualifying the issuance of the Units has been issued by the British Columbia Securities Commission, the Quebec Securities Commission, the Alberta Securities Commission and the Ontario Securities Commission. The Company intends to use the proceeds of the offering for general corporate purposes and may, if required, use them to finance the expansion of its research and development, and sales and marketing activities. If the opportunity arises, the Company may use a portion of the net proceeds to acquire or invest in related businesses, products and technologies. See "Use of Proceeds".

Management:...... Management of the Company includes the following directors and officers:

Derek W. Spratt, Director and Chief Executive Officer of the Company - Chief Executive Officer of the Company from April 18, 1996 to present; President and Chief Executive Officer of the Company from April 18, 1996 to September 6, 2000; Executive Vice-President of PCS Wireless Inc. (a telecommunications equipment manufacturing company) from April 1993 to January 1996; Vice-President of Nexus Engineering Inc. (a telecommunications equipment manufacturing company) from November 1991 to September 1992.

Robert J. Gayton, Director of the Company - Business Consultant from 1990 to Present; Vice President, Finance/Chief Financial Officer of Western Copper Holdings Limited from October 1995 to present.

William Tsu-Cheng Yu, Director of the Company – Executive Vice President and Chief

Operating Officer of the Company from April 1999 to July 2000; Chief Financial Officer of the Company from January 1997 to April 1999; Associate, Corporate Finance at Marleau, Lemire Securities Inc. (a securities brokerage company) from July 1994 to December 1995; Portfolio Management Consultant of Discovery Enterprises Inc. (a venture capital firm) from 1991 to June 1994.

Ronald P. Erickson, Director of the Company - Chairman of eCharge Corporation from November 1999 to Present; Chief Executive Officer of eCharge Corporation from August 1998 to November 1999; Chairman and Chief Executive Officer of Globaltel Resources Inc. (a telecommunications service company) from January 1996 to August 1998; Managing Director of Global Vision LLC (a telecommunications service company) from August 1994 to January 1996; Chairman of Egghead Inc. (a computer software retailer) from September 1992 to August 1994.

Morgan Sturdy, Director of the Company – Business consultant from April 2000 to present; Executive Vice-President and Chief Operating Officer of NICE Systems Limited, a NASDAQ listed provider of telephony voice and data solutions, from 1997 to April 2000; President of Dees Communications Engineering Ltd., a provider of telephony integration products from 1985 to 1997.

Rod N. Campbell, Chief Financial Officer, Vice President, Finance and Administration and Secretary of the Company - Director, Knowledge Based Business for the Canadian Imperial Bank of Commerce from June 1990 to March 1999.

D. Neil McDonnell, Chief Operating Officer and President of the Company – Executive Vice-President of Plexus Systems Design Ltd. (a provider of end-to-end loan administration software and related consulting services) from March, 1997 to September, 2000; President and Chief Executive Officer of dba Telecom Corporation (a provider of desktop customer premise equipment solutions for computer telephone and intelligent network applications) from May, 1996 to February, 1997; Vice-President of Sales and Marketing of Dynapro Systems Corporation (a manufacturer of computer interface hardware and software products) from February, 1994 to May, 1996; Vice-President of Sales and Marketing of Epic Data Inc. (a provider of wireless data capture solutions for manufacturing, distribution and supply chain integration) from September, 1989 to February, 1994.

Risk Factors:....... Investment in the Company's Common Shares is highly speculative due to the nature of the Company's business and its present stage of development. Implementation of the Company's plans and strategies depends upon, among other things, the Company's ability to effectively deal with many risk factors, including the following:

Limited Operating History. The Company has a limited operating history, and there can be no assurance that the Company's revenue will continue to grow. The Company expects to experience operating losses for the foreseeable future, and there can be no assurance that implementation of the Company's strategies will result in the Company becoming profitable.

Historical Dependence on Market Acceptance of Windows CE. Because the majority of the Company's revenue has historically been generated by software products and services dependent on the Windows CE operating system, if the market for Windows CE fails to develop fully or develops more slowly than the Company expects, the Company's business and operating results may be significantly harmed. The Company is attempting to mitigate this risk by developing products that are compatible with operating systems and environments other than Windows CE, such as LINUX and

Java.

Dependence on Market Acceptance of Internet-enabled Computing Devices. The market for Internet-enabled computing devices is emerging and the potential size of this market and the timing of its development are not known. As a result, the Company's profit potential is uncertain and the Company's revenue may not grow as fast as the Company anticipates, if at all.

Microsoft May Become a Competitor. As the developer of Windows CE, Microsoft Corporation could add features to its operating system that directly compete with the software products and services the Company provides to its customers. The ability of the Company's customers or potential customers to obtain software products and services directly from Microsoft Corporation that compete with the Company's software products and services could harm the Company's business.

Delays by Microsoft in releasing new versions of Windows CE may adversely affect the Company. Unanticipated delays, or announcement of delays, in Microsoft Corporation's delivery schedule for new versions of its Windows CE operating system could cause the Company to delay its product introductions and impede the Company's ability to complete customer projects on a timely basis. The Company is attempting to mitigate this risk by developing products which are compatible with operating systems and environments other than Windows CE, such as LINUX and Java.

Competition. Because of intense market competition, the Company may not succeed. Most of the Company's competitors have longer operating histories, stronger brand names and significantly greater financial, technical, marketing and other resources than the Company. In addition, the Company expects competition to persist and intensify in the future, which could adversely affect the Company's ability to increase sales. The Company's customers may also develop their own network-enabled products which would result in reduced sales of the Company's products.

Additional Financing. As the Company is expected to experience negative cash flow for the foreseeable future, working capital will be depleted, and the Company will probably have to seek additional financing. If adequate funds are not available when required or on acceptable terms, the Company may be required to delay, scale back or terminate its product development activities and sales and marketing efforts, and may be unable to continue operations.

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

Lengthy Sales Cycle. The typical sales cycle of the Company's integrated solutions is lengthy, generally between 6 to 24 months, unpredictable, and involves significant investment decisions by prospective customers, as well as education of those customers regarding the use and the benefits of the Company's products and services. As a result, the Company's quarterly financial results may vary significantly.

Sales and Marketing and Strategic Alliances. If the Company is to become successful, it must expand its sales and distribution channels and its marketing and technology alliances. There is no assurance the Company will be able to reach

agreements with additional alliance or distribution partners on a timely basis or at all, or that these partners will devote sufficient resources to advancing the Company's interests.

Third Party Manufacturing. The Company depends on third party manufacturing facilities to manufacture all of its products, which reduces the Company's control over the manufacturing process.

Component Suppliers. Inability or delays in deliveries from the Company's component suppliers could damage the Company's reputation and cause the Company's revenues to decline and harm its reputation.

Acquisitions. If the Company makes unprofitable acquisitions or is unable to successfully integrate any future acquisitions, the Company's business could suffer.

Management of Growth. The Company's recent growth has strained, and the Company expects any future growth will continue to strain, the Company's management systems and resources. This could hinder the Company's ability to continue to grow in the future and meet demand for its products and services.

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

Potential Fluctuations in Quarterly Results. The Company's quarterly operating results may vary significantly depending on factors such as the timing of new product introductions and changes in pricing policies by the Company and its competitors, market acceptance of new and enhanced versions of the Company's products and the timing of significant orders.

Research and Development Expenditures. The Company intends to increase its research and development efforts which, if not successful, could cause a decline in the Company's revenues and harm the Company's business.

Foreign Exchange Risk. A substantial portion of the Company's sales are denominated in United States dollars and are made to United States-based customers. Because the Company's operations are based in Canada, the Company is exposed to risks associated with fluctuations in the exchange rate between the United States dollar and the Canadian dollar.

Intellectual Property Protection. The Company's ability to compete may be affected by its ability to protect its intellectual property. It relies primarily on a combination of copyright, trademark and trade secret laws, confidentiality procedures and contractual provisions to protect its intellectual property. While the Company believes that its products and technologies are adequately protected against infringement, there can be no assurance of effective protection.

Product Liability. The Company's license agreements with its customers typically contain provisions designed to limit the Company's exposure to potential product liability claims. There can be no assurance that such provisions will protect the Company from such claims.

Stock Price Volatility. The market price for the Common Shares fluctuates significantly, and these fluctuations tend to be exaggerated if the trading volume is low.

Shareholders' Rights Plan. The Shareholders' Rights Plan, if approved by the CDNX and the shareholders at the Company's Annual General Meeting to be held December 6, 2000, could delay or deter a change in control of the Company.

Broad Discretion in Allocating Proceeds. The Company does not currently have a defined plan for the allocation of the proceeds of the offering of Special Warrants. Management of the Company will, therefore, have broad discretion in determining how to use such proceeds. If the proceeds are not used effectively, the Company's business, results of operations and prospects may be adversely affected.

Outstanding Rights to Acquire Common Shares. As at October 31, 2000, the Company had outstanding stock options and warrants (including Special Warrants, the Agents' Compensation Option and Warrants) to purchase an aggregate of 10,054,188 Common Shares at prices ranging from $0.59 per share to $5.85 per share. To the extent these securities are exercised, the interests of the Company's shareholders will be diluted.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus contains "forward-looking statements". In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expects," "plans," "intends," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of such terms and other comparable terminology. These forward-looking statements include, without limitation, statements about the Company's market opportunity, strategies, competition, expected activities and expenditures as the Company pursues its business plan, and the adequacy of the Company's available cash resources. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, future results, levels of activity, performance or achievements cannot be assured. The information set forth under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," identify important additional factors that could materially adversely affect the Company's actual results and performance. The Company claims the protection of the safe harbour for forward-looking statements provided by the United States Private Securities Litigation Reform Act of 1995.

GLOSSARY

Term	Definition
Beta	A preproduction release of software for the purposes of allowing customers to evaluate and provide feedback on the product's features, performance and quality.
COM	Component Object Model, a model for binary code developed by Microsoft. The COM enables programmers to develop objects that can be accessed by any COM-compliant application. OLE is based on COM.
Embedded system	A microprocessor-based system that is incorporated into a larger device and is dedicated to responding to external events by performing specific tasks. Examples of such devices include antilock brakes, video game systems, fax machines and industrial robots.
XML	eXtensible Markup Language, being a recent enhancement to basic HTML (HyperText Markup Language), which is the basic communication protocol for Internet web servers and web browsers.
GPIO	General Purpose Input Output, being the digital communications signals used by microprocessors to interface to other devices.
HTTP	HyperText Transfer Protocol, the underlying protocol used by the World Wide Web.
Java	A high-level operating system independent programming language developed by Sun Microsystems, designed for handheld devices and set-top boxes.
LINUX	A freely distributable implementation of UNIX that runs on a number of hardware platforms, including those of Intel and Motorola.
OLE	Object Linking and Embedding, being a Microsoft communications protocol that allows separate applications to share data.
RISC	Reduced Instruction Set Computer, a type of microprocessor that recognizes a relatively limited number of instructions but generally processes these instructions at a higher rate than processors with complex instruction sets.
SNMP	Simple Network Management Protocol.

UPnP	Universal Plug and Play, being a Microsoft communications protocol that allows computers to automatically discover network services without the need for manual configuration.
UNIX..................................	An operating system originally developed by AT&T Bell Labs.
USB	Universal Serial Bus, being a computer peripheral interface standard which is replacing legacy standards such as parallel and serial ports on PCs and peripherals such as printers, scanners, keyboards, and mice.
Windows NT	A desktop and file server based operating system developed by Microsoft Corporation that is used predominantly in complex, high performance embedded systems.
Windows CE	An embedded operating system used in low cost embedded systems that are less complex than Windows NT® embedded systems.

THE BUSINESS OF THE COMPANY

Overview

The Company develops software and hardware products and provides services that facilitate the development of Internet-enabled computing devices, and enhance the functionality of those devices, especially in terms of network connectivity and remote device management. Original equipment manufacturers, semiconductor vendors and software application developers use the Company's products and services to help bring these new Internet-enabled devices and their applications to market in a timely fashion. The Company has commercialized product and service offerings that support Intel Corporation, Motorola, Inc. and Hitachi America, Ltd. based processors and LINUX based operating systems and Microsoft Corporation based operating systems, including Windows CE and Embedded Windows NT.

Internet-enabled computing devices are an emerging class of products with sophisticated processing power that are designed for specific computing and communications applications, leveraging the use of wireline and wireless Internet/intranet networks. Examples of Internet-enabled computing devices include television "set-top boxes", which sit on top of television sets and provide users with advanced cable TV access services, sophisticated video gaming features and Internet access; wireless handheld and palm-size PCs; handheld industrial data collectors; and consumer "Internet appliances" such as kiosk terminals and navigational devices in cars and trucks. Compared to traditional PC-based computers, these new computing devices are often less expensive and more adaptable in terms of their size, weight and shape, while still providing sophisticated computing and Internet based communications capabilities, through wired or wireless telecommunications systems. They are being developed in response to the growing use of the Internet as a medium for communicating and transacting business and to meet the demands of businesses and consumers for smaller and more mobile computing devices.

Many of the Company's products and services were initially developed for the industrial automation market, where there is a requirement for robust and sophisticated communications. As many of the other Internet-enabled computing device market segments which are now developing have similar needs to the industrial automation market, the Company's target market has expanded to include wireless portable and mobile computing, medical device and hospital automation, and point of sale networks for vending machines and kiosks. The Company now has customers in each of these markets as well as in the industrial automation market. For example: (a) the Company has an agreement with TouchStar Technologies LLC to integrate the Company's embedded technology with TouchStar's next generation of commercial, mobile-computing products; (b) the Company has been engaged by Inforetech Golf Technology 2000 Inc. to integrate the Company's embedded technology into Inforetech's line of wireless, personal recreational devices; (c) the Company has an agreement with Siemens Building Technologies ("SBT"), a division of Siemens AG, whereby SBT is licensing the Company's embedded technology to

develop open-standard controllers for heating, ventilation, air conditioning and refrigeration equipment and building automation systems; and (d) the Company has been engaged by Ford Motor Company to provide networking solutions, engineering and licensable technologies to connect Ford's factory floor machines to the systems that monitor Ford's production quality.

