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 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 July 12, 2000

INTRINSYC SOFTWARE, INC.

$6,000,000

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 February 29, 2000 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 of a receipt for a (final) prospectus qualifying the Units by the British Columbia Securities Commission, 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. 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 $2.50 until February 28, 2002. See “Details of the Offering”.

Loewen, Ondaatje, McCutcheon Limited (the “Agent”) and the Company entered into an agency agreement dated February 14, 2000 (the “Agency Agreement”) pursuant to which the Agent agreed to use its 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 $2.00 was determined by negotiation between the Company and the Agent 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	Agent's Cash Commission(1)	Proceeds to The Company(2)(3)
Per Special Warrant	$2.00	$0.14	$1.86
Total..	$6,000,000	$420,000	$5,580,000

(1) The Company also granted to the Agent 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 Agent's Compensation Option will entitle the Agent to purchase 300,000 Units, at a price per Unit of $2.00 until February 28, 2001 and thereafter at a price per Unit of $2.30 until February 28, 2002. This prospectus also qualifies the distribution of the Agent's Compensation Option.

(2) The Company received $2,797,500 from the issue of the Special Warrants. $2,757,500, representing one-half of the net proceeds to the Company, less the Agent's fees 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 February 28, 2001 and the date of receipt by the Trustee of a notice signed by the Agent 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 Alberta Securities Commission and the Ontario Securities Commission.

(3) Before deducting the expenses of this offering payable by the Company.

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 February 29, 2000, the closing price per Common Share was $8.90. 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 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 May 31, 2000, the 3,000,000 Common Shares issuable to holders of the Special Warrants (exclusive of Warrant Shares) represent 12.4% of the Common Shares outstanding, as compared to 3.3% that are owned by the directors, senior officers, and controlling persons of the Company, and by the Agent.

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

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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 Agent's 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 $2.50 on or before February 28, 2002.

Use of Proceeds: .... The net proceeds from the sale of Special Warrants, after deduction of the Agent's cash commission and expenses was $5,580,000, of which $2,757,500 is held in escrow by the Trustee pursuant to the Special Warrant Indenture and will be released to the Company on the earlier of February 28, 2001 and the date of receipt by the Trustee of a notice signed by the Agent 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 Alberta Securities Commission and the Ontario Securities Commission. As at May 31, 2000, the Company's working capital was $7,800,025 (the "Funds Available"). The Company spent none of the net proceeds of the offering as at May 31, 2000. The Company intends to use the Funds Available as follows: for remaining offering expenses ($50,000), expansion of sales and marketing team ($600,000), expansion of corporate communications program ($200,000), expansion of support and services team ($750,000), funding research and development ($850,000), funding administrative costs for 12 months ($1,680,000), funding existing sales and marketing activities ($1,900,000) and general corporate purposes ($1,770,025). See "Use of Proceeds".

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

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

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 & Secretary 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 - Executive Vice-President and Chief Operating Officer of NICE Systems Limited, a NASDAQ listed provider of telephony voice and data solutions, from 1997 to present; President of Dees Communications Engineering Ltd., a provider of telephony integration products from 1985 to 1997.

Roderick N. Campbell, Chief Financial Officer of the Company - Director, Knowledge Based Business for the Canadian Imperial Bank of Commerce from June 1990 to March 1999.

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.

Dependence on Market Acceptance of Windows CE. Because the majority of the Company's revenue to date has 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 will be significantly harmed.

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 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 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'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.

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.

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.

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.

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.

Outstanding Rights to Acquire Common Shares. As at May 31, 2000, the Company had outstanding stock options and warrants (including Special Warrants, the Agent’s Compensation Option and Warrants) to purchase an aggregate of 8,959,222 Common Shares at prices ranging from $0.59 per share to $3.76 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

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.
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.
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 instruction.
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 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 has customers in each of these markets for its products and services.

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 – Single Node*, 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*, a communications protocol designed to improve communications efficiency and reliability of wireless and wireline networks based on Microsoft's Windows DCOM and Windows DNA networking protocols, 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.

Hardware Products

The Company also currently markets a family of Internet-enabled device hardware reference designs called *CErfBoard*, which are small computer modules running 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, Motorola, Inc. and Hitachi America, Ltd. to prepare and customize these designs. These include:

- *microCErfBoard SA1110*, a customizable Internet-enabled device reference platform design 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 color touch screen liquid crystal display and was released generally for Windows CE in November 1999, with an expected general release for LINUX in June 2000.
- *CErfBoard SH3 7708*, a lower cost implementation than microCErfBoard 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, Windows NT, LINUX); and
- Customizing the Company's products for in-house use by original equipment manufacturers.

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'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".

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.

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 February 29, 2000, the Company expects to make average monthly expenditures of approximately $195,000 on sales and marketing activities. The principal components of this expenditure will be salaries and commissions ($138,000), travel ($15,000) and tradeshows ($14,000).

The Company believes that expenditures at this level will enable it to employ approximately 14 sales and marketing personnel.

Research and Development Activities

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

Current significant development activities are as follows:

- Commercialization of *deviceUPnP for Windows*, an implementation of the Universal Plug and Play (UPnP) open standard protocol that allows devices to automatically announce their presence and availability on a network and eliminates the need to pre-configure client software to access these devices. This product is expected to be made generally available in August 2000;
- Commercialization of *deviceRMS – Multi-Node for Windows*, a customizable remote management solution based on the UPnP protocol and standard Windows programming model, that provides for automatic detection of devices on a network, downloading and updating of networks of devices simultaneously, using centrally maintained device profiles, as well as management of changes or installations of new applications across the network including updating the device operating systems. This product is expected to be made generally available in October 2000;
- Commercialization of *deviceUPnP, deviceCOM and deviceRMS Multi-Node 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 September 2000;
- Commercialization of next generation *microCErfBoard SA1110 for LINUX*, a customizable Internet Device reference platform design 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 will optionally support a color touch liquid cyrstal display screen. This product is expected to be made generally available in August 2000.

Competition

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 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: The Company is not aware of any product that is directly competitive with deviceCOM. This is a specialized communications protocol that complements the Microsoft Windows DCOM and DNA networking protocols for applications which require wireless or fault tolerant communications capabilities. The Company works with Microsoft Corporation in marketing this product into specialized markets such as industrial and building automation systems. 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 indicated that it plans to include a web server in certain future 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: The Company is not aware of any product that is directly competitive with deviceOPC. This is a highly specialized product targeting the emerging industrial and building automation standard, OPC (OLE for Process Control). The standard OPC programming model is already supported by hundreds of suppliers for desktop PC based products with several of those vendors providing OPC toolkits for desktop PC based products, but the Company believes 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).

deviceFT: The Company is not aware of any product that is directly competitive with deviceFT. 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 compettitors 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 May 31, 2000, the Company's sales and marketing team consisted of ten sales representatives. The Company plans to add approximately four sales and marketing personnel by August 31, 2000, of which two will be added to the direct sales force, one will be added to the indirect sales force and one technical sales representatives will either be hired or transferred from the current development teams to assist in the systems integration aspects of sales activities. The Company also plans to purchase sales management support software to assist the sales and marketing team. The Company has allocated $600,000 of the Funds Available to achieving this objective.
- *Expansion of Corporate Communications Program.* The Company must create a strong industry presence for itself with a view to differentiating itself from competitors. To this end, the Company plans to attend more industry trade shows and, increase its advertising in trade publications, conduct more educational seminars and continue to develop and refine its web site. The Company has allocated $200,000 of the Funds Available to achieving this objective.
- *Completion of Key Development Initiatives.* The Company must complete the new technologies and products described under "The Business of the Company - Research and Development Activities" as quickly as possible. The Company has allocated $850,000 of the Funds Available to completing these development initiatives.
- *Expansion of the Support and Services Team.* The Company plans to expand its systems integration team from fourteen persons as at May 31, 2000 to approximately twenty-two by October, 2000. The Company has allocated $750,000 of the Funds Available to achieving this objective.
- *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. No portion of the Funds Available has been allocated to achieving this objective, as a reliable estimate of the costs involved is not currently possible.
- *Establish Additional Technology and Marketing Alliances.* The market for the Company's products and services is predominantly non-Windows based. Although the Company believes that embedded Windows technologies will eventually dominate the

embedded software market, the Company will align with and/or acquire additional non-Windows based technologies in an effort to broaden the Company's market appeal. No portion of the Funds Available has been allocated to achieving this objective, as a reliable estimate of the costs involved is not currently possible.

