INTRINSYC SOFTWARE INTERNATIONAL, INC.

10th Floor
700 West Pender Street
Vancouver, British Columbia
V6C 1G8

Annual Information Form

For the fiscal year ended
August 31, 2005

November 18, 2005

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ANNUAL INFORMATION FORM

CERTAIN INTERPRETATION MATTERS

Unless the context requires, all references to the "Corporation" or "Intrinsyc" include Intrinsyc Software International, Inc. and its predecessors. Certain terms have the meaning specified in "Item 14: Glossary". Unless otherwise specified, all references to "$" or "dollars" refer to Canadian currency.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This AIF contains "forward-looking statements". In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expects," "plans," "intends," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of such terms and other comparable terminology. These forward-looking statements include, without limitation, statements about the Corporation's market opportunities, strategies, competition, expected activities and expenditures as the Corporation pursues its business plan, the adequacy of the Corporation's available cash resources and other statements about future events or results. Although the Corporation believes that the expectations reflected in the forward-looking statements are reasonable, forward-looking statements are subject to business and economic risks and uncertainties and other factors that could cause actual results of operations, levels of activity, performance or achievements to differ materially from those contained in the forward-looking statements. Consequently, all forward looking statements made in this AIF or the documents incorporated by reference are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by the Corporation will be realized. Some of these risks, uncertainties and other factors are described herein under the heading "Risk Factors". The Corporation disclaims any intent or obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.

ITEM 1: CORPORATE STRUCTURE

The Corporation

The Corporation was incorporated under the laws of Alberta on August 31, 1992 under the name I.T.C. Microcomponents Inc. and continued under the laws of British Columbia on July 19, 1995. The Corporation changed its name to Intrinsyc Software, Inc. on June 16, 1997. Articles of Continuance were filed under the Canada Business Corporations Act on May 1, 2003 to continue the Corporation federally and change the name of the Corporation from Intrinsyc Software, Inc. to Intrinsyc Software International, Inc. Intrinsyc's principal business office is 10th floor, 700 West Pender Street, Vancouver, British Columbia, V6C 1G8, telephone (604) 801-6461, fax (604) 801-6417.

Intercorporate Relationships

The Corporation has four wholly owned subsidiaries, Intrinsyc Software (U.S.A.), Inc., Intrinsyc Europe Limited (formerly NMI Electronics Limited), Linar Limited., and Intrinsyc Software (Barbados), Inc., Intrinsyc Software (U.S.A.) Inc. was incorporated under the laws of Washington State on March 25, 1997. Intrinsyc Europe Limited was incorporated under the laws of the United Kingdom on March 27,

1987. Linar Limited. was incorporated under the laws of the United Kingdom on November 21, 1997. Intrinsyc Software (Barbados), Inc. was incorporated under the laws of Barbados on August 31, 2005.

ITEM 2: GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Significant business, operations and management developments for the Corporation over the last three fiscal years have been as follows:

The Current Fiscal Year - 2006

The Corporation is currently making significant new investments in mobility software product development, which is intended to result in new licensing based revenue streams, starting near the end of the current fiscal year. In this regard, it is currently delivering preview copies of its Windows CE based feature phone software development kit (SDK) to a select group of industry silicon vendors, original equipment and original design manufacturers and wireless network operators in advance of the full product release, expected to ship to customers and partners in early 2006. In addition, the Corporation is also currently taking the necessary legal and logistical steps to open a development and engineering services centre in China to support this initiative and its professional engineering services business.

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

2005

In fiscal 2005, the Corporation increased its focus on its strategic direction, product development, as well as its marketing and sales efforts around mobility software and service offerings targeting mobile handset manufacturers and associated ecosystem partners. The Corporation also undertook numerous new initiatives designed to help mobile handset and wireless device manufacturers bring their new products to market. Intrinsyc's business activities centred on providing technologies and software that enable the rapid convergence of digital services and mobile phones. During the year, the Corporation successfully recruited a number of new staff, bringing the total staffing levels worldwide up from 101 to 167 employees and contractors over the course of the year. This hiring was necessary to address the growth in the mobility services business as well as the substantial increase in software development activities and associated marketing and sales initiatives.