Industry and Market

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

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

- businesses that use mobile (in vehicle) or portable (hand-held) computing devices to permit access to server-based network applications and the Internet from remote sites as well as centralized access to and control over the remote client devices themselves;
- retail businesses that use handheld point-of-sale terminals to provide real-time inventory tracking, automate their procurement processes and publish information instantly to both internal and external users via the Internet;
- industrial and building automation based businesses that need real-time control over buildings and control systems, real-time devices for enterprise communications, automation of procurement processes and publishing of information instantly to both internal and external users via the Internet;
- healthcare professionals who use mobile computing devices to record and access patient information that can then be shared via the Internet among a broader group of professionals responsible for providing medical care; and
- consumers who use Internet-enabled television set-top boxes, cellular phones, gaming systems and other devices to access Internetcontent, communicate and conduct transactions online.

The increasing need for connectivity among both business and consumer users is driving demand for easy-to-use, cost-effective and customizable methods of electronic communication. Although the PC has been the traditional means of electronically connecting suppliers, partners and customers, a class of computing devices, including Internet-enabled computing device, and/or television "set-top boxes," handheld and palm-size PCs, gaming systems, handheld industrial data collectors, and consumer "Internet appliances" such as kiosk terminals and vehicle navigational devices, among others, is emerging. As well, embedded controllers in such locations as building security, heating and ventilation systems, factories and hospitals are increasingly required to be connected to corporate computing networks via the Internet rather than proprietary networks.

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

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

The Company's Products and Services

Software Products

The Company currently markets a suite of commercialized connectivity and remote management based software products, all of which have been developed by the Company, to original equipment manufacturers. They are initially provided in “toolkit” form, with volume run-time licensing being generated once a product developed using a toolkit is commercialized:

- *deviceWEB*, a set of Internet based HTTP web server components that provide Internet/intranet communications functionality, which was released generally for Windows CE in February 1998;
- *deviceRMS – Web Suite*, a set of web server extension components that provide Internet/Intranet based device remote management, which was released generally for Windows CE in September 1999;
- *deviceFT*, a set of operating system components designed to improve system reliability, which was released generally for Windows NT in February 1998 and Windows CE in September 1999;
- *deviceCOM*, COM-based protocol designed to improve communications efficiency and reliability of wireless and wireline, networks, which was initially released generally for Windows CE and Windows NT in November 1998; and
- *deviceOPC*, a set of deviceCOM application level extensions tailored to the industrial automation and building automation markets for use in low-level “headless” embedded systems, which was released generally in August 1998.

Reference Platform Products

The Company also currently markets a family of Internet-enabled device hardware reference designs called *CerfBoard*, which are small computers that run standard operating systems, including Windows CE and LINUX, and the Company’s other software products. These reference designs are initially provided to original equipment manufacturers in “toolkit” form, with volume run-time licensing being generated once a product developed using a toolkit is commercialized. The Company works with leading chip manufacturers such as Intel Corporation and Hitachi America, Ltd. to prepare and customize these designs. These include:

- *CerfBoard SA1110*, a customizable Internet-enabled reference platform based on the 32-bit Intel Corporation, StrongARM RISC processor, with various memory configurations and several open standard data connectivity built-in ports including Ethernet, USB, Compact Flash, serial, and GPIO. The platform optionally supports a colour touch screen

liquid crystal display and was released generally for Windows CE in November 1999 and for LINUX in November 2000.

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

Services

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

- Conducting feasibility studies, requirements analyses and architecture designs;
- Developing detailed product specifications in conjunction with the original equipment manufacturer's product development team;
- Providing detailed technical training and support programs for the original equipment manufacturer's staff;
- Developing customized software to allow the original equipment manufacturer's selected hardware (CerfBoard or 3rd party) to run their selected operating system (e.g. Windows CE, LINUX);
- Customizing the Company's products for in-house use by original equipment manufacturers;
- Developing customized hardware design and production of prototypes; and
- Integrating off-the-shelf components.

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

Strategic Relationships

Operating System Vendors

The Company has, since early 1997, worked with Microsoft Corporation in the promotion and enhancement of Microsoft Corporation's various embedded Windows operating system initiatives along with the Company's product and service offerings. This includes cooperative participation in advertising campaigns, tradeshows, promotional and educational road shows, web site links, and related activities. Microsoft Corporation currently maintains a number of active web site links to the Company's web site in addition to having references to the Company and its products and services in various marketing and technical support materials that Microsoft Corporation provides to the software development community. The Company considers its relationship with Microsoft Corporation to be important and will continue to maintain this relationship.

In 1999, the Company expanded its product development activities to include work with other operating system vendors in support of various original equipment manufacturer requests to provide alternative operating system support for the Company's CerfBoard reference platforms as well as the Company's Windows based communications software products. The Company expects to develop a number of relationships with these leading operating system vendors that will include cooperative technical, marketing and promotional programs that are similar to programs and initiatives in place currently with Microsoft Corporation. See "Business Objectives and Strategies".

In August, 2000, the Company entered into Alliance Agreements with Lineo, Inc. ("Lineo') and with Monta Vista Software Inc. ("Monta Vista"), both of which are LINUX operating system and tool vendors for the embedded software industry. Under the terms of these agreements, the Company and Lineo and Monta Vista will support each others products. For the Company, this represents channel opportunities for its CerfBoard designs as well as further LINUX-based software technologies into the telecommunications market, where Lineo and Monta Vista are strong.

Semiconductor Manufacturers

The Company has worked with Hitachi America, Ltd. since early 1998, Intel Corporation since mid 1997, and Motorola, Inc. since late 1998 in the promotion and enhancement of their respective embedded processor lines along with the Company's product and service offerings. The Company has also worked closely with Intel Corporation and Hitachi America, Ltd. in the development of the Company's CerfBoard reference platforms and with Motorola, Inc. in conjunction with Motorola's embedded processor platform partner, Embedded Planet, LLC. This includes cooperative participation in advertising campaigns, trade shows, promotional and educational road shows, web site links, and related activities with each of these companies. Intel Corporation, Motorola, Inc., Hitachi America, Ltd. and Embedded Planet, LLC and others currently maintain active web site links to the Company's web site in addition to having references to the Company and its products and services in various marketing and technical support materials that they provide to the software and hardware development community. The Company considers its relationship with these companies to be important and will continue to maintain them.

Systems Integrators

The Company currently maintains a strategic relationship with Bsquare Corporation of Bellevue, WA, for the purposes of marketing the Company's software products into specific markets. Additionally, the Company markets Bsquare's line of Xpress Kits along with its CerfBoard product lines. The Company considers the development of similar distribution and systems integrator relationships to be important and will continue to maintain and build these new relationships.

Marketing and Sales Strategy

The Company markets its solutions through a variety of industry events and through the media, a web presence and relationships with system integrators and original equipment manufacturers.

Events

The Company participates and exhibits at several key industry conferences throughout the year. These include events, such as the Embedded System Conferences, where embedded solutions are shown to prospective original equipment manufacturers from a wide range of industries. Events such as National Manufacturing Week and ISA Expo highlight the specialized nature of some of the Company's products to the industrial and building automation markets. The Company also attends other conferences in wireless telecommunications and in-vehicle computing.

Media and Web Presence

The Company advertises in selected trade press, with a focus on cooperative marketing programs with Microsoft Corporation or some of its original equipment manufacturer customers such as General Electric Company. Ad placements are aligned with editorial calendar contents that best match the Company's solutions.

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

Over the next 12 months, the Company will increase its web presence through several new portal service providers that offer vendor and solutions information to specific vertical market customers. For example, one such portal provider is Vertical NET, with vertical user communities in several of the Company's business segments. The Company can expand its solutions visibility through Vertical NET and other similar providers.

Sales

The Company sales strategy includes a mix of direct and indirect channels. The Company has a direct sales team today consisting of business development managers responsible for large original equipment manufacturer accounts. The direct sales team also responds to sales leads from several sources, including the Company's web site, trade shows and telephone inquiries. Over the next 12 months, the Company will increase its direct sales team to handle more key accounts, as well as manage indirect channels. See "Business Objectives and Strategies".

On the indirect channel front, the Company's major objective is to establish several points of presence in its vertical markets, both in North America and abroad. To this end, the Company will seek to establish channel relationships with value-added resellers (i.e. companies that can provide system integration services to their original equipment manufacturer customers), platform companies (silicon vendors and single board computer vendors such as Intel Corporation, Hitachi America, Ltd., Motorola, Inc., Advantech Co., Ltd.,), major distributors of existing Microsoft Corporation products and silicon products (such as Pioneer Standard Electronics, Inc. and Avnet Inc.) and key software system integrators with specific market expertise or geographical area of operation.

Over the 12 months following October 31, 2000, the Company expects to make average monthly expenditures of approximately $240,000 on sales and marketing activities. The principal components of this expenditure will be salaries and commissions ($120,000), travel ($20,000) and tradeshows ($40,000). The Company believes that expenditures at this level will enable it to employ approximately 18 sales and marketing personnel.

Research and Development Activities

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

Current significant development activities are as follows:

- Development of *deviceRMS – Multi-Node for Windows, LINUX and Java*, a customizable remote management solution based on standard Internet protocols including UPnP, HTTP and XML, that provides for automatic detection of devices on a network and automatic configuration from centrally-maintained device profiles, including the installation or upgrading of new applications, content, configuration data and operating systems. This product is expected to be available in beta format in February, 2001;
- Development of *deviceCOM for LINUX*, an implementation of the Company's principal software technologies on the LINUX operating system. This product is expected to be made available in beta format in December, 2000;
- Development of a CerfBoard SA1110-based handheld reference platform, a customizable hardware reference platform design based on the Company's CerfBoard SA1110 product that targets the handheld device market. It is expected to include an integrated colour touch-screen liquid crystal display, a fully integrated printed circuit board and a form factor suitable for the handheld device market. This product is expected to be made available in beta format in April, 2001.

Competition

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

- companies that network-enable devices, such as Echelon Corporation and Lantronix Corporation;
- companies with significant networking experience and research and development resources, including 3Com Corporation, Cisco Systems, Inc., Hewlett-Packard Company, International Business Machines Corporation, Lucent Technologies and Nortel Networks Corporation; and
- companies with in-house capabilities to network-enable their products.

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

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

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

- product quality, technological innovation, compatibility with standards and protocols, reliability, functionality, ease of use and compatibility;
- price of the Company's products; and
- potential customers' awareness and perception of the Company's products as well as device servers generally.

The Company's products form an integrated framework of licensable software and hardware components. Individually, each of the products face the competitive threats described below. The Company's competitive strength is derived mainly from its integrated ensemble of products, as it provides original equipment manufacturers with the benefit of being able to obtain from a single supplier a relatively complete products and services solution for its product development needs. The Company seeks to maintain its competitive strength through its continuous research and development programs.

Competitive Position of the Company's Technologies

CerfBoard: There are a number of single-board computer vendors and custom hardware developers such as Applied Data Systems, Inc., Advantech Co., Ltd., Stellcom, Inc., Embedded Planet, LLC, and Winsystems, Inc., that offer products and services directly or indirectly competitive with the Company's CerfBoard product line. The Company's competitive strength is that its communications software components, including the required underlying operating systems, are integrated into the CerfBoard product offerings, which most other single board computer vendors are not able to provide.

deviceRMS: There are many types of competitive remote management solutions for embedded devices on the market. Some are based on the interent based HTTP protocol using web server technologies from companies such as GoAhead Software, Inc. and Spyglass, Inc., while others have products that offer simple file and application synchronization solutions for mobile devices based on the Internet based XML protocol such as Rapid Logic, Inc. and Bsquare Corporation. A number of telecom vendors have proprietary remote management products based on the UNIX operating system and the

legacy SNMP protocol. The Company's competitive strength lies in the diversity of its offerings which include the most popular leading edge Internet based HTTP, XML, UPnP and DCOM protocols.

deviceCOM: Microsoft Corporation's DCOM is the only product that the Company is aware of that competes with deviceCOM. It does not compete in deviceCOM's principal markets, being industrial and building automation systems, or in any situation where fault tolerant features are required. deviceCOM is a specialized communications protocol that complements the Microsoft Windows DCOM and DNA networking protocols . The Company works with Microsoft Corporation in marketing this product into specialized markets. Indirect competition to this product can originate from the developers within the original equipment manufacturers themselves, who may be motivated to develop communications solutions through internal, custom software development efforts.

deviceWEB: There are a number of competing Internet-based HTTP embedded web server products on the market from companies such as GoAhead Software, Inc., Spyglass, Inc. and Allegro Consultants, Inc. Microsoft Corporation has included a web server in certain recent releases of its embedded Windows operating systems. The Company was first to market with an Internet based HTTP web server for embedded Windows in 1997 and has developed a number of value-added extensions, such as single-node remote management modules, which are portable across other competing web servers and operating systems.

deviceOPC: There are a number of competing OPC server development tool products available from companies such as FactorySoft, Inc., Intellution, Inc., Northern Dynamic Inc., Softing AG and Technosoftware Inc. The Company believes that it is the only vendor which provides a product designed to operate on emerging Internet based low-level embedded devices (e.g. devices with no display support). Additionally, deviceOPC is optimized to work with the Company's deviceCOM product, which is not the case with any other manufacturer's OPC server development tool product.

deviceFT: The Company is not aware of any product that is directly competitive with deviceFT in the Windows CE market. Indirect competition to this product can originate from the developers within the original equipment manufacturers themselves, who may be motivated to develop fault tolerant solutions through internal, custom software development efforts.

Barriers to Entry

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

Business Objectives and Strategies

The Company's objective is to establish itself as a leading Internet-ready computing device solution provider. The Company intends to do this by assisting original equipment manufacturers to develop new products by using Intrinsyc's licensable technologies and its technical support and design services.

The Company's strategy incorporates the following principal elements:

- *Expansion of the Sales and Marketing Team.* The Company will continue to expand its sales and marketing teams. As at October 31, 2000, the Company's sales and marketing team consisted of 6 sales representatives. The Company plans to add approximately 8

sales and marketing personnel by January 31, 2001 of which 3 will be added to the direct sales force and 5 will be added to the indirect sales force.