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 an employee of the Company who has assigned all right and title of the patent application to the Company. The Company is also working with patent attorneys on filing an application for its deviceRMS, a remote management software system, with an initial filing date scheduled for the third calendar quarter in 2000.

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 May 31, 2000, the Company employed 44 full-time personnel and had 11 contractors. Of these, 36 were engaged in research and development work, 10 in sales and marketing and 9 in finance and administration.

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

The Company has engaged Quorum Software Services, a subsidiary of Q/media Software Corp. of Vancouver, British Columbia, for the duplication of its products onto CD-ROM discs.

The Company estimates that its average monthly administration expenses during the 12 months following February 29, 2000 will be approximately $140,000. The principal elements of such expenses are expected to include office ($26,000), salaries and benefits ($39,000), legal and professional ($13,000) and premises ($27,000).

USE OF PROCEEDS

The Company's working capital as at May 31, 2000 ("Funds Available"), which amount included the proceeds of the offering of Special Warrant (including the portion of the proceeds that are currently held in escrow) less the commission paid to the Agent, was $7,800,025. The Funds Available have been used and are intended to be used as follows:

	Use of Funds Available from Feb. 29/00 through May 31/00	Intended Use of Funds Available
Payment of unpaid offering expenses	—	$50,000
Expansion of sales and marketing team	—	$600,000[(1)]
Expansion of corporate communications program	—	$200,000[(1)]
Expansion of support and services team	$332,059	$750,000[(1)]
Funding of existing research and development activities	$239,092	$850,000[(1)]
Funding of administration activities for 12 months	$527,075	$1,680,000[(2)]
Funding of existing sales and marketing activities	$647,134	$1,900,000[(3)]
General corporate purposes	—	$1,770,025
	$1,745,360	$7,800,025

(1) See "The Business of the Company – Business Objectives and Strategies".

(2) See "The Business of the Company – Human Resources, Premises and Production".

(3) See "The Business of the Company – Marketing and Sales Strategy".

There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Company to achieve its stated business objectives. The intended allocation of working capital in the table above is an estimate only, and may change in response to changing markets, technology and economic conditions, a determination by the Company to modify its current business plan, and other factors, including factors not within the Company's control.

SELECTED FINANCIAL INFORMATION

The following selected statements of operations data for the years ended August 31, 1997, 1998 and 1999 and the six months ended February 28, 1999 and February 29, 2000 and the balance sheet data as of August 31, 1998 and 1999 and February 29, 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".

	Six Months Ended		**Years Ended August 31,**		
	February 29, 2000	**February 28, 1999**	**1999**	**1998**	**1997**
Statement of Operations Data:	*(unaudited)*	*(unaudited)*			
Revenues	$833,805	$600,700	$2,250,978	$562,904	$69,036
Operating expenses:					
Marketing and sales	914,367	525,591	1,175,130	986,897	381,695
Administration	913,821	301,913	1,283,117	1,429,923	833,787
Research and development	846,971	772,062	1,760,444	1,504,879	923,793
Costs relating to failed merger with Annabooks Software, LLC	—	82,855	82,855	515,581	—
Total operating expenses	2,675,159	1,682,421	4,301,546	4,437,280	2,139,275
Loss for the year	1,841,354	1,081,721	2,050,568	3,874,376	2,070,239
Loss per share	0.08	0.06	0.11	0.24	0.16

Balance Sheet Data:	**February 29, 2000**	**August 31, 1999**	**August 31, 1998**
	(unaudited)		
Working capital	$7,151,597	$429,026	$584,319
Technology rights and licenses	—	—	219,820
Shareholders' equity	7,504,175	734,547	1,021,851

On February 29, 2000, there were 22,679,781 Common Shares issued and outstanding, none of which are subject to escrow. Upon exercise of the outstanding Special Warrants, a total of 25,679,781 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'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 $10,911,194 as at February 29, 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.

Six months ended February 29, 2000 compared with six months ended February 28, 1999

Revenue for the six months ended February 29, 2000 increased to $833,805 as compared to $600,700 during the same period in 1999. In the six months ended February 29, 1999 only two customers accounted for 80% of the Company's revenue, the majority of which related to the provision of services. During the six months ended February 29, 2000 the Company had 18 revenue generating customers, none of whom account for more than 20% of the revenue during that period. Engineering services continues to be the Company's major source of revenue, accounting for 61% of the revenue during the six months ended February 29, 2000, with sales of development kits and product licenses accounting for 37% of revenue and the balance being attributable to run-time licensing and interest income.

Deferred revenue (which consists of amounts invoiced for services not yet rendered and products not yet shipped) at February 29, 2000 was $164,780. It is expected that $154,165 of the deferred revenue will be recognized as revenue in the quarter ended May 31, 2000.

Marketing and sales costs for the six months ended February 29, 2000 were $913,821, up 203% or $611,908 from the same period in the prior year. The increase is primarily attributable to hiring personnel and attending more tradeshows. Salaries and benefits increased from $160,000 to $537,000, tradeshow expenses increased from $46,000 to $223,000 and travel increased from $22,000 to $55,000. Tradeshow expenses increased because the Company participated in a greater number of tradeshows, as well as having a greater presence at the tradeshows, during the more recent period, and travel expense increased because of the increase in the number of tradeshows attended. The Company anticipates that its marketing and sales expenses will increase as it expands its marketing and sales team.

Administrative costs for the six months ended February 29, 2000 were $914,367, an increase of 74% or $388,776 as compared to the same period in the prior year. Salaries and benefits increased from

$171,000 to $323,000 with the hiring of additional staff, including a new Chief Financial Officer. Legal and professional costs increased from $27,000 to $137,000 due primarily to the negotiation and signing of new original equipment manufacturer agreements. On April 4, 2000 the Company hired part-time general counsel with a view to reducing certain of the Company's legal expenses. The Company anticipates that administrative expenses will increase as the Company expands it administrative department.

Research and development costs for the six months ended February 29, 2000 were $846,971, an increase of 10% or $74,909 from the same period in the prior year. The primary cost of the research and development department, salaries and benefits, increased 73% to $683,000 due to the hiring of developers to expand the Company's product offerings and to support development and testing activities. Amortization costs during the six months ended February 29, 1999 and 2000 were $94,000 and nil, respectively, the reduction being attributable to the purchases having been fully amortized. Professional fees, which are amounts paid to consultants, decreased from $221,000 to $107,000 as the Company expanded its salaried employee base and reduced reliance on consultants. The Company anticipates that research and development expenses will continue to increase in future periods.

The operating loss for the six months ended February 29, 2000 was $1,841,354 ($0.08 per share) compared to $1,081,721 ($0.06 per share) for the same period in the prior period.

As of February 29, 2000, the cash position was $4,433,418 (which excludes the portion of the proceeds from the sale of the Special Warrants that is being held in trust) and working capital was $7,151,597. Cash and working capital were significantly improved during the quarter with the receipt of partial proceeds from the Special Warrant financing and the exercise of options and warrants. During the 6 months ended February 29, 2000 the Company issued shares in settlement of debts of $294,711 and completed a private placement for proceeds of $900,000 in addition to the private placement of the Special Warrants.