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

To fund the mobile software product initiative and provide working capital, the Corporation completed a $5,632,671 common share rights offering at a price of $0.50 per share on October 28, 2004. The rights offering was fully subscribed and rights were exercised for a total of 11,246,743 common shares.

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

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

The Enterprise Interoperability Solutions business unit was also established during the year focusing on the sale of the Corporation's J-Integra suite of interoperability products and related support and maintenance. Later in the year, the business unit expanded its interoperability software offering with the new J-Integra Espresso product, which provides an interoperability bridge between Java, CORBA and Microsoft .NET. The product is based on 3rd party software licensed by the Corporation.

In July of 2005, the Corporation completed the final stage of a reorganization of the sales and marketing group splitting the team into each of the business units discussed above. As a result, Mr. David Warkentin, Vice President of Sales and Marketing, left the Corporation.

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

Fiscal 2004

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

1. On August 25, 2004 the Corporation agreed to make a payment of $568,268 to the Government of Canada on account of the Corporation's engagement of a consultant in connection with the funding under the TPC Agreement, deemed by the Government to be in breach of the TPC Agreement. This amount represents 15% of the amount of funding claimed by the Corporation under the TPC Agreement up to April 1, 2004. The settlement also reduced the total funds that the Corporation was eligible to receive under the TPC Agreement from $6.4 million to $5.4 million, representing a 15% reduction of the total eligible funding. The Corporation is currently in negotiations with the Government to extend the TPC Agreement. There is no guarantee that the extension will be granted on favourable terms, if at all. See "Material Contracts".
2. In connection with the acquisition in June 2002 of all of the issued shares of NMI Electronics Limited. ("NMI"), a privately held company, the Corporation reached an agreement with the former principals of NMI on June 21, 2004 to amend the terms and conditions of the initial acquisition agreement (the "Acquisition Agreement") related to the remaining contingent and future consideration payable thereunder. Under the amendment agreement, all contingent and unpaid cash consideration as at May 28, 2004 payable by the Corporation was considered extinguished in return for the issuance of 4,105,727 common shares of the Corporation. The maximum contingent consideration payable for fiscal 2004 was $4,120,182, and the unpaid consideration related to fiscal 2003 was $399,560. The issuance of the 4,105,727 shares satisfied all amounts payable by the Corporation under the Acquisition Agreement.

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

Fiscal 2003

The Corporation restructured its management and business operations to align its overhead and delivery capacity with the current market demand for its product and service offerings. Total staffing levels were reduced by approximately 25%, from 108 to 81 employees across all areas of the Corporation's operations. There were also key changes to the management and leadership of the Corporation:

1. On April 15, 2003, Mr. Derek Spratt was appointed Intrinsyc's President and CEO. Mr. Spratt founded Intrinsyc in 1996. Mr. Spratt was serving as the Corporation's Chief Strategist at the time of this appointment and has also held a position on the Board of Directors since 1996. In addition, Mr. Spratt served as Intrinsyc's President and CEO from 1996 to 2001. Mr. Spratt's appointment followed the departure of Neil McDonnell, former President and CEO.

2. Mr. Vincent Schiralli was appointed to the Board of Directors of Intrinsyc on April 14, 2003 and appointed as Chief Operating Officer on August 13, 2004. Mr. Schiralli is a technology sector veteran with over 35 years of experience in both small and large enterprises.

There were also further changes to the Board of Directors in the year. Mr. George Duguay was appointed to the Board of Directors.. Mr. Duguay is an experienced senior executive who served as President of G. Duguay Services Inc. since 1988 and a partner of Duguay and Ringler Corporate Services, a provider of corporate and financial administrative services to public companies. Ronald P. Erickson and Vincent Luciano resigned from the Board of Directors on August 13, 2003. Mr. Erickson was appointed as a Director of the Corporation in October 1997 and was elected Chairman in September 2002. Mr. Luciano was appointed as a Director in August 2002.