- *Expansion of Engineering Services and Development Team.* The Company plans to expand its Engineering Services and Development team from 50 persons as at October 31, 2000 to approximately 63 by June 30, 2001.
- *Expansion of the Support and Services Team.* The Company plans to expand its systems integration team from 6 persons as at October 31, 2000 to approximately 12 by March 31, 2001.
- *Leverage Third-Party Relationships.* The Company expects strong competition to emerge as the market for embedded software and services grows, much of it from companies that are more established, benefit from greater market recognition and have substantially greater technical, financial and marketing resources than the Company. In an effort to protect itself from such competition, the Company intends to enhance its relationships with its current hardware and software customers and suppliers.
- *Continue to Expand Through Alliances and Acquisitions.* The market for the Company's products and services is predominantly non-Windows based. The Company plans to consider alliances with and acquisitions of other related or complementary businesses or assets, including non-Windows based technologies. Strategic acquisitions, alliances or asset purchases may enable the Company to broaden its product and service offerings and expand more rapidly.

Trademarks and Copyrights

The Company relies upon copyright, trademark and trade secret laws to protect its proprietary rights in its software products. The Company has applied for registration in Canada and the United States of the trademark "Intrinsyc". The United States application for this trademark is being held in abeyance pending filing of the required certified copy of the Canadian Certificate of registration. While the Company's competitive position may be affected by its ability to protect its proprietary information, the Company believes that because of the rapid pace of technical change in the industry, factors such as the technical expertise, knowledge and innovative skill of the Company's management and technical personnel and its ability to rapidly develop, produce, enhance and market its software products may be more significant than formal intellectual property protection measures in maintaining the Company's competitive position.

The Company attempts to protect its proprietary rights by requiring each employee, prior to commencing employment with the Company to enter into an agreement with the Company which provides, among other things, that during employment and for a period not less than one year subsequent to the termination of employment, the employee is prohibited from competing with the Company, and is prohibited from disclosing confidential information to third parties for an indefinite period. These agreements also provide that the employee shall assign to the Company all intellectual property rights in any work undertaken by the employee. See "Risk Factors".

The Company has filed a patent application with the US Patent and Trademark Office relating to a system for providing a fault tolerant distributed computing network. The patent applicant is a former employee of the Company who has assigned all right and title of the patent application to the Company.

Corporate History

The Company was incorporated under the laws of Alberta on August 31, 1992 under the name I.T.C. Microcomponents Inc. and continued under the laws of British Columbia on July 19, 1995. The Company changed its name to Intrinsyc Software, Inc. on June 16, 1997. The Company has two wholly-owned subsidiaries, Intrinsyc Software (U.S.A.), Inc. and Intrinsyc Inc. Intrinsyc Software (U.S.A.) Inc. was incorporated under the laws of Washington state on March 25, 1997 and has, since its incorporation,

been inactive. Intrinsyc Inc. was incorporated under the laws of Delaware state on August 25, 1998 and has, since its incorporation, been inactive.

In July 1996, the Company entered into a world-wide exclusive licensing agreement with Signal Centre ("Signal") for its SP visual programming software application development package ("SP"), pursuant to which the Company paid Signal $200,000 and agreed to pay a royalty of 35% on the gross sales revenue. The Company entered into an asset purchase agreement (the "Asset Purchase Agreement") with Computer Park Software Ltd. ("CPSL") (CPSL carried on part of its business under the name "Signal Centre") effective December 1, 1996 pursuant to which the Company agreed to purchase SP. The purchase price consisted of 2,000,000 Common Shares (the "Performance Shares"), which were deposited in escrow subject to earn-out in accordance with British Columbia Local Policy Statement 3-07, and a payment of $200,000. Pursuant to the Asset Purchase Agreement the Company has agreed to pay CPSL a 10% royalty on all sales of SP to a maximum of $2,000,000. The consideration payable was determined through negotiation. CPSL and the Company were at arm's length during the negotiation of the licensing agreement and the Asset Purchase Agreement. Mr. Tilsley, the President and Chief Executive Officer of CPSL, became a director of the Company on December 5, 1996 for a period of 2 years. The Performance Shares were cancelled, along with all other shares held in escrow, during the six months ended February 28, 1998, and the Company has discontinued use of SP.

The Company purchased fault tolerant technology pursuant to an asset purchase agreement (the "deviceFT Agreement") dated March 7, 1997 with Instituto Pedro Nunes ("IPN"), of Portugal. This software technology formed the basis for the development of deviceFT. Pursuant to the deviceFT Agreement, the Company paid IPN $25,000, issued to IPN 100,000 Common Shares and agreed to pay a 10% royalty on all sales of deviceFT to a maximum of $100,000. The consideration payable was determined through negotiation. IPN and the Company were at arm's length during the negotiations.

The Company purchased web server technology from Spidex Technologies ("Spidex") pursuant to an agreement (the "Spidex Agreement") dated April 4, 1997. Pursuant to the Spidex Agreement the Company agreed to assume any GST obligations arising as part of the transaction, paid Spidex $10,000 upon signing the agreement, agreed to pay $28,000 by way of monthly payments of $1,500, agreed to pay $10,000 on June 30, 1997 and issued to Spidex 100,000 Common Shares. The consideration payable was determined through negotiation. Spidex and the Company were at arm's length during the negotiations. Mr. Greg Corcoran, the key technical founder of Spidex, joined the Company as the product manager of the Web Technologies group. The software technology acquired from Spidex formed the basis for the development of the Company's deviceWEB.

Human Resources, Premises and Production

As at October 31, 2000, the Company employed 68 full-time personnel and had 10 contractors. Of these, 51 were engaged in research and development work, 14 in sales and marketing and 13 in finance and administration.

The Company occupies an approximately 13,141 square foot leased facility in Vancouver.

The Company estimates that its average monthly administration expenses during the 12 months following October 31, 2000 will be approximately $190,000. The principal elements of such expenses are expected to include office ($25,000), salaries and benefits ($95,000), travel ($24,000) and investor relations ($22,000).

USE OF PROCEEDS

The net proceeds from the sale of Special Warrants were $12,522,000, after deducting the Agents' commission and expenses but before deducting the balance of the offering expenses, estimated to be $50,000. $6,261,000 of the net proceeds are held in escrow by the Trustee pursuant to the Special Warrant Indenture and will be released to the Company on the earlier of September 13, 2001 and the date

of receipt by the Trustee of a notice signed by the Agents and the Company confirming that a receipt for a (final) prospectus qualifying issuance of the Units has been issued by each of the British Columbia Securities Commission, the Quebec Securities Commission, the Alberta Securities Commission and the Ontario Securities Commission. As at October 31, 2000, the Company had not spent any of the net proceeds of the offering.

The principal purposes of the offering of the Special Warrants was to create a public market in Ontario, facilitate future access of the Company to public equity markets and provide the Company with increased visibility and credibility. The Company intends to use the proceeds of the offering for general corporate purposes and may, if required, use them to finance the expansion of its research and development, and sales and marketing activities. If the opportunity arises, the Company may use a portion of the net proceeds to acquire or invest in related businesses, products and technologies. The Company has no commitments or agreements for any material acquisition of, or investment in, any third party or asset. Pending these uses, the net proceeds of the offering will be invested in short-term, interest-bearing, investment-grade securities.

The Company believes that it's working capital (less the net proceeds of the offering of the Special Warrants) together with cash from operations will be sufficient to satisfy the Company's anticipated cash needs for at least 12 months.

SELECTED FINANCIAL INFORMATION

The following selected statements of operations data for the years ended August 31, 1998, 1999 and 2000 and the balance sheet data as of August 31, 1999 and 2000 are derived from the financial statements and notes thereto included elsewhere herein. The following information should be read in conjunction with the referenced financial statements, the notes to them and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

	Years Ended August 31,		
	2000	**1999**	**1998**
Statement of Operations Data:			
Revenues	$2,974,363	$2,232,152	$537,857
Cost of Sales	1,573,957	1,249,178	337,117
Revenues less Cost of Sales	1,400,406	982,974	200,740
Expenses:			
Administration	2,036,467	1,277,909	1,429,923
Marketing and Sales	2,035,685	1,178,402	986,897
Research and development	918,592	513,202	1,167,762
Costs relating to failed merger with Annabooks Software, LLC	—	82,855	515,581
Total expenses	$4,990,744	$3,052,368	$4,100,163
Loss before interest income	$3,590,338	$2,069,394	$3,899,423
Interest Income	192,060	18,826	25,047
Loss for the year	$3,398,278	$2,050,568	$3,874,376
Loss per share	$0.16	$0.11	$0.24

Balance Sheet Data:	As At August 31 2000	1999
Working capital	$7,428,114	$429,026
Technology rights and licenses	—	—
Shareholders' equity	$8,152,660	$734,547

On October 31, 2000, there were 28,427,952 Common Shares issued and outstanding, none of which are subject to escrow. Upon exercise of the outstanding Special Warrants, a total of 31,427,952 Common Shares will be issued and outstanding, assuming no exercise of outstanding warrants, options or other rights to acquire Common Shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Background and Overview

The Company began operations in August 1992 as a developer of a microchip, circuit boards using the microchip and software associated with the microchip, and it undertook its initial public offering in Canada in April 1996. Mr. Derek Spratt was hired as the Company's Chief Executive Officer and appointed to the Board on April 18, 1996, two days after completion of the Company's initial public offering, and Mr. William Yu was appointed to the Board on July 18, 1996 and appointed Chief Financial Officer on January 17, 1997. Together, Messrs. Spratt and Yu were instrumental in causing the Company to abandon the microchip business in the summer of 1996 due to low margins and barriers to entry into the market.

In the fall of 1996, the Company began the research, development and acquisition activities which enabled it to provide the initial versions of some of its existing product offerings. Those products were offered to a market that had just started to develop with the initial releases of Microsoft Corporation's Windows CE. As a result, the Company's revenues during this period derived primarily from consulting services associated with educating and training original equipment manufacturers in the use and potential of the Company's products. The Company's strategy was to provide consulting services with a view to persuading customers to license the Company's products.

In 1998, the Company expanded its sales and marketing team to penetrate the growing market for the Company's products and services. As a result of the efforts of that team, the Company has expanded its customer base and entered into, or is in the process of negotiating, agreements that give original equipment manufacturers access to the Company's solutions. In addition, the Company has developed several key strategic alliances with other players in the embedded systems market.

The Company generates revenue in three ways. First, it provides engineering services, from initial product development feasibility studies, to detailed product-design work, and training and support. Second, it offers a set of software and hardware toolkits that help original equipment manufacturers to efficiently create networkable and remotely manageable, Internet-enabled devices. Third, it provides volume run-time licenses for the software and hardware products which form part of the devices developed by original equipment manufacturers using the Company's toolkits.

The Company has been unprofitable since inception and has an accumulated deficit of $12,468,118 as at August 31, 2000. Losses are expected to continue for the foreseeable future as the Company invests in research and development and sales and marketing activities.

The following summary should be read in conjunction with the financial statements and accompanying notes to them included at the end of this prospectus.

Year ended August 31, 2000 compared to year ended August 31, 1999

Revenue for the year ended August 31, 2000 increased to $2,974,363 as compared to $2,232,152 during the same period in 1999. In the year ended August 31, 1999 one customer accounted for 66% of the Company's revenue, the majority of which related to the provision of services. For the year ended August 31, 2000 the Company had 63 revenue-generating customers, none of whom account for more than 10% of revenue. Engineering services continues to be the Company's major source of revenue, accounting for 59% of the revenue during the year, with sales of development kits accounting for 34% of revenue and the balance being attributable to run-time licensing and support.

Cost of sales as a percentage of sales decreased from 56% in 1999 to 53% in 2000. The improvement in the gross margin, from 44% to 47%, is attributable to increased sales of software development kits and licensing revenues.

Administrative costs for the year ended August 31, 2000 were $2,036,467, an increase of 59% or $758,558 compared to the prior year. New premises to accommodate the Company's growth, increased professional fees and growth in personnel contributed to the increase. The Company anticipates that administrative expenses will increase as the Company expands it administrative department.

Marketing and sales costs for the year ended August 31, 2000 were $2,035,685, up 73% or $857,283 from the prior year. The increase is primarily attributable to higher compensation and recruitment costs to build the Company's sales and marketing team and a significant increase in the Company's tradeshow presence. The Company anticipates that its marketing and sales expenses will increase as it continues to expand its marketing and sales team.

Research and development costs for the year ended August 31, 2000 were $918,592, an increase of 79% or $405,390 from the prior year. The increase is a result of the Company's significant commitment to building our hardware reference capabilities, and increased personnel. The Company anticipates that research and development expenses will continue to increase in future periods.

Interest income increased to $192,060 as compared to $18,826 in 1999. The increase is a result of the Company's increased cash balance, which is attributable to a $6,000,000 financing completed during fiscal 2000.

The operating loss for the year ended August 31, 2000 was $3,398,278 ($0.16 per share) compared to $2,050,568 ($0.11 per share) for the prior year.

As of August 31, 2000, the cash position was $7,188,100 and working capital was $7,428,114. Cash and working capital were significantly improved during the year due to a special warrant financing completed in the second quarter of 2000, which netted proceeds of $5,438,493. Additional cash was generated through a private placement, as well as option and warrant exercises.

Year ended August 31, 1999 compared to year ended August 31, 1998

Revenue for the year ended August 31, 1999 increased to $2,232,152 as compared to $537,857 during the previous year. The revenue increase was primarily due to engineering services provided to two original equipment manufacturers relating to the incorporation of the Company's licensable software components into the customers' products. One of the original equipment manufacturers accounted for approximately 66% of the Company's revenue in fiscal 1999; and approximately 75% of the Company's revenue in fiscal 1999 was recognized in the last half of the year, such recognition having been driven by the commencement of a large engineering services engagement with that original equipment manufacturer.