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

Revenue for the year ended August 31, 1999 increased to $2,250,978 as compared to $563,000 during the previous year. The revenue increase was primarily due to engineering services provided to two original equipment manufacturers (one of which accounted for approximately 65% of the Company's revenue in fiscal 1999) relating to the incorporation of the Company's licensable software components into the customers' products. One of the original equipment manufacturers accounted for approximately 65% 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.

Marketing and sales costs increased 19% to $1,175,130 in fiscal 1999 from $986,897 in fiscal 1998. This increase is largely due to an increase in salaries and benefits to $633,000 from $542,000 and in professional fees to $198,000 from $43,000 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 52% in fiscal 1999 from 175% 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.

Administrative costs decreased 10% to $1,283,117 in fiscal 1999 from $1,429,923 in fiscal 1998. The decrease is primarily attributable to a reduction in shareholder relations costs to $132,840 in fiscal 1999 from $357,248 in fiscal 1998 due to a reduction in activity related to potential equity financings. The addition of personnel resulted in an increase in salaries and benefits to $482,000 in fiscal 1999 from $301,000 in fiscal 1998. 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.

Research and development costs increased 17% to $1,760,444 in fiscal 1999 from $1,504,879 in fiscal 1998, primarily as a result of the addition of developers. Salaries and benefits increased from $863,000 to $988,000 and professional fees increased from $409,000 to $456,000.

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 cash position was $201,780 and working capital was $429,026, representing a current ratio of 1.6:1.

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.

Year ended August 31, 1998 compared to year ended August 31, 1997

Revenue for the year ended August 31, 1998 increased to $562,904 as compared to $69,036 during the previous year. The increase in revenue was due to the Company’s initial product releases during fiscal 1998.

Marketing and sales costs increased 159% to $986,897 in fiscal 1998 from $381,695 in fiscal 1997. In connection with the Company’s initial product releases, spending on advertising increased to $303,573 in fiscal 1998 from $100,439 in fiscal 1997 and the Company increased the number of marketing and sales staff, with the result that in fiscal 1998 salaries and benefits increased to $541,841 and professional fees increased to $43,437 from $206,486 and $33,413, respectively, in fiscal 1997. These changes accounted for 93% of the increase in the Company’s marketing and sales costs.

Administrative costs increased 71% to $1,429,923 in fiscal 1998 compared to $833,787 in the prior year in response to the Company’s efforts to build the administrative infrastructure required to support the Company’s growing emphasis on sales and marketing activities. Shareholder relations costs increased to $357,248 in fiscal 1998 from $102,907 in fiscal 1997 because of an increase in activity related to potential equity financings; office expense increased to $397,431 in fiscal 1998 from $168,676 in fiscal 1997 primarily because of increases in printing, computer supplies, advertising, transfer & listing and telephone costs; and premises expense increased to $127,841 in fiscal 1998 from $65,268 in fiscal 1997 because the Company moved to new premises and opened a U.S. sales office in fiscal 1998.

Research and development costs increased 63% to $1,504,879 in fiscal 1998 from $923,793 in fiscal 1997. Increased personnel costs associated with the addition of new engineers accounted for most of the increase. Professional fees increased to $408,900 in fiscal 1998 from $237,648 in fiscal 1997 and salaries and benefits increased to $862,875 in fiscal 1998 from $260,159 in fiscal 1997.

The operating loss for the year ended August 31, 1998 was $3,874,376 ($0.24 per share) compared to $2,070,239 ($0.16 per share) for the year ended August 31, 1997.

Cash consumed in 1998 operations was $3,674,148 compared to $1,784,154 in 1997.

During fiscal 1998, common shares were issued at various prices providing cash financing of $4,297,219 compared to $2,306,213 in fiscal 1997.

Liquidity and Capital Resources

The Company has financed its operations primarily through share issuances. As of February 29, 2000 the Company had cash of $7,190,918, of which $2,757,500 is being held in escrow by the Trustee and will be released to the Company on the earlier of February 28, 2001 and the date the British Columbia 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 February 29, 2000 was $7,151,597 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 $1,199,357 for the six months ended February 29, 2000. Investing activities used cash of $137,519 in 1998, $163,927 in 1999 and $73,567 for the six months ended February 29, 2000, primarily for the purchase of computer equipment. Financing activities generated cash of $4,297,219 in 1998, $1,404,623 in 1999 and $5,504,562 for the six months ended February 29, 2000, primarily through the issuance of common stock.

The Company currently anticipates that it will continue to experience increases in our 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, including a portion of the net proceeds of the offering of Special Warrants. The Company believes that it has sufficient funds to meet its anticipated cash needs for working capital requirements 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 May 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 [1] Vancouver, B.C. Director, President & Chief Executive Officer	President and Chief Executive Officer of the Company from April 18, 1996 to Present; Executive Vice-President of PCS Wireless Inc. (a telecommunications equipment manufacturing company) from April 1993 to January 1996; Vice-President of Nexus Engineering Inc. (a telecommunications equipment manufacturing company) from November 1991 to September 1992.	38	600,676 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	87,500 stock options

Morgan P.W. Sturdy West Vancouver, B.C. Director	Executive Vice-President and Chief Operating Officer of NICE Systems Limited, a NASDAQ listed provider of telephony voice and data solutions, from 1997 to present; President of Dees Communications Engineering Ltd., a provider of telephony integration products from 1985 to 1997.	48	100,000 stock options
William T.C. Yu Vancouver, B.C. Director & Secretary	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	98,903 Common Shares 385,500 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 250,000 stock options
Roderick Campbell West Vancouver, B.C. Chief Financial Officer and Executive Vice President, Strategic Business Development	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
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.	37	5,980 Common Shares 96,833 stock options

Guylain Roy-MacHabee Vancouver, B.C. Vice President, Marketing	Vice President, Marketing for the Company since June 1999; 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	57,426 Common Shares 130,000 stock options
Deanna McKenzie Calgary, Alberta Executive Vice President, Sales	Executive Vice President, Sales for the Company since November 1999; Country Manager for Platinum Tech. Inc. from July 1991 to June 1999.	45	23,333 Common Shares 166,667 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.

The Company has been advised that as at May 31, 2000, directors and officers of the Company, as a group, held 801,638 Common Shares representing 3.3% 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
	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
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	6 mos. ended 02/29/00 1999 1998 1997	 72,500[2] 150,000[2] 80,000 77,334	 — — — 42,200	 — — 2,400[1] 2,400[1]	 300,000 120,000 567,000 91,500
William Yu Executive Vice President and COO[12]	6 mos. ended 02/29/00 1999 1998 1997	 57,500[3] 120,000[3] 66,650 25,678	 — — — —	 — 1,200[1] 1,000[1] —	 175,000 75,000 350,000 150,000
Roderick Campbell CFO & Executive V.P., Strategic Business Development	6 mos. ended 02/29/00[4] 1999	 57,500[4] 45,000[4]	 30,000[4] —	 — —	 — 300,000
Deanna McKenzie Executive V.P., Sales	6 mos. ended 02/29/00[5]	 58,333	 —	 —	 200,000
David Manuel V.P., Development	6 mos. ended 02/29/00 1999	 52,917[6] 60,000[6]	 15,000 —	 — —	— 50,000 50,000
Guylain Roy-MacHabee V.P., Marketing	6 mos. ended 02/29/00 1999	 49,147[7] 99,443[7]	 — —	 — —	 25,000 100,000
Don Sutcliffe Former Executive V.P., Sales and Marketing	1999	33,334	—	180,000[8]	650,000
Brian Rose[9] V.P., Sales and Marketing	1999 1998	60,912 105,568	 42,000	 —	 —
Bruce Forde[10] Executive V.P., and General Manager	1999 1998	66,672 149,497	18,333 24,000	 2,400	30,000 100,000
Tom Gill[11] COO	1999 1998	12,090 52,505	 —	 —	 —

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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 the full amount of the $30,000 bonus was paid in Common Shares.
(5) Ms. McKenzie joined the Company on November 1, 1999.
(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.
(8) This amount was paid to Mr. Sutcliffe in connection with the termination of his employment on April 9, 1999, of which $50,000 was paid in cash and $130,000 was satisfied by issuing Common Shares.
(9) Mr. Rose resigned on March 15, 1999.
(10) Mr. Forde resigned on March 1, 1999.
(11) Mr. Gill resigned on March 31, 1999.
(12) Mr. Yu resigned as Executive Vice President and Chief Operating Officer on July 10, 2000.

The following table sets out all stock option grants made to the Named Officers during fiscal year 1999:

Name	**Number of Securities Under Options Granted (#)**	**% of Total Options Granted to Employees in Financial Year**	**Exercise or Base Price ($/Security)**	**Market Value of Securities Underlying Options on the Date of Grant ($/Security)**	**Expiration Date**
Derek Spratt	20,000 100,000	1.0 4.9	1.20 1.26	1.22 1.41	Nov. 19, 2003 Mar. 16, 2004
William Yu	75,000	3.7	1.26	1.41	Mar. 16, 2004
Roderick Campbell	300,000	14.7	1.26	1.55	May 10, 2004
David Manuel	50,000	2.5	1.26	1.36	Feb. 10, 2004

The following table sets out all stock option grants made to the Named Officers during the six months ended February 29, 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	28.1	3.76	7.70	Feb. 23, 2005
William Yu	175,000	16.4	3.76	7.70	Feb. 23, 2005
David Manuel	50,000	4.7	1.05	1.06	Nov. 4, 2004
Guylain Roy-MacHabee	25,000	2.3	1.05	1.06	Nov. 4, 2004
Deanna McKenzie	200,000	18.8	0.91	1.00	Sept. 1, 2004

The following table sets out the aggregate stock options exercised by the Named Officers during fiscal 1999 and the aggregate financial year-end value of unexercised stock options:

Name	Securities Acquired On Exercise (#)	Aggregate Value Realized on the Date of Exercise ($)	Unexercised Options at FY-End (#) Exercisable/ Unexercisable	Value of Unexercised in the Money Options at FY-End ($) Exercisable/ Unexercisable
Derek Spratt	—	—	624,166/237,334	92,880/0
William Yu	50,000	20,400	314,166/150,834	29,600/0
Rod Campbell	—	—	25,000/275,000	—
David Manuel	—	—	10,000/40,000	—
Guylain Roy-MacHabee	—	—	66,666/33,334	—

The following table sets out the aggregate stock options exercised by the Named Officers during the six months ended February 29, 2000 and the aggregate value of unexercised stock options as at February 29, 2000:

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized ($)	Unexercised Options/SARs at 02/29/00 (#) Exercisable/ Unexercisable	Value of Unexercised in the Money Options/SARs at 02/29/00 ($) Exercisable/ Unexercisable
Derek Spratt	—	—	648,166/513,334	5,167,333/3,180,472
William Yu	247,500	542,415	101,666/310,834	781,478/1,942,272
Rod Campbell	—	—	75,000/225,000	573,000/1,719,000
David Manuel	1,000	2,510	23,166/75,834	177,653/588,997
Guylain Roy-MacHabee	—	—	102,083/22,917	786,352/179,898
Deanna McKenzie	—	—	16,666/183,334	133,161/1,464,839

Management Agreements

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 President and 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 in the capital of the Company for an exercise price equal to the fair market value of the common shares at the date of exercise. The Company will provide Mr. Spratt with all necessary cellular phones, portable computers, fax machines and home computers, and upon termination of the employment agreement for any reason, the Company will gift to Mr. Spratt those products. If Mr. Spratt's employment is terminated without cause, the Company will pay him the equivalent of one year of base salary.

The Company has entered into an employment agreement with Mr. Roderick 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 in the capital of the Company 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 Ms. Deanna McKenzie dated August 23, 1999, as amended on September 1, 1999 and October 18, 1999, pursuant to which she will act as the Company's Executive Vice President for Sales. She will receive a base salary of $175,000 as well as a performance bonus of up to $225,000 per annum. The Company agreed to grant Ms. McKenzie stock options in respect of 200,000 common shares at a price and on terms in accordance with the rules of the CDNX, all of which have been granted. If Ms. McKenzie's employment is terminated without cause, the Company will pay her a lump sum cash amount, which is equal to twelve times her monthly salary.

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 Product 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 in the capital of the Company 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. MacHabee dated September 1, 1999 as amended on March 1, 2000, pursuant to which he will act as the Company's Vice President of Marketing 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. 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 in the capital of the Company 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. 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 Company has no arrangements pursuant to which directors are compensated by the Company or its subsidiaries for their services in their capacity as directors, or for committee participation, involvement in special assignments or for services as consultant or expert, except as disclosed elsewhere in this prospectus.

During fiscal 1999 and the six months ended February 29, 2000 the Company paid fees to Mr. Robert Gayton, a director of the Company, for various consulting services in the amount of $3,000 and $2,000, respectively.

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 $1/12^{th}$ quarterly. Options may be exercised only as to vested shares.

The exercise price of stock options granted under the Option Plan must be at least equal to the market price of the underlying 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.

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 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, William Yu, Roderick Campbell 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 $98,169 gross salary payable in fiscal 1999 and in the first half of fiscal 2000 was satisfied through the issuance of 88,665 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 May 31, 2000, 24,229,167 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. Holders of Common Shares have no preemptive rights and have no rights to convert their Common Shares into any other securities.

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.

Existing and Proposed Share Capital

	Number of Issued Shares	Price per Share	Total Consideration[(1)]
Issued as of May 31, 2000	24,229,167	N/A	$14,386,890
Shares to be issued upon exercise of the Special Warrants[(2)]	3,000,000	$2.00	$6,000,000
To be issued upon exercise of all outstanding Special Warrants..........	27,229,167	N/A	$20,386,890

(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 Agent's Compensation Option.

Options and Other Rights to Purchase Securities

As of May 31, 2000, 8,959,222 Common Shares were issuable pursuant to outstanding warrants, options and other rights to acquire Common Shares, comprised of 4,159,222 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 Agent's Compensation Option and 1,500,000 Common Shares issuable pursuant to the Warrants issuable upon exercise of the Special Warrants.

The following table summarizes the options and warrants outstanding and issuable as at May 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	135,500	$1.20	2 April, 2003
	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
Robert Gayton.......................................	25,000	$0.59	15 May, 2002
	37,500	$1.26	10 May, 2004
	25,000	$3.76	23 February, 2005
Guylain Roy MacHabee........................	30,000	$1.20	26 January, 2003
	25,000	$1.05	15 November, 2004
	75,000	$3.50	April 14, 2005
David Manuel	50,000	$1.26	10 February, 2004
	46,833	$1.05	November 15, 2004
Roderick Campbell	275,000	$1.26	10 May, 2004
Deanna McKenzie	166,667	$0.91	1 September, 2004
Morgan Sturdy......................................	100,000	$3.55	May 4, 2005

Investors who are not current or former officers, directors or employees (as a group)	720,650[2]	$1.10-$1.15	6 November 2000 – 10 February, 2001
Employees and consultants who are not officers, directors or investors, and former employees and consultants (as a group)	1,190,072	$0.59-$3.76	4 March, 2002 – 14 April, 2005
The Agent	300,000[3]	$2.00 - $2.30	28 February, 2002
Holders of Special Warrants and Warrants issuable thereunder	4,500,000	n/a	n/a
Total	8,959,222		

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

(2) Denotes warrants acquired pursuant to one or more private placements.