Cost of sales as a percentage of sales decreased from 63% to 56% as the Company commenced a significant engineering services agreement.

Administrative costs decreased 11% to $1,277,909 in fiscal 1999 from $1,429,923 in fiscal 1998. The decrease is primarily attributable to a reduction in shareholder relations costs due to a reduction in activity related to potential equity financings. The addition of personnel resulted in an increase in salaries and benefits. The increase in salaries was partly offset by a decrease in office and premises costs as a result of closing the Company's U.S. sales office.

Marketing and sales costs increased 19% to $1,178,402 in fiscal 1999 from $986,897 in fiscal 1998. This increase is largely due to an increase in salaries and benefits and in professional fees in connection with building the Company's sales and marketing team. Professional fees relate to the cost of recruiting personnel. Marketing and sales costs as a percentage of revenue declined to 53% in fiscal 1999 from 183% in fiscal 1998, primarily because relatively little sales effort was required to secure the engineering services contracts that accounted for the majority of the Company's revenue during fiscal 1999.

Research and development costs decreased 56% to $513,202 in fiscal 1999 from $1,167,762 in fiscal 1998, primarily the result of developers taken from this department to assist with a significant engineering services engagement.

The amount expensed on account of costs associated with the failed merger with Annabooks Software, LLC, was $82,855 in fiscal 1999 as compared to $515,581 in fiscal 1998.

The operating loss for the year ended August 31, 1999 was $2,050,568 ($0.11 per share) compared to $3,874,376 ($0.24 per share) for the year ended August 31, 1998.

As of August 31, 1999, the Company's position was $201,780 and working capital was $429,026.

Cash consumed in fiscal 1999 operations was $1,873,535 compared to $3,674,148 in 1998. The reduction is attributable to the increase in revenue in fiscal 1999.

In fiscal 1999, all financing activities were done with the issuance of shares, and exercise of options and warrants. During fiscal 1999, shares were issued at various prices, providing financing of $1,404,623 compared to $4,297,219 in fiscal 1998. Capital assets, primarily computer equipment of $163,927, were purchased in 1999 as a result of increased staff.

Liquidity and Capital Resources

The Company has financed its operations primarily through share issuances. As of August 31, 2000, the Company had cash and cash equivalents of $7,188,100. Cash increased to $19,695,873 as of October 31, 2000, due to the completion on September 13, 2000 of the offering of Special Warrants. Of that amount, $6,261,000 is being held in escrow by the Trustee and will be released to the Company on the earlier of September 13, 2001 and the date each of the British Columbia Securities Commission, the Quebec Securities Commission, the Alberta Securities Commission and the Ontario Securities Commission issue a receipt for the Company's final prospectus qualifying the Special Warrants. The Company's working capital at August 31, 2000 was $7,428,114 compared to $429,026 at August 31, 1999.

The Company's operating activities resulted in cash outflows of $3,674,148 in 1998, $1,873,535 in 1999 and $2,957,060 in 2000. Investing activities used cash of $137,519 in 1998, $163,927 in 1999 and $516,119 in 2000, primarily for the purchase of computer equipment. Financing activities generated cash of $4,297,219 in 1998, $1,404,623 in 1999 and $10,459,499 in 2000, primarily through the issuance of common stock.

The Company currently anticipates that it will continue to experience increases in the Company's operating expenses for the foreseeable future as the Company continues to increase research and development and sales and marketing activities and develop new distribution channels. The Company's operating expenses will consume a material amount of its cash resources. The Company believes that it's

working capital (less the net proceeds of the offering of the Special Warrants) together with cash from operations will be sufficient to satisfy the Company's anticipated cash needs for at least 12 months.

MANAGEMENT OF THE COMPANY

The names, municipalities of residence, positions with the Company, principal occupations within the last five years and beneficial ownership of securities of the Company of each of the directors and officers of the Company as at October 31, 2000 are as follows:

Name, Place of Residence and Position with Company	Present and Principal Occupation during the last five years	Age	Securities Owned and Controlled [2]
Derek William Spratt [3] Vancouver, B.C. Director & Chief Executive Officer	Chief Executive Officer of the Company from April 18, 1996 to present; President and Chief Executive Officer of the Company from April 18, 1996 to September 6, 2000; Executive Vice-President of PCS Wireless Inc. (a telecommunications equipment manufacturing company) from April 1993 to January 1996; Vice-President of Nexus Engineering Inc. (a telecommunications equipment manufacturing company) from November 1991 to September 1992.	39	696,773 Common Shares 757,000 stock options
Robert J. Gayton[1], Ph.D, FCA West Vancouver, B.C. Director	Business Consultant from 1990 to present; Vice President, Finance/Chief Financial Officer of Western Copper Holdings Limited from October 1995 to Present.	60	130,000 stock options
Morgan P.W. Sturdy[1] West Vancouver, B.C. Director	Business consultant from April 2000 to present; Executive Vice-President and Chief Operating Officer of NICE Systems Limited, a NASDAQ listed provider of telephony voice and data solutions, from 1997 to April 2000; President of Dees Communications Engineering Ltd., a provider of telephony integration products from 1985 to 1997.	48	51,100 Common Shares 150,000 stock options

Name, Place of Residence and Position with Company	Present and Principal Occupation during the last five years	Age	Securities Owned and Controlled [2]
William T.C. Yu Vancouver, B.C. Director	Executive Vice President and Chief Operating Officer of the Company from April 1999 to July 2000; Chief Financial Officer of the Company from January 1997 to April 1999; Associate, Corporate Finance at Marleau, Lemire Securities Inc. (a securities brokerage company) from July 1994 to December 1995; Portfolio Management Consultant of Discovery Enterprises Inc. (a venture capital firm) from 1991 to June 1994.	39	95,730 Common Shares 250,000 stock options
Ronald P. Erickson[1] Seattle, Washington Director	Chairman of eCharge Corporation from November 1999 to present; Chief Executive Officer of eCharge Corporation from August 1998 to November 1999; Chairman and Chief Executive Officer of Globaltel Resources Inc. (a telecommunications service company) from January 1996 to August 1998; Managing Director of Global Vision LLC (a telecommunications service company) from August 1994 to January 1996; Chairman of Egghead Inc. (a computer software retailer) from September 1992 to August 1994.	56	20,000 Common Shares 300,000 stock options
Rod Campbell West Vancouver, B.C. Chief Financial Officer, Secretary and Vice President, Finance and Administration	Chief Financial Officer for the Company since April 1999; Director, Knowledge- Based Business for the Canadian Imperial Bank of Commerce from June 1990 to March 1999.	35	14,446 Common Shares 275,000 stock options
Neil McDonnell [3] North Vancouver, B.C. President and Chief Operating Officer	President and Chief Operating Officer for the Company from September 6, 2000 to present; Executive Vice-President of Plexus Systems Design Ltd. from March, 1997 to September, 2000; President and Chief Executive Officer of dba Telecom Corporation from May, 1996 to February, 1997; Vice-President of Sales and Marketing for Dynapro Systems Corporation from February, 1994 to May, 1996; Vice-President of Sales and Marketing for Epic Data Inc. from September, 1989 to February, 1994.	42	150,000 stock options

Name, Place of Residence and Position with Company	Present and Principal Occupation during the last five years	Age	Securities Owned and Controlled [(2)]
David Manuel Surrey, B.C. Vice President, Product Development	Vice President, Product Development for the Company from July 1999 to present; Director of Product Development for the Company from February 1999 to July 1999; Director of Engineering and Operations for DAMOS SudAmerica from November 1997 to January 1999; Project Engineer for M.D.A. from July 1990 to November 1997.	38	16,280 Common Shares 116,833 stock options
William D. Gordon Vancouver, B.C. Vice President, Research and Development	Vice President, Research and Development for the Company since October 4, 2000; Senior Software Architect for the Company from March 1997 to October 4, 2000; System Analyst for MacDonald, Dettwiler and Associates Ltd. from August 31, 1991 to March, 1997.	33	55,000 stock options
David W. Monroe Alpharetta, Georgia Vice President, Sales and Marketing	Vice President, Sales and Marketing for the Company since October 23, 2000; District Sales Manager for RedCelcius Inc. from December, 1999 to October, 2000; Vice President, Sales and Marketing for Plexus Systems Design, Ltd. from June, 1996 to December, 1999; Western Regional Sales Manager for Blockade Systems Corp. from June, 1997 to June, 1998; Sales Manager, Canada and Caribbean for PMS Canada Ltd. from December, 1994 to June, 1997; Senior Search Consultant for The Caldun Group from July, 1993 to December, 1994.	36	75,000 stock options

Name, Place of Residence and Position with Company	Present and Principal Occupation during the last five years	Age	Securities Owned and Controlled (2)
Guylain Roy-MacHabee Vancouver, B.C. Vice President, Consulting and Support	Vice President, Consulting and Support for the Company since August, 2000; Vice President, Marketing for the Company from June 1999; to August 2000. Director of Business Development for the Company from February 1999 to June 1999; Director of Systems Integration for the Company from January 1998 to February 1999; Director, Sales and Marketing Asia – Pacific for Broadband Networks from May 1997 to December 1997; Director, Sales and Marketing for PCS Solutions from February 1996 to May 1997; Director, Sales and Marketing for PCS Wireless from September 1994 to February 1996.	36	58,426 Common Shares 100,000 stock options

(1) Denotes member of the audit committee.

(2) The Company has no knowledge of shares beneficially owned or controlled. That information has been furnished by the respective individuals.

(3) Effective September 6, 2000, Mr. Spratt resigned as President and Mr. McDonnell was appointed President and Chief Operating Officer.

The Company has been advised that as at October 31, 2000, directors and officers of the Company, as a group, held 952,755 Common Shares representing 3.35% of the outstanding Common Shares.

Other Associations

During the past five years, the directors and senior officers of the Company have been associated with the British Columbia reporting issuers described below in the capacities described:

Name	Reporting Issuer	Capacity	Period
Derek Spratt	PCS Wireless Inc.	Executive Vice President and Director	04/93 – 01/96
	Image Power Corp.	Director	04/96 – 09/97
Robert Gayton	International Bravo Resource Corp. (formerly Bravo Gold Inc., Redex Gold Inc. and Consolidated Redding Exploration Corp.)	Director Chief Financial Officer	05/96 - present 03/97 - present
	Canadian Zinc Corporation	Vice President Finance Director	05/00 – present 05/00 – present
	Consolidated Dencam Development Corp.	Director	06/95 - 03/96

Name	Reporting Issuer	Capacity	Period
	Doublestar Resources Ltd.	Vice President Finance Director	09/99 – present 06/00 – present
	Gulf International Minerals	Director	10/95 - 03/97
	Eaglecrest Explorations Ltd.	Chief Financial Officer Director	06/98 – present 03/99 – present
	Inflazyme Pharmaceuticals Ltd.	Director President	02/95 - 04/96 05/95 - 11/95
	Immune Network Research	Director President	10/94 – present 01/95 - 08/95
	Pacific Cascade Resources Corp.	Director and Vice-President Finance	05/96 – present
	Palace Explorations (formerly Bakertalc Inc.)	Director	09/94 - 10/95
	Quaterra Resources Inc.	Director and Chief Financial Officer	04/97 - present
	Rio Fortuna Exploration Corp. (formerly Sand River Resources Ltd. and Cryderman Gold Inc.)	Chief Financial Officer	02/97 - present
	Western Copper Holdings Limited	Chief Financial Officer	06/96 - present
Ronald Erickson	Airbomb.com	Director	01/00-present
Morgan Sturdy	TIR Systems Ltd.	Chairman	07/93-present
	Credit Systems International	Director	05/95-09/97
	Q/Media Services Corporation	Director	07/99- present
	Voice Mobility International, Inc.	Director	03/00-present
	Infowave Software, Inc.	Chairman	09/99-present
Neil McDonnell	dba Telecom Corporation	President and Chief Executive Officer	05/96-02/97
	Epic Data Inc.	Vice-President Sales and Marketing	09/89-02/94
Guylain Roy-MacHabee	PCS Wireless Inc.	Director, Sales & Marketing	08/94 – 02/96

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets out all compensation paid to the Company's Chief Executive Officer and the Company's four most highly compensated executive officers other than the Chief Executive Officer (collectively, "Named Officers") during the fiscal periods indicated.

		Annual Compensation			Long Term Compensation
Name and Principal Position	**Period**	**Salary ($)**	**Bonus ($)**	**Other Annual Compensation ($)**	**Securities Under Options Granted (#)**
Derek Spratt President & CEO	2000 1999 1998	147,500[2] 150,000[2] 80,000	— — —	— — 2,400[1]	300,000 120,000 567,000
Rod Campbell CFO, Secretary, and V.P., Finance and Administration	2000[4] 1999 1998	117,500[4] 45,000[4] —	60,000[4] — —	— — —	— 300,000 —
Deanna McKenzie Executive V.P., Sales	2000[5] 1999 1998	145,833 — —	168,750 — —	— — —	200,000 — —
David Manuel V.P., Development	2000 1999 1998	107,917[6] 60,000[6] —	22,500 — —	— — —	75,000 50,000 —
Guylain Roy-MacHabee V.P., Consulting and Support	2000 1999 1998	110,063[7] 99,443[7] —	12,500 — —	— — —	100,000 100,000 —

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(1) Represents car allowances.

(2) $12,500 and $57,000 of the salary payable in the first half of fiscal 2000 and in fiscal 1999, respectively, was paid in Common Shares.

(3) $12,500 and $40,000 of the salary payable in the first half of fiscal 2000 and in fiscal 1999, respectively, was paid in Common Shares.

(4) Mr. Campbell joined the Company on April 1, 1999, and $12,500 and $7,500 of the salary payable in the first half of fiscal 2000 and in fiscal 1999, respectively, and $30,000 of the bonus was paid in Common Shares.

(5) Ms. McKenzie joined the Company on November 1, 1999 and resigned from the Company on August 31, 2000.

(6) $10,400 of the salary payable in the first half of fiscal 2000 and in fiscal 1999, respectively, was paid in Common Shares.

(7) $4,100 and $9,400 of the salary payable in the first half of fiscal 2000 and in fiscal 1999, respectively, was paid in Common Shares.

The following table sets out all stock option grants made to the Named Officers during fiscal year 2000:

Name	Number of Securities Under Options Granted (#)	% of Total Options Granted to Employees in Period	Exercise or Base Price ($/Security)	Market Value of Securities Underlying Options on the Date of Grant ($/Security)	Expiration Date
Derek Spratt	300,000	18	3.76	7.70	Feb. 23, 2005
David Manuel	50,000 25,000	3 1.5	1.05 2.97	1.06 4.05	Nov. 4, 2004 Aug. 16, 2005
Guylain Roy-MacHabee	25,000 75,000	1.5 4.5	1.05 3.50	1.06 3.50	Nov. 4, 2004 Apr. 14, 2005
Deanna McKenzie	200,000	12	0.91	1.00	Sept. 1, 2004

The following table sets out the aggregate stock options exercised by the Named Officers during fiscal 2000 and the aggregate financial year-end value of unexercised stock options:

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized ($) (1)	Unexercised Options/SARs at August 31, 2000 (#) Exercisable/ Unexercisable	Value of Unexercised in the Money Options/SARs at August 31, 2000 ($) Exercisable/ Unexercisable
Derek Spratt	404,500	3,008,420	181,000/ 576,000	977,400/ 3,110,400
Rod Campbell	25,000	186,000	125,000/ 150,000	675,000/ 810,000
David Manuel	8,167	19,877.54	34,333/ 82,500	185,398.20/ 445,500
Guylain Roy-MacHabee	100,000	546,500	12,500/ 87,500	67,500/ 472,500
Deanna McKenzie	49,999	178,663.61	1/150,000	5.40/810,000

(1) Value is measured as the difference between the option exercise price and the market value on the date of option exercise and does not imply that the optionee sold the Common Shares acquired on the exercise of the options.

Management Agreements

The following agreements have been entered into with persons who were Named Officers during fiscal 2000 and continue to be employees of the Company:

- The Company has entered into an employment agreement with Mr. Derek Spratt dated May 5, 1998, as amended on January 12, 1999 and June 1, 1999, pursuant to which he will act as the Company's Chief Executive Officer. The agreement was initially for a term of two years from February 1, 1998, automatically renewable for a further two year period until February 1, 2002 The agreement provides that Mr. Spratt will receive an annual base salary of $150,000. Where the Company is unable to pay any portion of the base salary by way of cash, the Company and Mr. Spratt may agree that such portion, net of all applicable statutory or other deductions, may be paid by the Company by way of the issuance of stock options entitling him to acquire Common Shares for an exercise price equal to the fair market value of the Common Shares at the date of exercise. If Mr. Spratt's employment is terminated without cause, the Company will pay him the equivalent of one year's salary.

- The Company has entered into an employment agreement with Mr. Rod Campbell dated March 16, 1999, as amended on December 1, 1999 pursuant to which he will act as the Company's Chief Financial Officer for a minimum of one year from April 1, 1999. Thereafter, the agreement will continue for an indeterminate period. Mr. Campbell will receive an annual base annual salary of $150,000. Where the Company is unable to pay any portion of the base salary by way of cash, the Company and Mr. Campbell may agree that such portion, net of all applicable statutory or other deductions, may be paid by the Company by way of the issuance of stock options entitling him to acquire Common Shares for an exercise price equal to the fair market value of the Common Shares at the date of exercise. If Mr. Campbell's employment is terminated without cause, the Company will continue to pay his salary for a maximum of 12 months or until he has obtained equivalent employment. The Company agreed to grant Mr. Campbell stock options in respect of 175,000 Common Shares at a price and on terms in accordance with the rules of the CDNX, all of which have been granted. Upon termination of his employment with the Company without cause, all Mr. Campbell's options will vest immediately and he will have one year to exercise the options under a mutually agreeable release formula.

- The Company has entered into an employment agreement with Mr. David Manuel dated June 30, 1999 as amended on December 1, 1999, pursuant to which he will act as the Company's Vice President of Development. He will receive an annual base salary of $110,000. Where the Company is unable to pay any portion of the base salary by way of cash, the Company and Mr. Manuel may agree that such portion, net of all applicable statutory or other deductions, may be paid by the Company by way of the issuance of stock options entitling him to acquire Common Shares for an exercise price equal to the fair market value of the Common Shares at the date of exercise. He is also entitled to receive a semi-annual bonus payment of $7,500 based on the achievement of specific objectives. If Mr. Manuel's employment is terminated without cause, the Company will pay him the equivalent of 4 to 12 months' salary (depending on the length of his service with the Company).

- The Company has entered into an employment agreement with Mr. Guylain Roy-MacHabee dated September 1, 1999 as amended on March 1, 2000, pursuant to which he will act as the Company's Vice President of Consulting and Support for an indeterminate period and for a minimum of two years effective September 1, 1999. He will receive a

base salary of $120,000. Where the Company is unable to pay any portion of the base salary by way of cash, the Company and Mr. Roy-MacHabee may agree that such portion, net of all applicable statutory or other deductions, may be paid by the Company by way of the issuance of stock options entitling him to acquire Common Shares for an exercise price equal to the fair market value of the Common Shares at the date of exercise. The Company agreed to grant Mr. Roy-MacHabee stock options in respect of 100,000 Common Shares at a price and on terms in accordance with the rules of the CDNX, all of which have been granted.

Compensation of Directors

The Board of Directors has resolved that, in addition to reimbursement for ordinary and necessary out of pocket expenses incurred in fulfillment of their duties, each non-executive Director shall receive an annual retainer of $5,000.00 and a meeting fee of $500 for each Board of Directors meeting.

During fiscal 2000 the Company paid fees to Mr. Robert Gayton, a director of the Company, for various consulting services in the amount of $2,000.

BENEFIT AND INCENTIVE PLANS

Equity Incentive Plan

The Company's Equity Incentive Plan (the "Plan") reserves a total of 6,076,138 Common Shares for issuance under it. The Plan has two components: a Stock Option Plan (the "Option Plan") and a Share Bonus Plan (the "Bonus Plan"). In addition to the Plan, the Company has also granted compensation options to certain of its officers pursuant to which up to 950,000 Common Shares may be issued. See "Executive Compensation".

Option Plan

The Option Plan provides for grants of incentive stock options (the "Options") to directors, officers, employees and consultants of the Company or any entity controlled by the Company. The purpose of the Option Plan is to attract and retain the best available personnel to the Company and to encourage share ownership by directors, officers, employees and consultants of the Company so as to give them a greater personal stake in the Company's success. The Option Plan is administered by the directors of the Company which determines optionees and the terms of options granted, including the exercise price, number of shares subject to the option, and the exercisability thereof.

The terms of options granted under the Option Plan may not exceed ten years. The directors of the Company determine when the options become vested, provided that vesting shall occur no faster than 1/12th quarterly. Options may be exercised only when vested.

The exercise price of options must be at least equal to the market price of the underlying Common Shares on the date of grant. Market price is defined as the average price per Common Share for the ten trading days immediately preceding the day on which the CDNX received notice that the directors granted the option.

No option may be transferred by the optionee other than by will or the laws of descent or distribution, and each option may be exercised, during the lifetime of the optionee, only by such optionee. An optionee whose relationship with the Company or any related corporation ceases for any reason (other than death, disability or cause) may exercise options in the 30 day period following such termination (unless such options terminate or expire sooner by their terms). An optionee whose relationship ceases by reason of death or disability may exercise options in the 365 day period following such termination (unless such options terminate or expire sooner by their terms). Options held by an optionee whose relationship is terminated with cause are not exercisable after such termination.

If a change of control occurs, all options will thereupon become fully vested. A change of control is defined as the acquisition by any person or by any person (the "first person") and a person acting jointly in concert with the first person (a "joint actor") (determined in accordance with the Securities Act, whether directly or indirectly, of voting securities of the Company (as defined in the Securities Act), which, when added to all other voting securities of the Company at the time held by such person or by such first person and a joint actor, totals for the first time at least 50% of the outstanding voting securities of the Company, or if less than 50% of the outstanding voting securities of the Company then a sufficient number of votes attached to securities that, if exercised, would serve to elect a majority of the board of directors of the Company.

The Board of Directors of the Company has approved amendments to the Option Plan, subject to receipt of CDNX approval and shareholder approval at the Company's Annual General Meeting to be held December 6, 2000. The proposed amendments are as follows:

- The minimum exercise price of options will be the closing price per Common Share on the date of grant less any discount permitted by any stock exchange having jurisdiction over the Company.
- The provisions in the Option Plan with respect to the vesting of options will be amended so that Board of Directors of the Company will have unfettered discretion as to when options vest, including the discretion to determine whether and the extent to which vesting shall occur in the event of a change of control.
- Stock options will now automatically terminate 30 days following the date on which the holder ceases to be an employee, officer, director or consultant of the Company or an entity controlled by the Company.
- Stock options will be exercisable either in exchange for the cash exercise price or by way of a "cashless exercise". Under a cashless exercise, a number of Common Shares equal in value to the difference between the market price for the Common Shares at the date of exercise and the aggregate cash exercise price (being a lesser number of Common Shares than would be issuable on a cash exercise) would be issued and the Company would not receive the cash exercise price.

Bonus Plan

The Bonus Plan gives the Company's Board of Directors authority to issue or reserve for issuance, for no cash consideration, to any director, senior officer or employee of the Company or an affiliate of the Company, or to an issuer, all of the voting securities of which are held by a director, senior officer or employee of the Company or an affiliate of the Company, any number of Common Shares as a discretionary bonus subject to such provisos and restrictions as the board of directors may determine. The price at which such Common Shares are issued will be equal to the market price, as that term is defined above under "Option Plan", or the market price less the applicable discount under the private placement rules of the CDNX, provided that if a discount is applied, the Common Shares issued shall be subject to the applicable hold period required by the CDNX.

The aggregate maximum number of Common Shares to be issued pursuant to the Bonus Plan in each calendar quarter will be limited to the lesser of 150,000 Common Shares and such number of Common Shares as have an aggregate value of not more than $50,000 based on the Market Price as at the end of that quarter. The number of Common Shares issuable to any one person under the Option Plan and the Bonus Plan may not exceed 5% of the total issued and outstanding share capital of the Company on a non-diluted basis.

Compensation Options

Messrs. Derek Spratt, Rod Campbell, Guylain Roy-MacHabee and David Manuel have entered into compensation option agreements with the Company pursuant to which the holder is entitled to acquire, once each month and at such time as the holder elects, such number of Common Shares as is equal to the quotient obtained by dividing the amount then due and payable to the holder under his employment agreement, less all applicable deductions, by the closing price of the Common Shares on the CDNX on the day immediately preceding the date of exercise of the compensation option. An aggregate of $46,238 gross salary payable in fiscal 2000 was satisfied through the issuance of 39,207 Common Shares pursuant to compensation options. The Company is no longer satisfying salary obligations through the issuance of Common Shares and it does not anticipate doing so again unless the Company's cash flow or working capital deteriorates materially. See "Executive Compensation – Summary Compensation Table". The CDNX has approved the issuance of the compensation options, provided that the total number of Common Shares issued under such options does not exceed 950,000.

SHARE CAPITAL

The authorized share capital of the Company consists of 110,000,000 shares divided into 100,000,000 Common Shares without par value and 10,000,000 Preference Shares without par value. As at October 31, 2000, 28,427,952 Common Shares were outstanding.

The holders of Common Shares are entitled to vote at all meetings of shareholders of the Company, to receive dividends if, as and when declared by the directors and, subject to the rights of holders of any shares ranking in priority to or on a parity with the Common Shares, to participate ratably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of the Company. The Company's Common Shares carry no pre-emptive or conversion rights other than rights granted to holders of Common Shares under the Shareholders' Rights Plan.

The Preference Shares may be issued from time to time in one or more series, each series comprising the number of shares, designation, privileges, restrictions and conditions which the Board of Directors of the Company determines by resolution. On the liquidation, dissolution or winding-up of the Company or on any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the Preference Shares rank prior to the Common Shares in respect of the repayment of capital and, if applicable, dividends. Except for such rights relating to the election of directors on a default in payment of dividends as may be attached to any series of Preference Shares by the Board of Directors of the Company, holders of Preference Shares are not entitled to receive notice of, or to attend or vote at any general meeting of the shareholder of the Company.

As at the date of this prospectus, no Preference Shares are issued and outstanding, and the Company has no present intention to issue any Preference Shares.

Shareholders' Rights Plan

The Board of Directors has approved the adoption of a Shareholders' Rights Plan, subject to the approval of the CDNX and the Company's shareholders, the latter of which will be sought at the Company's Annual General Meeting scheduled to be held on December 6, 2000. The Shareholders' Rights Plan is designed to encourage the fair treatment of the Company's shareholders in connection with any take-over offer for the outstanding Common Shares. The Shareholders' Rights Plan provides the Board of Directors and shareholders of the Company with 45 days to fully consider any unsolicited take-over bid. It also allows the Board of Directors to consider, if appropriate, other alternatives to maximize shareholder value and allows for additional time for competing proposals to emerge. If a bid is made to all shareholders, and is held open for at least 45 days and is accepted by shareholders holding more than 50% of the outstanding Common Shares, or is otherwise permitted by the Board of Directors, then the Shareholders' Rights Plan will not affect the rights of shareholders. Otherwise, all shareholders, except the parties making a take-over bid, will be able to acquire a number of additional Common Shares equal

to 100% of their existing outstanding holdings at one-half the market price (which is based on the average closing price for twenty consecutive trading days). Any party making a take-over bid not permitted by the Shareholders Rights Plan could suffer significant dilution.

Existing and Proposed Share Capital

	Number of Issued Shares	Price per Share	Total Consideration[1]
Issued as of October 31, 2000 ...	28,427,952	N/A	$21,521,234.25
Shares to be issued upon exercise of the Special Warrants[2]	3,000,000	$4.50	$13,500,000
To be issued upon exercise of all outstanding Special Warrants	31,427,952	N/A	$35,021,234.25

(1) All Common Shares were issued for cash or in extinguishment of debts owing by the Company, unless otherwise indicated.