(3) Represents the Agent's Compensation Option. See Note 2 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 May 31, 2000	24,229,167	73.0%
Securities reserved for future issue as of May 31, 2000	8,959,222	27.0%
Total	33,188,389	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 5,173,231 Common Shares during the 12 months ended May 31, 2000, as follows:

	Number of Shares	Price per Share
	200,000	$0.40
	170,920	$0.50
	222,000	$0.59
	553,149	$0.63
	390,000	$0.66
	70,000	$0.74
	200,000	$0.77
	363,342	$0.91
	902,000	$1.00
	11,389	$1.01
	70,806	$1.05
	625,000	$1.10
	41,850	$1.15
	775,147	$1.20
	10,400	$1.21
	172,500	$1.26
	30,000	$1.30
	3,358	$1.40
	8,709	$1.55
	3,666	$1.59
	348,995	$1.75
Total..........	5,173,231	

The closing price of the Common Shares on Feb 29, 2000 was $8.90. 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
June 26 – June 30 2000	$3.25	$3.10	301,871
June 19 – June 23 2000	$3.54	$3.39	219,400
June 12 – June 16 2000	$3.72	$3.57	175,375
June 5 – June 9 2000	$3.82	$3.54	321,297
May 29 – June 2 2000	$3.68	$3.41	558,730
May 22 – May 26 2000	$3.72	$3.44	436,515
May 2000	$4.57	$2.80	2,493,348
April 2000	$6.50	$2.95	3,391,377
March 2000	$9.70	$4.15	7,451,348
February 2000	$9.25	$1.50	20,403,431
January 2000	$1.86	$1.30	2,406,690
December 1999	$1.76	$1.00	1,794,900
Sept 1 – Nov 30 1999	$1.15	$0.90	621,567
June 1 – Aug 31 1999	$1.37	$0.88	608,867
March 1 – May 31 1999	$1.96	$1.26	1,280,267
Dec 1 1998 – Feb 28 1999	$1.38	$1.03	716,868
Sept 1 – Nov 30 1998	$1.40	$0.73	767,586
June 1– Aug 31 1998	$2.35	$1.52	836,967
March 1 – May 31 1998	$3.23	$1.62	4,334,025

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 February 29, 2000, the Company had an accumulated deficit of $10,911,194. 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.

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 to date has 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 will be significantly harmed. Market acceptance of Windows CE will depend on many factors, including:

- Microsoft's 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 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.

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 Windows CE-based 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 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 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'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 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.

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, 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.

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, two of the Company’s six key management personnel have joined the Company within the last 12 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.

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.

Outstanding Rights to Acquire Common Shares

As at May 31, 2000, the Company had outstanding stock options and warrants (including Special Warrants, the Agent's Compensation Option and Warrants) to purchase an aggregate of 8,959,222 Common Shares at prices ranging from $0.59 per share to $3.76 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 February 29, 2000 the Company completed a private placement of 3,000,000 Special Warrants at a price per Special Warrant of $2.00 pursuant to an agreement (the "Agency Agreement") dated February 14, 2000 between the Company and the Agent. Pursuant to the Agency Agreement, the Company paid the Agent a commission of 7% of the gross proceeds from the sale of Special Warrants and issued to the Agent the Agent's Warrants. The Agent's Warrants entitle the Agent to acquire at any time prior to the Expiry Time, without additional consideration, the Agent's Compensation Option, which, in turn, will entitle the Agent to purchase 300,000 Units, at a price per Unit of $2.00 until February 28, 2001 and thereafter at a price per Unit of $2.30 until February 28, 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, less the Agent's 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) February 28, 2001 and (ii) receipt by the Trustee of a notice signed by the Agent and the Company confirming that a receipt has been issued by the British Columbia Securities Commission, 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 two years from February 29, 2000 and will entitle the holder to acquire one Common Share at a price per share of $2.50.

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 Alberta Securities Commission and the Ontario Securities Commission for the purpose of qualifying, under the laws of British Columbia, 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 of a receipt for a (final) prospectus qualifying the Units by the British Columbia Securities Commission, 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.

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

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 his 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 President and 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 Agent 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 Units 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), 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 of

INTRINSYC SOFTWARE, INC.

REVIEW ENGAGEMENT REPORT

To the Board of Directors
Intrinsyc Software, Inc.

We have reviewed the balance sheet of Intrinsyc Software, Inc. as at February 29, 2000 and the statements of operations and deficit and cash flows for the six month periods ended February 29, 2000 and February 28, 1999. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the Company.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

(signed) KPMG LLP
Chartered Accountants

Vancouver, Canada

March 15, 2000, except as
to note 11 which is as of
May 4, 2000

Auditors' Report

The Board of Directors
Intrinsyc Software, Inc.

We have audited the balance sheets of Intrinsyc Software, Inc. as at August 31, 1999 and 1998 and the statements of operations and deficit and cash flows for each of the years in the five year period ended August 31, 1999. 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 financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 1999 and 1998 and the results of its operations and its cash flows for each of the years in the five year period ended August 31, 1999 in accordance with Canadian generally accepted accounting principles.

(signed) KPMG LLP
Chartered Accountants

Vancouver, Canada

October 21, 1999

INTRINSYC SOFTWARE, INC.

Balance Sheets

	February 29, 2000 (unaudited)	August 31, 1999	August 31, 1998
Assets			
Current assets:			
Cash	$ 4,433,418	$ 201,780	$ 834,619
Funds held in trust (note 5(c)(*ii*))	2,757,500	–	–
Accounts receivable	412,563	771,153	315,088
Due from Annabooks Software, LLC (note 3)	–	–	172,965
Inventory	87,763	37,859	–
Prepaid expenses	105,986	108,805	31,492
	7,797,230	1,119,597	1,354,164
Capital assets (note 4)	360,550	305,521	217,712
Technology rights and licenses (note 8(b))	–	–	219,820
	$ 8,157,780	$ 1,425,118	$ 1,791,696
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	$ 464,910	$ 690,571	$ 769,845
Deferred revenue	164,780	–	–
Current portion of obligation under capital lease	15,943	–	–
	645,633	690,571	769,845
Obligation under capital lease	7,972	–	–
Shareholders' equity:			
Share capital (note 5)	12,892,626	9,804,387	8,041,123
Special warrants	5,522,743	–	–
Deficit	(10,911,194)	(9,069,840)	(7,019,272)
	7,504,175	734,547	1,021,851
Operations (note 1)			
Commitments and contingencies (note 8)			
Subsequent events (note 11)			
	$ 8,157,780	$ 1,425,118	$ 1,791,696

See accompanying notes to financial statements.

On behalf of the Board:

"Derek W. Spratt" Director

"William Tsu-Cheng Yu" Director

INTRINSYC SOFTWARE, INC.

Statements of Operations and Deficit

	Six months ended February 29, 2000	Six months ended February 28, 1999	Years ended August 31, 1999	1998	1997	1996	1995
	(unaudited)						
Revenues	$ 833,805	$ 600,700	$ 2,250,978	$ 562,904	$ 69,036	$ 82,472	$ 107,387
Expenses:							
Marketing and sales	913,821	301,913	1,175,130	986,897	381,695	102,884	96,277
Administration	914,367	525,591	1,283,117	1,429,923	833,787	287,577	244,131
Research and development	846,971	772,062	1,760,444	1,504,879	923,793	294,939	80,988
Costs relating to the failed merger with Annabrooks Software, LLC (note 3)	–	82,855	82,855	515,581	–	–	–
	2,675,159	1,682,421	4,301,546	4,437,280	2,139,275	685,400	421,396
Net loss	1,841,354	1,081,721	2,050,568	3,874,376	2,070,239	602,928	314,009
Deficit, beginning of period	9,069,840	7,019,272	7,019,272	3,144,896	1,074,657	471,729	157,720
Deficit, end of period	$ 10,911,194	$ 8,100,993	$ 9,069,840	$ 7,019,272	$ 3,144,896	$ 1,074,657	$ 471,729
Loss per share	$ 0.08	$ 0.06	$ 0.11	$ 0.24	$ 0.16	$ 0.09	$ 0.07

See accompanying notes to financial statements.

INTRINSYC SOFTWARE, INC.