(2) Does not include shares issuable upon exercise of the Warrants or upon exercise of the Agents' Compensation Option.

Options and Other Rights to Purchase Securities

As of October 31, 2000, 10,054,188 Common Shares were issuable pursuant to outstanding warrants, options and other rights to acquire Common Shares, comprised of 5,104,188 Common Shares issuable pursuant to outstanding options and warrants (other than Special Warrants), 3,000,000 Common Shares issuable pursuant to the Special Warrants, 300,000 Common Shares issuable pursuant to the Agents' Compensation Option, 1,500,000 Common Shares issuable pursuant to the Warrants issuable upon exercise of the Special Warrants and 150,000 Common Shares issuable pursuant to the Warrants issuable upon exercise of the Agents' Compensation Option.

The following table summarizes the options and warrants outstanding and issuable as at October 31, 2000.

Name	Shares Issuable	Exercise Price[1]	Expiration Date
Derek Spratt	67,000	$0.77	22 June, 2002
	270,000	$1.20	2 April, 2003
	20,000	$1.20	18 November, 2003
	100,000	$1.26	16 March, 2004
	300,000	$3.76	23 February, 2005
William Yu......................................	75,000	$1.26	16 March, 2004
	175,000	$3.76	23 February, 2005
Ronald P. Erickson..........................	200,000	$1.20	24 October, 2002
	50,000	$1.41	22 December, 2004
	50,000	$4.50	30 August, 2005

Name	Shares Issuable	Exercise Price[1]	Expiration Date
Robert Gayton	17,500	$0.59	15 May, 2002
	37,500	$1.26	10 May, 2004
	25,000	$3.76	23 February, 2005
	50,000	$4.50	30 August, 2005
Guylain RoyMacHabee	25,000	$1.05	15 November, 2004
	75,000	$3.50	14 April, 2005
David Manuel	50,000	$1.26	10 February, 2004
	41,833	$1.05	15 November, 2004
	25,000	$2.97	16 August, 2005
Rod Campbell	275,000	$1.26	10 May, 2004
Morgan Sturdy	100,000	$3.55	4 May, 2005
	50,000	$4.50	30 August, 2005
Neil McDonnell	150,000	$2.70	14 August, 2005
William Gordon	25,000	$1.20	18 November, 2003
	30,000	$3.76	23 February, 2005
David Monroe	75,000		
Investors who are not current or former officers, directors or employees (as a group)	1,612,500	$1.10-$2.50	6 November 2000 – 19, July 2002
Employees and consultants who are not officers, directors or investors, and former employees and consultants (as a group)	1,132,855	$0.59-$5.30	4 March, 2002 – 10 October, 2005
The Agents	450,000[2]	$4.50	March 13, 2002
Holders of Special Warrants and Warrants issuable thereunder	4,500,000	n/a	n/a
Total	10,054,188		

(1) There are no assurances that the options or warrants will be exercised in whole or in part.

(2) Represents the Agents' Compensation Option and the Warrants issuable thereunder. See Note 1 to the distribution table set out on the face page of this prospectus.

Fully Diluted Share Capital

	Number of Shares	Percentage of Total
Issued as of October 31, 2000	28,427,952	73.87%
Securities reserved for future issue as of October 31, 2000	10,054,188	26.13%

Total	38,482,140	100%

Principal Holders of Voting Securities

No person is known by the Company to have direct or indirect beneficial ownership of, control or direction over, or a combination of direct or indirect beneficial ownership of and control or direction over voting securities of the Company that constitute more than 10% of any class of such securities.

PRIOR SALES AND TRADING INFORMATION

The Company issued an aggregate of 8,412,696 Common Shares during the 12 months ended October 31, 2000, as follows:

Number of Shares	Price per Share
200,000	$0.40
170,920	$0.50
319,500	$0.59
490,000	$0.66
70,000	$0.74
200,000	$0.77
104,949	$0.91
972,000	$1.00
27,408	$1.05
625,000	$1.10
325,000	$1.15
977,647	$1.20
10,400	$1.21
189,749	$1.26
30,000	$1.30
3,358	$1.40
1,562	$1.41
8,709	$1.55
11,164	$1.59
348,995	$1.75
3,000,000	$2.00
325,000	$2.50
1,335	$3.50
Total 8,412,696	

The closing price of the Common Shares on October 31, 2000 was $4.80. The following table sets out the high and low prices for board lot trades and the volume of trades of Common Shares as reported by the CDNX for the periods indicated:

Period	High	Low	Volume
October 2000	$5.75	$4.41	1,682,000
September 2000	$6.55	$5.25	2,981,205
August 2000	$6.15	$2.70	4,309,480
July 2000	$3.75	$3.15	1,458,630
Second Quarter 2000	$6.50	$2.80	7,283,988

First Quarter 2000	$9.70	$1.40	30,261,469
Fourth Quarter 1999	$1.76	$0.82	3,293,538
Third Quarter 1999	$1.29	$0.77	6,255,470
Second Quarter 1999	$2.19	$1.05	2,995,274
First Quarter 1999	$2.01	$1.10	3,156,978
Fourth Quarter 1998	$1.54	$0.45	2,286,405

DIVIDENDS AND DIVIDEND POLICY

The Company has never paid any dividends. The Company intends for the foreseeable future to retain any future earnings for use in its business, and accordingly it does not expect to pay any cash dividends.

RISK FACTORS

An investment in the Company's securities is speculative in nature and involves a high degree of risk. In addition to the other information contained in this prospectus, prospective investors should carefully consider the following factors in evaluating the Company and its business before purchasing the securities described herein. No investment in these securities should be made by any person who is not in a position to lose the entire amount of such investment.

Limited Operating History

The Company has a limited operating history, and there can be no assurance that the Company's revenue will continue to grow. As at August 31, 2000, the Company had an accumulated deficit of $12,468,118. The Company's prospects must be considered in the context of its early stage of development, the risks and uncertainties it faces and the inability of the Company to accurately predict its operating results and the results of product development and sales and marketing initiatives. The Company expects to experience operating losses for the foreseeable future, and there can be no assurance that implementation of the Company's strategies will result in the Company becoming profitable.

Historical Dependence on Market Acceptance of Windows CE

Windows CE is one of many operating systems developed for the Internet-enabled computing devices market and the extent of its future acceptance is uncertain. Because the majority of the Company's revenue has historically been generated by software products and services dependent on the Windows CE operating system, if the market for Windows CE fails to develop fully or develops more slowly than the Company expects, the Company's business and operating results may be significantly harmed. Continued market acceptance of Windows CE will depend on many factors, including:

- Microsoft Corporation's continued development and support of the Windows CE market. As the developer and primary promoter of Windows CE, if Microsoft were to decide to discontinue or lessen its support of the Windows CE operating system, potential customers could select competing operating systems, which would reduce the demand for the Company's Windows CE-based software products and services. In addition, Microsoft Corporation has developed a version of its Windows NT operating system for Internet-enabled computing devices and could decide to shift its support to this operating system to the detriment of Windows CE;
- the ability of the Windows CE operating system to compete against existing and emerging operating systems for the Internet-enabled computing devices market including: VxWorks from WindRiver Systems Inc., pSOS from Integrated Systems, Inc., VRTX from Mentor Graphics Corporation, JavaOS from Sun Microsystems, Inc. and LINUX. In particular, in the market for palm-size devices, Windows CE faces intense

competition from PalmOS used on 3Com Corporation's Palm devices and to date has had limited success in this market. In the market for cellular phones, Windows CE faces intense competition from the EPOC operating system from Symbian, a joint venture between several of the largest manufacturers of cellular phones, which recently announced it has agreed to discuss cross-licensing its technology with the Palm Computing unit of 3Com. Windows CE may be unsuccessful in capturing a significant share of these two segments of the Internet-enabled computing devices market, or in maintaining its market share in those other segments of the Internet-enabled computing devices market on which the Company's business currently focuses;

- the acceptance by original equipment manufacturers and consumers of the mix of features and functions offered by Windows CE; and
- the willingness of software developers to continue to develop and expand the applications that run on Windows CE. To the extent that software developers write applications for competing operating systems that are more attractive to Internet-enabled computing devices end users than those available on Windows CE, potential purchasers could select competing operating systems over Windows CE.

The Company is attempting to mitigate this risk by developing products which are compatible with operating systems and environments other than Windows CE, such as LINUX and Java. See "The Business of the Company – Research and Development Activities".

Dependence on Market Acceptance of Internet-enabled Computing Devices

The market for Internet-enabled computing devices is emerging and the potential size of this market and the timing of its development are not known. As a result, the Company's profit potential is uncertain and the Company's revenue may not grow as fast as the Company anticipates, if at all. The Company is dependent upon the broad acceptance by businesses and consumers of a wide variety of Internet-enabled computing devices, which will depend on many factors, including:

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

Microsoft May Become a Competitor

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

Delays by Microsoft in releasing new versions of Windows CE may adversely affect the Company

Unanticipated delays in Microsoft Corporation's delivery schedule for new versions of its Windows CE operating system could cause the Company to delay its product introductions and impede the Company's ability to complete customer projects on a timely basis. These delays or announcements by Microsoft Corporation could also cause the Company's customers to delay or cancel their project development activities or product introductions. Any resulting delays in, or cancellations of, the

Company's planned product introductions or in the Company's ability to commence or complete customer projects may adversely affect the Company's revenue and could cause the Company's quarterly operating results to fluctuate.

The Company is attempting to mitigate this risk by developing products which are compatible with operating systems and environments other than Windows CE, such as LINUX and Java. See "The Business of the Company – Research and Development Activities".

Competition

Because of intense market competition, the Company may not succeed. Most of the Company's competitors have longer operating histories, stronger brand names and significantly greater financial, technical, marketing and other resources than the Company. Competitors may also have existing relationships with many of the Company's prospective customers, and prospective original equipment manufacturer customers may be developing products for their own use that are comparable to the Company's products. In addition, the Company expects competition to persist and intensify in the future, which could adversely affect the Company's ability to increase sales. In the future, the Company may experience competition from Microsoft Corporation, if it incorporates into its products functionality similar to that provided by the Company's products.

Additional Financing

As the Company is expected to experience negative cash flow for the foreseeable future, working capital will be depleted, and the Company will probably have to seek additional financing. If adequate funds are not available when required or on acceptable terms, the Company may be required to delay, scale back or terminate its product development activities and sales and marketing efforts, and may be unable to continue operations. Any equity offering will result in dilution to the ownership interests of shareholders and may result in dilution of the value of such interests.

Product Development and Technological Change

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

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

Lengthy Sales Cycle

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

Third Party Manufacturing

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

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

The Company does not have supply agreements with its manufacturers and instead obtains manufacturing services on a purchase-order basis. The Company's manufacturers have no obligation to supply the Company with any specific product, in any specific quantity or at any specific price. If the Company's manufacturers were to become unable or unwilling to continue to manufacture its products in required volumes, at acceptable quality, yields and costs, or in a timely manner, the Company's business would be seriously harmed. As a result, the Company would have to attempt to identify and qualify substitute manufacturers for its current manufacturers, which could be time consuming and difficult, and might result in unforeseen manufacturing and operations problems. In addition, a natural disaster could disrupt the manufacturers' facilities and could inhibit the ability of the manufacturers' to provide us with manufacturing capacity on a timely basis, or at all. If this were to occur, the Company would likely be unable to fill customers' existing orders or accept new orders for our products. The resulting decline in revenues would harm the Company's business.

Component Suppliers

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

Acquisitions

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

Sales and Marketing and Strategic Alliances

If the Company is to become successful, it must expand its sales and distribution channels and its marketing and technology alliances. The Company has recently expanded its sales force and plans to recruit additional sales personnel. New sales personnel will require training and take time to achieve full productivity, and there is strong competition for qualified sales personnel in the Company's business. There is no assurance the Company will be able to reach agreements with additional alliance or distribution partners on a timely basis or at all, or that these partners will devote sufficient resources to advancing the Company's interests.

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

Management of Growth

The Company's recent growth has strained, and the Company expects any future growth will continue to strain, the Company's management systems and resources. This could hinder the Company's ability to continue to grow in the future and meet demand for its products and services.

The Company may not be able to install management information and control systems in an efficient and timely manner, and the Company's current or planned personnel, systems, procedures and controls may not be adequate to support the Company's future operations. Competition for qualified personnel is extremely intense and characterized by increasing salaries, the effect of which may be to increase operating expenses or hinder the Company's ability to recruit suitable personnel.

Dependence on Management

The Company's future success depends on the ability of the Company's management to operate effectively, both individually and as a group. If the Company were to lose the services of any management employees, the Company may encounter difficulties finding qualified replacement personnel and integrating them into the management group. In addition, the Company's Chief Operating Officer joined the Company within the last 6 months. Thus, the effectiveness of the Company's management team is unproven.

Potential Fluctuations in Quarterly Results

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

Research and Development Expenditures

The Company intends to substantially increase its research and development efforts which, if not successful, could cause a decline in the Company's revenues and could harm the Company's business.

The Company intends to increase substantially its expenditures on research and development in the next year to enhance and develop additional products. The Company plans to expand its Engineering Services and Development Team from 50 persons as at October 31, 2000 to approximately 63 by June 30, 2001. If the Company is unable to develop new products as a result of this effort, or if the products the Company develops are not successful, the Company's business could be harmed. Even if the Company does develop new products which are accepted by its target markets, the Company cannot ensure that the revenue from these products will be sufficient to justify the Company's investment in research and development.

Foreign Exchange Risk

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

Intellectual Property Protection

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

Product Liability

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

Stock Price Volatility

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

Shareholders' Rights Plan

The Board of Directors of the Company has approved a Shareholders' Rights Plan, subject to CDNX approval and shareholder approval at the Company's Annual General Meeting to be held

December 6, 2000. The Shareholders' Rights Plan provides for substantial dilution to an acquiror making a take-over bid for the Common Shares of the Company unless the bid meets the requirements described in the Shareholders' Rights Plan. This could discourage a potential acquiror from making a take-over bid and make it more difficult for a third party to acquire control of the Company, even if such acquisition or bid would be beneficial to the Company's shareholders.