Statements of Cash Flows

	Six months ended		Years ended August 31,				
	February 29, 2000	February 28, 1999	1999	1998	1997	1996	1995
	(unaudited)						
Cash provided by (used in):							
Cash flows from operating activities:							
Net loss	$ (1,841,354)	$ (1,081,721)	$ (2,050,568)	$ (3,874,376)	$ (2,070,239)	$ (602,928)	$ (314,009)
Items not involving cash:							
Depreciation and amortization	50,424	124,032	295,938	257,320	179,683	26,771	9,614
Expenses settled with the issuance of common shares:							
For services rendered	294,711	306,710	306,710	31,341	-	-	-
For compensation expense	46,238	-	51,931	-	-	-	-
Changes in non-cash operating working capital:							
Accounts receivable	358,590	(218,793)	(456,065)	(218,100)	(59,351)	22,185	2,914
Due from Annabrooks Software, LLC	-	172,965	172,965	(172,965)	-	-	-
Inventory	(49,904)	-	(37,859)	-	-	54,065	(31,498)
Prepaid expenses	2,819	-	(77,313)	(5,602)	(23,254)	(583)	14,474
Accounts payable and accrued liabilities	(225,661)	(401,994)	(79,274)	308,234	189,007	162,798	111,644
Deferred revenue	164,780	-	-	-	-	-	-
Cash flows provided by operating activities	(1,199,357)	(1,098,801)	(1,873,535)	(3,674,148)	(1,784,154)	(337,692)	(206,861)
Cash flows from investing activities:							
Purchase of capital assets	(73,567)	(13,345)	(163,927)	(137,519)	(140,968)	(24,734)	(37,168)
Purchase of technology rights and licences	-	-	-	-	(394,497)	-	-
Cash flows used in investing activities	(73,567)	(13,345)	(163,927)	(137,519)	(535,465)	(24,734)	(37,168)
Cash flows from financing activities:							
Issuance of common stock	2,747,290	919,318	1,404,623	4,377,219	1,868,887	480,715	183,700
Special warrants, net of funds held in trust	2,765,243	-	-	-	-	-	-
Funds received in advance of issuance of shares	-	-	-	-	357,326	239,990	-
Advance from shareholder	-	-	-	(80,000)	80,000	(3,738)	1,335
Repayment of obligations under capital lease	(7,971)	-	-	-	-	-	-
Cash flows provided by financing activities	5,504,562	919,318	1,404,623	4,297,219	2,306,213	716,967	185,035
Increase (decrease) in cash	4,231,638	(192,828)	(632,839)	485,552	(13,406)	354,541	(58,994)
Cash, beginning of period	201,780	834,619	834,619	349,067	362,473	7,932	66,926
Cash, end of period	$ 4,433,418	$ 641,791	$ 201,780	$ 834,619	$ 349,067	$ 362,473	$ 7,932

INTRINSYC SOFTWARE, INC.

Statements of Cash Flows (continued)

	Six months ended		Years ended August 31,				
	February 29, 2000	February 28, 1999	1999	1998	1997	1996	1995
	(unaudited)						
Supplementary information:							
Interest paid	$ 2,235	$ 1,698	$ 5,221	$ 4,020	$ -	$ -	$ -
Income taxes paid	-	-	-	-	-	-	-
Supplementary disclosure of non-cash financing activities:							
Stock issued for services	$ -	$ 306,710	$ 306,710	$ 31,341	$ -	$ -	$ -
Stock issued for compensation	46,238	-	51,931	-	-	-	-
Stock issued on settlement of indebtedness	294,711	-	-	-	10,000	41,463	6,700
Stock issued on acquisition of technology	-	-	-	-	161,000	-	-
Acquisition of capital assets by capital lease	31,886	-	-	-	-	-	-

See accompanying notes to financial statements.

1. Operations:

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 develops software and hardware products and provides services that facilitate the development of Internet-enabled computing devices and enhance the functionality of such devices.

As at February 29, 2000, the Company had an accumulated deficit of $10,911,194 (unaudited) and has incurred operating losses for the last five fiscal years. In addition, its current business operations have generated no net cash flow and additional funds may be required to further exploit the technologies. These financial statements are prepared on the basis of accounting principles applicable to a going concern which contemplates the realization of assets and the discharge of liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon its ability to finance its technological development and to achieve profitable operations.

2. Significant accounting policies:

(a) Basis of presentation:

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

(b) Inventories:

Inventories are valued at the lower of weighted average cost, including the application of applicable production overhead, and net realizable value.

(c) Capital assets:

Capital assets are recorded at cost net of applicable tax credits. Depreciation is calculated using the declining-balance method at the following annual rates:

Assets	Rate
Computers and equipment	30%
Furniture and fixtures	20%

Leasehold improvements are amortized on a straight-line basis over the term of the related lease.

(d) Technology rights and licenses:

Acquired technology rights and licenses are stated at cost and amortized on a straight-line basis over three years. The Company continuously evaluates the value of these assets to determine if its unamortized portion has sustained a permanent impairment in value due to future benefit being unlikely. The method used to determine whether there has been a permanent impairment in value is based upon projected cash flow from operations. Where a permanent impairment has occurred, a write-down is included in research and development expenses in the statement of operations.

2. Significant accounting policies (continued):

(e) Foreign currency:

Monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

(f) Revenue recognition:

Revenue from product sales is recorded when title passes to the customer and there are no significant retained risks with respect to the products sold. Revenue from consulting and other services is recorded as the services are performed if there is reasonable certainty as to collectibility.

(g) Research and development:

Expenditures on research are expensed as incurred. Development expenditures are expensed as incurred unless they meet certain criteria in which case they are capitalized. No amounts have been capitalized to the balance sheet dates.

(h) Investment tax credits:

Investment tax credits relating to current expenditures are recognized in income when there is reasonable assurance of realization. Tax credits related to capital expenditures reduce the cost of the related asset provided there is reasonable assurance of realization.

(i) 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.

(j) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

(k) Use of estimates:

The preparation of financial statements in conformity with 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. Management has applied its judgment to the information available at the date of these financial statements in making such judgments. Actual results could differ from estimates made in preparing these financial statements.

3. Due from 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 canceled. 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 costs directly relating to the merger have been expensed.

4. Capital assets:

As at February 29, 2000 (Unaudited):

	Cost	Accumulated depreciation	Net book value
Computers and equipment	$ 544,934	$ 214,599	$ 330,335
Furniture and fixtures	36,781	11,214	25,568
Leasehold improvements	5,007	360	4,647
	$ 586,722	$ 226,173	$ 360,550

As at August 31, 1999:

	Cost	Accumulated depreciation	Net book value
Computers and equipment	$ 444,809	$ 167,005	$ 277,804
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, 1998:

	Cost	Accumulated depreciation	Net book value
Computers and equipment	$ 299,725	$ 94,560	$ 205,165
Furniture and fixtures	17,617	5,070	12,547
	$ 317,342	$ 99,630	$ 217,712

5. Share capital:

(a) Authorized:

100,000,000 common shares without par value
10,000,000 preference shares without par value (none issued)

(b) Issued common shares:

	Number of shares	Amount
Balance, August 31, 1994	3,271,446	$ 282,782
Issued:		
For cash on private placement	704,000	176,000
For cash on performance shares	770,086	7,700
Preference shares on debt settlement	670,000	6,700
Balance, August 31, 1995	5,415,532	473,182
Issued:		
For cash on public offering	1,737,500	392,115
For cash on private placements	140,000	35,000
On settlement of indebtedness	74,040	41,463
For cash on exercise of warrants	134,000	53,600
Balance, August 31, 1996	7,501,072	995,360
Issued:		
For cash on private placements	5,356,667	1,723,455
On settlement of indebtedness	21,739	10,000
For cash on exercise of warrants	183,333	60,000
For cash on exercise of options	282,000	154,530
For services rendered	67,857	29,432
Towards purchase of technology rights and licenses	2,200,000	161,000
Balance, August 31, 1997	15,612,668	3,133,777
Issued:		
For cash on special warrants	1,967,536	2,429,859
For cash on private placements	1,476,296	918,959
For exchange of services	21,467	31,341
For cash on exercise of warrants	3,605,564	1,347,137
For cash on exercise of options	346,866	180,050
Cancellation of escrow shares	(5,670,000)	-
Balance, August 31, 1998	17,360,397	8,041,123
Issued:		
For cash on private placements	1,120,774	896,619
For cash on exercise of warrants	555,349	352,334
For cash on exercise of options	278,247	155,670
For exchange of services	314,318	306,710
For employee compensation	49,458	51,931
Balance, August 31, 1999	19,678,543	9,804,387
Issued:		
For cash on private placement	847,000	847,000
For cash on exercise of warrants	723,995	1,023,241
For cash on exercise of options	1,067,177	877,049
On settlement of indebtedness	323,859	294,711

For employee compensation	39,207	46,238
Balance, February 29, 2000 (unaudited)	22,679,781	$ 12,892,626

5. Share capital (continued):

(b) Issued common shares (continued):

Shares issued for non-cash consideration are valued at the market value of the Company's common shares at the date the obligation for issuance occurs.

(c) Special warrants:

(*i*) Fiscal 1998 offering:

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 Agent a commission of 7% of the gross proceeds from the sale of the Special Warrants. The Agent 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 six month period ended February 29, 2000.

(*ii*) February 2000 offering (unaudited):

Pursuant to a Special Warrant Indenture dated February 29, 2000, the Company issued 3,000,000 Special Warrants for cash consideration of $2.00 each. Each Special Warrant entitles the holder to acquire one Unit, at no additional cost, at any time until the earlier of the (a) end of the 5th business day after the date of issuance of a receipt for the final prospectus qualifying the Units and (b) the first anniversary of the date of issuance of the Special Warrants. Each Unit consists of one common share and one-half of one warrant, each whole warrant entitling the holder to acquire one common share at a price of $2.50 per share until February 28, 2002.

In connection with this issuance the Company granted the Agent a non-assignable warrant to acquire, without additional consideration, the Agent's Compensation Option. This option will entitle the Agent to purchase 300,000 Units at a price of $2.00 each until February 28, 2001 and thereafter at a price of $2.30 each until February 28, 2002.

Of the net proceeds to the Company on the issuance of the Special Warrants, $2,757,500 is held in escrow pursuant to the Special Warrant Indenture and will be released on that date which is the earlier of February 28, 2001 and the date of receipt by the trustee confirming the issuance of the receipt for the final prospectus qualifying the Units.

On a pro forma basis after giving effect to the issuance of common shares on exercise of these Special Warrants and the receipt of the net proceeds thereon, but excluding the exercise of the warrants that form part of each Unit or the Agent's warrant, the issued and outstanding common shares will be (dollar amounts approximate depending on costs of the offering):

	Number of Shares	Amount
Pro forma balance, February 29, 2000 (unaudited)	**25,679,781**	**$18,372,626**

5. Share capital (continued):

(d) Warrants:

Year ended August 31, 1999:

August 31, 1998	Granted	Exercised	Expired/ cancelled	August 31, 1999	Exercise price	Expiry date
553,149	–	(553,149)	–	–	$ 0.63	August 6, 1999
90,000	–	–	–	90,000	1.44	November 19, 1999
980,022	–	(2,200)	–	977,822	1.75	January 20, 2000
–	937,500	–	–	937,500	1.10	February 10, 2001
1,623,171	937,500	(555,349)	–	2,005,322		

Six months ended February 29, 2000 (unaudited):

August 31, 1999	Granted	Exercised	Expired/ cancelled	February 29, 2000	Exercise price	Expiry date
90,000	–	–	(90,000)	–	$ 1.44	November 19, 1999
977,822	–	(348,995)	(628,827)	–	1.75	January 20, 2000
937,500	–	(375,000)	–	562,500	1.10	February 10, 2001
–	450,000	–	–	450,000	1.15	November 8, 2001
2,005,322	450,000	(723,995)	(718,827)	1,012,500		

This table excludes the warrants issuable in connection with the Special Warrant offering described in note 5(c)(*ii*).

5. Share capital (continued):

(e) Stock options:

The Company's incentive stock option plan allows for the issuance of a total of 6,076,138 common shares. In addition, the Company has granted compensation options to certain officers pursuant to which up to 950,000 common shares may be issued. Stock options are granted at exercise prices determined by reference to the market value of the shares at the date of grant. Stock options activity in the year ended August 31, 1999 and the six months ended February 29, 2000 is as follows:

Year ended August 31, 1999:

August 31, 1998	Granted	Exercised	Expired/ Cancelled	August 31, 1999	Granted	Exercised	Expired/ Cancelled	February 29, 2000 (unaudited)	Exercise price	Expiry date
200,000	–	(29,080)	–	170,920	–	(79,000)	–	919,201	$ 0.50	October 21, 2001
300,000	–	(100,000)	–	200,000	–	(200,000)	–	–	0.40	December 27, 2001
550,000	–	(60,000)	–	490,000	–	(210,000)	–	280,000	0.66	March 4, 202
404,000	–	(67,000)	–	337,000	–	(47,500)	–	289,500	0.59	May 15, 2002
267,000	–	–	–	267,000	–	(100,000)	–	167,000	0.77	June 22, 2002
80,000	–	(10,000)	–	70,000	–	(1,000)	–	69,000	0.74	August 21, 2002
41,667	–	–	(41,667)	–	–	–	–	–	0.74	September 15, 2002
460,000	–	–	–	460,000	–	–	–	460,000	1.20	October 25, 2002
7,500	–	(4,167)	(3,333)	–	–	–	–	–	1.20	December 4, 2002
130,000	–	–	(30,000)	100,000	–	–	–	100,000	1.20	January 26, 2003
35,000	–	–	(35,000)	–	–	–	–	–	1.20	February 16, 2003
40,000	–	–	–	40,000	–	–	–	40,000	1.20	February 27, 2003
3,000	–	–	–	3,000	–	(1,980)	–	1,020	1.20	March 13, 2003
20,000	–	–	–	20,000	–	–	–	20,000	1.20	March 27, 2003
784,315	–	–	–	784,315	–	(176,147)	–	608,168	1.20	April 2, 2003
70,000	–	(8,000)	(40,000)	22,000	–	(12,000)	(10,000)	–	1.20	May 20, 2003
32,000	–	–	(20,000)	30,000	–	–	–	30,000	1.20	May 25, 2003
100,000	–	–	–	100,000	–	(30,000)	–	70,000	1.30	July 31, 2003
–	50,000	–	–	50,000	–	(25,000)	–	25,000	1.32	September 21, 2003
–	250,000	–	–	250,000	–	(25,000)	–	250,000	1.20	November 19, 2003
–	405,000	–	–	405,000	–	(2,000)	(400,000)	3,000	1.00	December 30, 2003

INTRINSYC SOFTWARE, INC.

August 31, 1998	Granted	Exercised	Expired/ Cancelled	August 31, 1999	Granted	Exercised	Expired/ Cancelled	February 29, 2000	Exercise price	Expiry date
–	90,000	–	(30,000)	60,000	–	–	(10,000)	50,000	1.30	February 10, 2004
–	30,000	–	–	30,000	–	(2,000)	–	28,000	1.30	February 16, 2004
–	655,000	–	–	655,000	–	(56,000)	(250,000)	349,000	1.26	March 16, 2004
–	505,000	–	(20,000)	485,000	–	(34,000)	(8,000)	443,000	1.48	May 10, 2004
–	55,000	–	–	55,000	–	(6,650)	–	48,350	1.21	July 9, 2004
–	–	–	–	–	280,000	(45,000)	(10,000)	265,500	0.91	September 9, 2004
–	–	–	–	–	100,000	(1,400)	–	98,600	1.05	November 15, 2004
–	–	–	–	–	62,250	–	–	62,250	1.41	December 22, 2004
–	–	–	–	–	64,000	–	–	64,000	1.59	January 20, 2005
–	–	–	–	–	56,000	–	–	560,000	3.76	February 23, 2005
3,524,482	2,040,000	(278,247)	(202,000)	5,084,235	1,066,250	(1,014,177)	(688,000)	4,448,308		

5. Share capital (continued):

(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.