Broad Discretion in Allocating Proceeds

The Company does not currently have a defined plan for the allocation of the proceeds of the offering of Special Warrants. The Company intends to use the proceeds of the offering for general corporate purposes and may, if required, use them to finance the expansion of its research and development, and sales and marketing activities. If the opportunity arises, the Company may use a portion of the net proceeds to acquire or invest in related businesses, products and technologies. Management of the Company will, therefore, have broad discretion in determining how to use the proceeds of the offering of Special Warrants. If the proceeds are not used effectively, the Company's business, results of operations and prospects may be adversely affected. See "Use of Proceeds".

Outstanding Rights to Acquire Common Shares

As at October 31, 2000, the Company had outstanding stock options and warrants (including Special Warrants, the Agents' Compensation Option and Warrants) to purchase an aggregate of 10,054,188 Common Shares at prices ranging from $0.59 per share to $5.85 per share. See "Share Capital - Options and Other Rights to Purchase Securities". To the extent that outstanding options or warrants are exercised, dilution to the interests of the Company's shareholders will occur.

DETAILS OF THE OFFERING

On September 13, 2000 (the "Closing Date") the Company completed a private placement of 3,000,000 Special Warrants at a price per Special Warrant of $4.50 pursuant to an agreement (the "Agency Agreement") dated August 28, 2000 between the Company and the Agents. Pursuant to the Agency Agreement, the Company paid the Agents a commission of 7% of the gross proceeds from the sale of Special Warrants and issued to the Agents the Agents' Warrants. The Agents' Warrants entitle the Agents to acquire at any time prior to the Expiry Time, without additional consideration, the Agents' Compensation Option, which, in turn, will entitle the Agents to purchase 300,000 Units, at a price per Unit of $4.50 until March 13, 2002.

The Special Warrants were issued under and are governed by the Special Warrant Indenture. The Company has deposited 50% of the net proceeds to the Company, after deducting the Agents' fees and expenses, with the Trustee to hold in escrow pursuant to the Special Warrant Indenture. The Special Warrant Indenture provides that the funds held by the Trustee will be paid to the Company upon the earlier of (i) September 13, 2001 and (ii) receipt by the Trustee of a notice signed by the Agents and the Company confirming that a receipt has been issued by each of the British Columbia Securities Commission, Quebec Securities Commission, the Alberta Securities Commission and the Ontario Securities Commission for a (final) prospectus qualifying the distribution of Units upon exercise of the Special Warrants.

Upon exercise of each Special Warrant in accordance with its terms, the holder will, without payment of any additional consideration, be issued one Unit, each Unit consisting of one Common Share and one-half of one Warrant, subject to adjustment. Each whole Warrant will have a term of 18 months from September 13, 2000 and will entitle the holder to acquire one Common Share at a price per share of $5.85.

The Company has covenanted under the Special Warrant Indenture, that, among other things, it will, as soon as practicable, file a preliminary prospectus with, and thereafter use its reasonable best efforts to expeditiously obtain receipts for a (final) prospectus from, the British Columbia Securities

Commission, the Quebec Securities Commission, the Alberta Securities Commission and the Ontario Securities Commission for the purpose of qualifying, under the laws of British Columbia, Quebec, Alberta and Ontario, the distribution of the Units issuable upon the exercise of the Special Warrants.

Pursuant to the provisions of the Special Warrant Indenture the holders of Special Warrants will be entitled to exercise their Special Warrants on any business day during business hours during the period (the "Exercise Period") commencing on issuance of such Special Warrants and ending at 4:30 p.m. (Vancouver time) on the date that is the earlier of (i) the 5th business day after the date of issuance (the date of issuance being hereafter referred to as the "Clearance Date") of a receipt for a (final) prospectus qualifying the Units by each of the British Columbia Securities Commission, the Quebec Securities Commission, the Alberta Securities Commission and the Ontario Securities Commission and (ii) the first anniversary of the date of issuance of that Special Warrant (the earlier of which being hereinafter referred to as the "Expiry Time"). Any Special Warrants not exercised prior to the Expiry Time will be deemed to be exercised immediately prior to the Expiry Time.

In the event that the Clearance Date does not occur prior to the date that is 120 days after the Closing Date, each Special Warrant shall thereafter automatically entitle the holder to receive, without further payment and in lieu of one Unit, 1.03 Units (comprising 1.03 Common Shares and 0.515 of a Warrant).

This prospectus qualifies the issuance of Units pursuant to the Special Warrants and the issuance of the Agents' Compensation Option.

The Company has agreed with the Agents to apply to list its Common Shares on The Toronto Stock Exchange, though there can be no assurance that such an application will be successful.

INVESTOR RELATIONS ARRANGEMENTS

The Company is not a party to any agreement or understanding with any person that is not an employee of the Company to provide investor relations services. One of the Company's employees, Pamela Smith, does, however, provide investor relations services on behalf of the Company. These services consist principally of maintaining contact with, and providing information to, investors and brokerage firms. Ms. Smith is employed full-time by the Company and has no specific duties outside her investor relations role.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed elsewhere herein, there are no transactions of the Company in which any director, officer, principal shareholder or any of their associates or affiliates has had a material interest, and which are currently material to its affairs.

PROMOTER

Mr. Derek Spratt, the Chief Executive Officer and a director of the Company, may be considered a promoter of the Company within the meaning of applicable securities legislation in that he took the initiative in terminating the Company's former hardware business and commencing its existing software business. Except as disclosed elsewhere herein, Mr. Spratt has not received anything of value, directly or indirectly, from the Company or its subsidiary.

MATERIAL CONTRACTS

Contracts which the Company has entered into and which may reasonably be regarded as material to it are as follows:

1. The Agency Agreement with the Agents referred to under "Details of the Offering".
2. The Special Warrant Indenture referred to under "Details of the Offering".

Copies of these documents may be inspected during ordinary business hours at 10th Floor, 700 West Pender Street, Vancouver, B.C. during the period of distribution of the Units and for a period of 30 days thereafter.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The Company's auditors are KPMG LLP, Chartered Accountants, 777 Dunsmuir Street, P.O. Box 10426 Pacific Centre, Vancouver, BC V7Y 1K3.

The registrar and transfer agent for the Common Shares is Pacific Corporate Trust Company, #830 - 625 Howe Street, Vancouver, B.C. V6C 3B8.

PURCHASER'S RIGHTS

Securities legislation in several of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase the securities offered hereby within two business days after receipt, or deemed receipt, of this prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, but such remedies must be exercised by the purchaser within the time limit prescribed by the securities legislation of his or her province. A purchaser should refer to any applicable provisions of the securities legislation of his or her province for the particulars of these rights or consult with a legal adviser.

If a holder of a Special Warrant who acquires Common Shares and Warrants of the Company upon the exercise of such Special Warrant, is or becomes entitled under applicable securities legislation to the remedy of rescission by reason of this prospectus or any amendment hereto containing a misrepresentation, such holder shall be entitled to rescission not only of the holder's exercise of such Special Warrant but also of the purchase of such Special Warrant, and shall be entitled in connection with such rescission to a full refund of all consideration paid to the Company on the acquisition of the Special Warrant. If such holder is a permitted assignee of the interest of the original Special Warrant purchaser, such permitted assignee may exercise the rights of rescission and refund granted hereunder as if such permitted assignee was such original purchaser. The foregoing is in addition to any other right or remedy available to a holder of such Special Warrants under section 131 of the Securities Act (British Columbia), sections 217 to 219 of the Securities Act (Quebec), section 168 of the Securities Act (Alberta) and section 130 of the Securities Act (Ontario) or corresponding provisions of other securities legislation or otherwise at law.

FINANCIAL STATEMENTS

Consolidated Financial Statements of

INTRINSYC SOFTWARE, INC.

Years ended August 31, 2000, 1999 and 1998

AUDITORS' REPORT TO THE DIRECTORS

We have audited the consolidated balance sheets of Intrinsyc Software, Inc. as at August 31, 2000 and 1999 and the consolidated statements of operations and deficit and cash flows for each of the years in the three year period ended August 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2000 and 1999 and the results of its operations and its cash flows for each of the years in the three year period ended August 31, 2000 in accordance with Canadian generally accepted accounting principles.

"KPMG LLP"

KPMG LLP

Chartered Accountants

Vancouver, Canada

October 12, 2000, except as to note 13(d), which is as of December 8, 2000

INTRINSYC SOFTWARE, INC.

Consolidated Balance Sheets

August 31, 2000 and 1999

	2000	1999
Assets		
Current assets:		
Cash and cash equivalents	$ 7,188,100	$ 201,780
Accounts receivable	688,468	771,153
Inventory	326,606	37,859
Prepaid expenses	63,590	108,805
	8,266,764	1,119,597
Capital assets (note 5)	724,546	305,521
	$ 8,991,310	$ 1,425,118
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 689,735	$ 690,571
Deferred revenue	132,972	–
Obligation under capital lease (note 6)	15,943	–
	838,650	690,571
Shareholders' equity:		
Share capital (note 7)	20,620,778	9,804,387
Deficit	(12,468,118)	(9,069,840)
	8,152,660	734,547
Future operations (note 2)		
Commitments and contingencies (note 10)		
Subsequent events (note 13)		
	$ 8,991,310	$ 1,425,118

See accompanying notes to consolidated financial statements.

On behalf of the Board:

"Derek W. Spratt" Director

"Robert J. Gayton" Director

INTRINSYC SOFTWARE, INC.

Consolidated Statements of Operations and Deficit

Years ended August 31, 2000, 1999 and 1998

	2000	1999	1998
Revenues	$ 2,974,363	$ 2,232,152	$ 537,857
Cost of sales	1,573,957	1,249,178	337,117
	1,400,406	982,974	200,740
Expenses:			
Administration	2,036,467	1,277,909	1,429,923
Marketing and sales	2,035,685	1,178,402	986,897
Research and development	918,592	513,202	1,167,762
Costs relating to the failed merger with Annabooks Software, LLC (note 4)	–	82,855	515,581
	4,990,744	3,052,368	4,100,163
Loss before interest income	3,590,338	2,069,394	3,899,423
Interest income	192,060	18,826	25,047
Net loss	3,398,278	2,050,568	3,874,376
Deficit, beginning of year	9,069,840	7,019,272	3,144,896
Deficit, end of year	$ 12,468,118	$ 9,069,840	$ 7,019,272
Loss per share	$ 0.16	$ 0.11	$ 0.24
Weighted average number of shares outstanding	21,893,901	17,981,235	15,869,330

See accompanying notes to consolidated financial statements.

INTRINSYC SOFTWARE, INC.

Consolidated Statements of Cash Flows

Years ended August 31, 2000, 1999 and 1998

	2000	1999	1998
Cash provided by (used in):			
Cash flows from operating activities:			
Net loss	$ (3,398,278)	$ (2,050,568)	$ (3,874,376)
Items not involving cash:			
Amortization	128,980	295,938	257,320
Expenses settled with the issuance of common shares:			
For services rendered	294,711	306,710	31,341
For compensation expense	46,238	51,931	–
Changes in non-cash operating working capital:			
Accounts receivable	82,685	(456,065)	(218,100)
Due from Annabooks Software, LLC	–	172,965	(172,965)
Inventory	(288,747)	(37,859)	–
Prepaid expenses	45,215	(77,313)	(5,602)
Accounts payable and accrued liabilities	(836)	(79,274)	308,234
Deferred revenue	132,972	–	–
Cash flows used in operating activities	(2,957,060)	(1,873,535)	(3,674,148)
Cash flows from investing activities:			
Purchase of capital assets	(516,119)	(163,927)	(137,519)
Cash flows used in investing activities	(516,119)	(163,927)	(137,519)
Cash flows from financing activities:			
Issuance of common shares for cash:			
Special warrants	5,438,493	–	1,931,073
Private placement	900,000	896,619	918,959
Options	2,298,705	155,670	180,050
Warrants	1,838,244	352,334	1,347,137
Repayment of obligation under capital lease	(15,943)	–	–
Advances from shareholder	–	–	(80,000)
Cash flows used in financing activities	10,459,499	1,404,623	4,297,219
Increase (decrease) in cash and cash equivalents	6,986,320	(632,839)	485,552
Cash and cash equivalents, beginning of year	201,780	834,619	349,067
Cash and cash equivalents, end of year	$ 7,188,100	$ 201,780	$ 834,619
Supplementary information:			
Interest paid	$ 8,594	$ 5,221	$ 4,020
Income taxes paid	–	–	–
Non-cash financing activities:			
Common shares issued for services rendered	294,711	306,710	31,341
Common shares issued for employee compensation	46,238	51,931	–
Acquisition of capital asset funded by capital lease	31,886	–	–

See accompanying notes to consolidated financial statements.

1. Organization:

The Company was incorporated on August 31, 1992 under the laws of Alberta and continued under the Company Act (British Columbia) on July 19, 1995. The Company provides an integrated framework of embedded hardware, software and service solutions for creating, linking and managing Internet Devices and Information Appliances.

2. Future operations:

During the year ended August 31, 2000, the Company incurred a loss of $3,398,278 and used cash in operating activities of $2,957,060. As at August 31, 2000, the Company has incurred cumulative losses of $12,468,118. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern under which an entity is considered to be able to realize its assets and satisfy its liabilities in the normal course of business.

The Company's continuance as a going concern is dependent upon its ability to obtain adequate equity financing, to increase sales of its product, to generate positive cash flows from operations and ultimately attain profitability. Subsequent to year end, $13,500,000 was raised through a private placement (see note 13).

The consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

3. Significant accounting policies:

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

(a) Principles of consolidation:

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

(b) Use of estimates:

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

3. Significant accounting policies (continued):

(c) Cash equivalents:

Cash equivalents include short-term deposits, which are all highly marketable securities with a maturity of three months or less when acquired. Short-term deposits are valued at cost.

(d) Inventory:

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

(e) Research and development:

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

(f) Capital assets:

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

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

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

(g) Revenue recognition:

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

(h) Warranty costs:

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

3. Significant accounting policies (continued):

(i) Share issue costs:

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

(j) Impairment of capital assets:

The Company monitors the recoverability of capital assets, based on factors such as future utilization, business climate and the future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when the Company determines that the carrying amount of the asset will not be recoverable. At that time, the carrying amount is written down to the undiscounted future cash flows. To August 31, 2000, the Company has not recorded any such impairment losses.

(k) Translation of foreign currencies:

Transactions in foreign currencies are translated into Canadian dollars at the exchange rates in effect on the transaction date. Monetary items expressed in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. The resulting exchange gains and losses are recognized in income.

(l) Share compensation:

The Company has one share-based compensation plan, which is described in note 7. No compensation expense is recognized for this plan when share options are issued to employees. Any consideration paid by employees on exercise of share options is credited to share capital.

Shares issued for non-cash consideration are valued at the average fair value of the Company's stock for the ten day period prior to the date the obligation for issuance occurs.

(m) Loss per share:

Loss per share has been calculated based on the weighted average number of common shares outstanding during the reporting period. Fully diluted per share amounts have not been disclosed as the effect of outstanding options and warrants is anti-dilutive.

3. Significant accounting policies (continued):

(n) Income taxes:

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

(o) Comparative figures

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

4. Annabooks Software, LLC:

Advances totaling US $238,000 were made to Annabooks Software, LLC (“Annabooks”), a California limited company, at August 31, 1998. These advances were made in anticipation of a proposed merger between Annabooks and the Company that was subsequently cancelled. Advances of US $110,000 were repaid by Annabooks and the balance was included in the calculation of the amount written-off. In addition, all of the Company’s other costs directly relating to the merger have been expensed.

5. Capital assets:

2000	Cost	Accumulated amortization	Net book value
Computers and equipment	$ 675,340	$ 254,323	$ 421,017
Computer software	256,324	33,520	222,804
Furniture and fixtures	81,387	16,165	65,222
Leasehold improvements	16,223	720	15,503
	$ 1,029,274	$ 304,728	$ 724,546

1999	Cost	Accumulated amortization	Net book value
Computers and equipment	$ 410,610	$ 155,792	$ 254,818
Computer software	34,199	11,213	22,986
Furniture and fixtures	32,263	8,743	23,520
Leasehold improvements	4,197	–	4,197
	$ 481,269	$ 175,748	$ 305,521

As at August 31, 2000, an asset under a capital lease with a cost of $31,886 (1999 - $nil) and accumulated amortization of $8,354 (1999 - $nil) is included in capital assets.

6. Obligation under capital lease:

During the year, the Company entered into a capital lease for a trade show booth. As at August 31, 2000, minimum lease payments are as follows:

2001	$ 17,877
Less amount representing interest at 11%	(1,934)
Current portion of obligation under capital lease	$ 15,943

7. Share capital:

(a) Authorized:

100,000,000 common shares without par value
10,000,000 preference shares without par value

(b) Issued:

	Number of shares	Amount
Balance, August 31, 1997	15,612,668	$ 3,133,777
Shares issued on:		
Special warrants, net of share issue costs	1,967,536	2,429,859
Private placements	1,476,296	918,959
Exercise of warrants	21,467	31,341
Exercise of warrants	3,605,564	1,347,137
Exchange of services	346,866	180,050
Cancellation of escrow shares (note 7(f))	(5,670,000)	–
Outstanding, August 31, 1998	17,360,397	8,041,123
Shares issued for cash on:		
Private placements, net of share issue costs	1,120,774	896,619
Exercise of warrants	555,349	352,334
Exercise of options	278,247	155,670
Shares issued in consideration of:		
Services rendered	314,318	306,710
Compensation for employees	49,458	51,931
Outstanding, August 31, 1999	19,678,543	9,804,387
Shares issued for cash on:		
Private placement	900,000	900,000
Exercise of special warrants, net of share issue costs	3,000,000	5,438,493
Exercise of warrants	1,212,595	1,838,244
Exercise of options	2,582,081	2,298,705
Shares issued in consideration of:		
Services rendered	323,859	294,711
Compensation for employees	39,207	46,238
Outstanding, August 31, 2000	27,736,285	$ 20,620,778

7. Share capital (continued):

(c) Share option plan:

Under the terms of the Company's employee share option plan, the Board of Directors may grant options to employees, officers and directors. The plan provides for the granting of options at the average fair market value of the Company's stock ten trading days before the grant date. Options granted before May 11, 1999 generally vest over two and one-half years with the first 10% vesting at the first quarter anniversary date of the grant and the balance vesting in equal amounts at the end of each quarter thereafter. Options granted after May 10, 1999 generally vest over three years with the first 1/12 vesting at the first quarter anniversary date of the grant and the balance vesting in equal amounts at the end of each quarter thereafter. The Company determines the term of each option at the time it is granted, with options generally having a five year term. The Company has reserved 6,076,138 options for issuance under its employee share option plan.

During the year, the exercise price related to 607,000 options previously granted was amended.

A summary of the Company's share option activity for the years ended August 31, 2000 and 1999, presenting on a retroactive basis the effect of the option repricing, is as follows:

	Outstanding options	
	Number of shares	Weighted average exercise price
Outstanding, August 31, 1998	3,524,482	$ 0.89
Options granted	2,040,000	1.26
Options exercised	(278,247)	0.56
Options cancelled	(202,000)	1.15
Outstanding, August 31, 1999	5,084,235	1.05
Options granted	1,985,200	2.95
Options exercised	(2,582,081)	0.89
Options cancelled	(758,522)	1.27
Outstanding, August 31, 2000	3,728,832	$ 2.09

7. Share capital (continued):

(c) Share option plan (continued):

The following table summarizes the share options outstanding at August 31, 2000:

	Options outstanding			Options exercisable	
Range of exercise price	Number of shares	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$ 0.59 - $ 1.21	1,325,647	2.92 years	$ 1.06	802,674	$ 1.09
$ 1.26 - $ 2.97	1,303,067	4.07 years	$ 1.83	374,910	$ 1.29
$ 3.05 - $ 4.50	1,100,118	4.80 years	$ 3.68	118,849	$ 3.47
	3,728,832	3.75 years	$ 2.09	1,296,433	$ 1.38

(d) Share purchase warrants:

A summary of the Company's share purchase warrants for the years ended August 31, 2000 and 1999 is as follows:

	Outstanding warrants	
	Number of warrants	Weighted average warrant price
Outstanding, August 31, 1998	1,623,171	$ 1.34
Warrants granted	937,500	1.10
Warrants exercised	(555,349)	0.63
Warrants cancelled	–	–
Outstanding, August 31, 1999	2,005,322	$ 1.43
Warrants granted	2,250,000	2.16
Warrants exercised	(1,212,595)	1.52
Warrants cancelled	(718,827)	1.71
Outstanding, August 31, 2000	2,323,900	$ 2.01

7. Share capital (continued):

(e) Special warrants:

During fiscal 1998, the Company issued 1,757,735 special warrants (the "Special Warrants") for $1.50 per Special Warrant. Pursuant to an agency agreement, the Company paid the Agents a commission of 7% of the gross proceeds from the sale of the Special Warrants. The Agents elected to receive $46,413 of the commission to which it was entitled by way of 30,942 Special Warrants.

Upon exercise of each Special Warrant, the holder was issued 1.1 units, each unit consisting of one common share and one half of one share purchase warrant (the "Warrant"). Each whole Warrant entitled the holder to acquire one common share at $1.75 per share at the earlier of January 20, 2000 and the 10th business day following the date on which the Company gives notice to the Trustee and the warrantholder that the closing market price of the Company's common shares has been greater than $5.00 per share for any consecutive 21 trading days preceding such notice. These warrants were exercised during the year ended August 31, 2000.

During fiscal 2000, the Company issued 3,000,000 Special Warrants (the "Special Warrants") for $2.00 per Special Warrant. Pursuant to an agency agreement, the Company paid the Agents a commission of 7% of the gross proceeds from the sale of the Special Warrants. The Company also granted to the Agents a non-assignable warrant (the "Agent's Warrant") to acquire an option (the "Agents" Compensation Option"). The Agent's Compensation Option will entitle the Agents to purchase 300,000 shares, at a price per share of $2.00 until February 28, 2001 and thereafter at a price of $2.30 until February 28, 2002.

Upon exercise of each Special Warrant, the holder was issued one common share and one half of one warrant (the "Warrant"). These Special Warrants were exercised in the year. Each whole Warrant entitles the holder to acquire one common share at a price per share of $2.50 until February 28, 2002.

(f) Cancellation of escrow shares:

During 1998, the Company cancelled 5,670,000 common shares which were subject to an escrow agreement and previously included in the issued and outstanding common shares.

8. Related party transactions:

Included within administration expenses for the year are $nil (1999 - $nil; 1998 - $76,746) paid to companies controlled by officers and a director of the Company for the provision of management and consulting services to the Company. In addition, the Company paid $nil (1999 - $nil; 1998 - $25,700) to a director of the Company for consulting services rendered.

9. Income taxes:

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates of 44.6% (1999 - 45.6%; 1998 - 45.6%) to income before income taxes due to valuation allowances provided against losses incurred in the year.

The composition of the Company's future tax assets at August 31, 2000 and 1999 are as follows:

	2000	1999	1998
Future tax assets:			
Accounting amortization in excess of tax	$ 195,000	$ 12,900	$ 53,000
Loss carry forwards	4,970,000	4,054,000	2,884,000
Share issue costs	214,000	21,600	195,000
	5,379,000	4,088,500	3,132,000
Less valuation allowance	(5,379,000)	(4,088,500)	(3,132,000)
	$ –	$ –	$ –

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

As at August 31, 2000, the Company has non-capital loss carry forwards aggregating approximately $11,145,000 available to reduce taxable income otherwise calculated in future years. These losses expire as follows:

2001	$ 86,000
2002	352,000
2003	607,000
2004	1,900,000
2005	3,200,000
2006	1,700,000
2007	3,300,000
	$ 11,145,000

10. Commitments and contingencies:

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

2001	$ 354,000
2002	336,000
2003	335,000
2004	335,000
2005	335,000
	$ 1,695,000

11. Financial instruments and risk management:

(a) Fair values:

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate fair value due to their short maturities. Based on the borrowing rates currently available to the Company for loans with similar terms, the carrying value of the obligation under capital lease approximates fair value.

(b) Concentrations of business risk:

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

The Company outsources the manufacturing of its products to a third party. The Company is therefore dependent upon the development and deployment by third parties of its manufacturing abilities. The inability of any supplier or manufacturer to fulfill supply requirements could impact future results.

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

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

12. Segmented information:

(a) Operating segments:

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

(b) Geographic information:

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

	2000	1999	1998
United States	$ 1,848,186	$ 1,877,891	$ 439,079
Canada	609,207	190,338	26,106
Other	516,970	163,923	72,672
	$ 2,974,363	$ 2,232,152	$ 537,857

(c) Significant customers:

For the year ended August 31, 2000, there were no significant customers. For the year ended August 31, 1999, revenue from one customer represented approximately $1,474,000 (1998 - $65,000) of the Company's total revenue.

13. Subsequent events:

Subsequent to year end, the Company:

(a) Issued 279,907 common shares for proceeds of $252,951 from the exercise of options and issued 167,250 common shares for proceeds of $314,850 from the exercise of warrants.

(b) Granted employee stock options to purchase 95,750 common shares at an exercise price of $5.30 per share, expiring on October 4, 2005.

(c) Completed a private placement of 3,000,000 Special Warrants at $4.50 per Special Warrant, for gross proceeds of $13,500,000. Each Special Warrant entitles the holder to acquire one Unit at no additional consideration, each Unit consisting of one common share of the Company and one-half of one non-transferable share purchase warrant. Each whole warrant is exercisable into one common share at $5.85 on or before March 13, 2002. In the event that a receipt for a final prospectus qualifying the Units is not received by January 11, 2001, each Special Warrant will be exchangeable into 1.03 Units. A fee equal to 7% of the gross proceeds of the offering was payable to the Agent.

(d) Filed a final prospectus dated December 8, 2000 with certain securities regulatory authorities in Canada to qualify for distribution 3,000,000 Units issuable upon the exercise of outstanding Special Warrants (note 13 (c)).

CERTIFICATE OF THE COMPANY

Dated: Deecmber 8, 2000

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta) and by Part XV of the *Securities Act* (Ontario) and the respective regulations thereunder. This prospectus, as required by the *Securities Act* (Quebec) and the regulations thereunder, does not contain any misrepresentation that is likely to affect the value or the market price of the securities to be distributed hereunder.

"Derek W. Spratt"

Derek W. Spratt
Chief Executive Officer

"Roderick N. Campbell"

Roderick N. Campbell
Chief Financial Officer

On behalf of the Board of Directors

"Morgan P.W. Sturdy

Morgan P.W. Sturdy
Director

"Robert Joseph Gayton"

Robert Joseph Gayton
Director

Promoter

"Derek W. Spratt"

Derek W. Spratt

CERTIFICATE OF THE AGENTS

Dated: December 8, 2000

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta) and by Part XV of the *Securities Act* (Ontario) and the respective regulations thereunder. To our knowledge, this prospectus, as required by the *Securities Act* (Quebec) and the regulations thereunder, does not contain any misrepresentation that is likely to affect the value or the market price of the securities to be distributed hereunder.

LOEWEN, ONDAATJE, MCCUTCHEON LIMITED	**YORKTON SECURITIES INC.**
"Cameron T. Duff"	*"Peter K. Hofman"*
Per: Cameron T. Duff	Per: Peter K. Hofman

The following includes the name of every person having an interest either directly or indirectly to the extent of not less than 5% of the capital of:

Loewen, Ondaatje, McCutcheon Limited: a wholly-owned subsidiary of LOM Bancorp Limited.

Yorkton Securities Inc.: G. Scott Paterson and Yorkton Holdings Limited.