6. Related party transactions:

Included within administration expenses for the year are $nil (1998 - $76,746; 1997, 1996 and 1995 - $nil); (unaudited) six months ended February 29, 2000 and February 28, 1999 - $nil) 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 (1998 - $25,700; 1997, 1996 and 1995 - $nil); (unaudited) six months ended February 29, 2000 and February 28, 1999 - $nil) to a director of the Company for consulting services rendered.

7. Income taxes:

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

	August 31,	
	1999	1998
Future income tax asset:		
Loss carry forwards	$ 4,054,000	$ 3,119,000
Less valuation allowance	(4,054,000)	(3,119,000)
	$ -	$ -

As at August 31, 1999, the Company has non-capital loss carry forwards aggregating approximately $8,890,000 available to reduce taxable income otherwise calculated in future years. These losses expire as follows:

2000	$ 54,000
2001	86,000
2002	352,000
2003	607,000
2004	1,984,000
2005	3,757,000
2006	2,050,000
	$ 8,890,000

As indicated above, the tax benefits related to these loss carry forwards, the application of which may be restricted, have not been recognized in these financial statements as management does not consider it more likely than not that such assets will be realized in the carry forward period.

8. Commitments and contingencies:

(a) Operating leases:

The Company has lease commitments for office premises and equipment expiring at various dates. The agreements require rental payments over the next five years approximately as follows:

2000	$ 152,000
2001	168,000
2002	148,000
2003	145,000
2004	145,000
	$ 758,000

(b) Technology rights and licenses:

Technology rights and licenses comprise third party acquisition costs related to signal centre industrial automation software ("Signal"), web server technology ("Spider") and fault tolerant technology ("deviceFT"). Under the Signal agreement the Company is required to pay a 10% royalty on specified product sales to a maximum of $2,000,000. Under the deviceFT agreement, the Company is required to pay a 10% royalty on all sales of deviceFT to a maximum of $100,000.

During fiscal 1999, there were no sales of Signal or WinFT and no royalties were paid. Technology rights and licenses have been fully amortized to research and development expense as of August 31, 1999.

(c) Year 2000 Issue:

The Year 2000 Issue relates to computer systems which use two digit date codes and, therefore, may read the year 2000 as the year 1900 or some other year. The Company may experience the effects of the Year 2000 Issue before, on, or after January 1, 2000, and that the effects on operations and financial reporting, if not addressed, may range from minor errors to significant systems failure which could affect the Company's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including potential issues related to software sold by the Company as well as those issues relating to the efforts of customers, suppliers, or other third parties, will be fully resolved.

9. Financial instruments and risk management:

(a) Fair values:

The carrying amounts of cash, accounts receivable and accounts payable and accrued liabilities, approximate their fair values due to their ability for prompt liquidation or short-term to maturity.

(b) Credit risk:

The Company is exposed to credit risk only with respect to uncertainties as to timing and amount of collectibility of accounts receivable. At August 31, 1999, three customers represented approximately 75% of accounts receivable. These receivables are from large reputable customers with an established credit history with the Company.

(c) Foreign currency risk:

Foreign currency risk is the risk to the Company's earnings that arises from fluctuations in foreign currency exchange rates, and the degree of volatility of these rates. A substantial portion of the Company's sales are derived in United States dollars and accordingly the majority of the Company's accounts receivable is denominated in United States dollars. The Company has not entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations.

10. Segmented information:

(a) Operating segments:

The Company is managed as a single operating segment, involving the sale and service of embedded hardware and software solutions.

(b) Geographic information:

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

	February 29, 2000	February 28, 1999	August 31, 1999	August 31, 1998
	(unaudited)	(unaudited)		
United States	$ 504,139	$ 536,089	$ 1,877,891	$ 439,081
Canada	69,815	34,210	209,164	51,151
Other	259,851	30,401	163,923	72,672
	$ 833,805	$ 600,700	$ 2,250,978	$ 562,904

(c) Major customers:

For the year ended August 31, 1999, revenue from one customer represents approximately $1,474,000 (1998 - $65,000) of the Company's total revenue.

11. Subsequent events (unaudited):

Subsequent to February 29, 2000, the Company granted options to purchase 229,300 common shares at a price of $3.50 per share exercisable to April 14, 2005 and to purchase 100,000 common shares at a price of $3.55 per share exercisable to May 4, 2005.

INTRINSYC SOTWARE INC.

Schedules of Marketing and Sales, Administration and Research and Development Expenses

	February 29 2000	February 28 1999	August 31, 1999	1998	1997	1996	1995
	(unaudited)						
Marketing and sales expenses:							
Advertising	$ 30,548	$ 24,980	$ 206,853	$ 303,573	$ 100,439	$ 31,160	$ 34,857
Bad debts	40,978	43,413	43,413	-	-	-	-
Professional fees	27,081	6,154	197,956	43,437	33,413	-	-
Royalty	-	-	-	13,370	-	-	-
Salaries and benefits	536,714	160,098	632,800	541,841	206,486	61,853	57,332
Tradeshows	223,197	45,547	-	-	-	-	-
Travel	55,303	21,721	94,108	84,676	41,357	9,871	4,088
	$ 913,821	$ 301,913	$ 1,175,130	$ 986,897	$ 381,695	$ 102,884	$ 96,277
Administration expenses:							
Depreciation	$ 50,424	$ 30,198	$ 76,118	$ 69,653	$ 31,699	$ 26,771	$ 9,614
Legal and accounting	137,102	27,491	123,914	114,281	158,355	24,901	59,030
Office	200,861	156,684	308,267	397,431	168,676	82,715	74,577
Premises	104,244	46,620	77,528	127,841	65,268	25,473	24,314
Salaries and benefits	322,723	171,495	482,114	301,317	277,776	75,407	68,100
Shareholder relations	63,722	54,092	132,840	357,248	102,907	48,867	5,276
Travel	35,291	39,011	82,336	62,152	29,106	3,443	3,220
	$ 914,367	$ 525,591	$ 1,283,117	$ 1,429,923	$ 833,787	$ 287,577	$ 244,131
Research and development expenses:							
Amortization	$ -	$ 93,834	$ 219,820	$ 187,667	$ 148,013	$ -	$ -
Materials	56,357	34,549	61,746	6,455	239,774	208,914	13,715
Professional fees	107,056	221,410	456,480	408,900	237,648	-	-
Salaries and benefits	683,487	395,300	987,538	862,875	260,159	86,025	67,273
Travel	71	26,969	34,860	38,982	38,199	-	-
	$ 846,971	$ 772,062	$ 1,760,444	$ 1,504,879	$ 923,793	$ 294,939	$ 80,988

CERTIFICATE OF THE COMPANY

Dated: July 12, 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.

"Derek W. Spratt"	*"Roderick N. Campbell"*
Derek W. Spratt Chief Executive Officer	Roderick N. Campbell Chief Financial Officer

On behalf of the Board of Directors

"William T.C. Yu"	*"Robert Joseph Gayton"*
William T.C. Yu Director	Robert Joseph Gayton Director

Promoter

"Derek W. Spratt"

Derek W. Spratt

CERTIFICATE OF THE AGENT

Dated: July 12, 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.

LOEWEN, ONDAATJE, MCCUTCHEON LIMITED

"Garrett Herman"

Per: Garrett Herman

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