On June 18, 2003, the Corporation also re-negotiated certain terms and conditions of the Acquisition Agreement under which it purchased all of the shares of NMI, originally signed on June 26, 2002. The Corporation agreed to the removal of the requirements for specific guarantees related to consideration earned and payable subsequent to May 31, 2003 as well as a reduction in the overall purchase price by approximately CDN$800,000. In addition, the Corporation agreed that a portion of the share consideration earned in both 2003 and 2004, which had a guaranteed floor price, or fixed minimum value, would be deferred until May 31, 2005.

Effective May 1, 2003, the Corporation continued its incorporation into the federal jurisdiction of Canada under the Canada Business Corporations Act. Coincident with the change in jurisdiction the Corporation announced a name change from Intrinsyc Software Inc. to Intrinsyc Software International, Inc. as well as a change in the Corporation's Registrar and Transfer Agent to Computershare Investor Services Inc.

Significant Acquisitions

There were no significant acquisitions in the 2005 fiscal year.

ITEM 3: NARRATIVE DESCRIPTION OF THE BUSINESS

Summary

Intrinsyc is a mobility software and services company. The Corporation is comprised of three business units: Mobile Software Products ("MSP"), Mobile and Embedded Solutions ("MES") and Enterprise Interoperability Solutions ("EIS"). Intrinsyc's technologies and services make it possible for customers to identify, create, and deliver mobile devices and solutions. Specifically, Intrinsyc creates and licenses mobile and embedded software products to original equipment manufacturers ("OEMs") and original design manufacturers "(ODMs") and provides value added professional engineering services to support both Intrinsyc's and its customers' mobile and embedded products and technology. Intrinsyc also creates and licenses a suite of server based interoperability software solutions enabling its customers and partners to connect disparate applications.

The Corporation has strategically positioned its product and service initiatives and offerings to take advantage of what the Corporation perceives to be an increasing trend in the industry towards 'digital convergence' in the mobility technology. This "digital convergence" involves an anticipated convergence of four major industries: the telecommunications industry; the computing industry; the entertainment industry; and the consumer electronics industry related to mobility products and services. The Corporation's business plan contemplates increased demand and value for its products and services as a result of this trend, and as a result, Intrinsyc is making significant new investments in mobility software product development, which is intended to result in new licensing based revenue streams, starting near the end of the current fiscal year. This new convergence transcends the traditional categories of voice and data. It integrates words and information in new ways that allow for new opportunities in business intelligence, content and services. Intrinsyc's products and services are and will continue to be key enablers in delivering mobile 'digital convergence' products such as feature phones, smart phones and wireless gaming devices.

Products and Services

The Corporation operates within three principal product and service segments:

Mobile Software Products: Mobility software tools and licensable software products based of Microsoft's Windows CE and Windows Mobile development tools that are used to build advanced, cost effective feature phones;

Mobile and Embedded Solutions: Professional engineering services, licensing and support related to client-side / mobility software development, including the sale and support of supporting reference systems; and

Enterprise Interoperability Solutions: Enterprise interoperability software development and licensing.

Mobile Software Products

Intrinsyc is making significant new investments in mobility software product development. "Polaris" is the codename for this proprietary set of feature phone targeted software extensions for the Microsoft Windows CE operating system and tool chain under development at Intrinsyc's Mobile Software Products business unit. Intrinsyc is applying the Microsoft Platform Builder and Visual Studio development tools to handset development and plans to enable use of these tools for teams internal to the device maker as well as the extended set of vendors and programming resources currently working with feature phones. In addition, the MSP unit is working with silicon vendors to ensure that handsets with an optimized bill materials are matched with nupcoming Intrinsyc Software product offerings.

Mobile and Embedded Solutions

Intrinsyc provides mobile and embedded solutions that are comprised of professional engineering services and/or client side/mobility software products including supporting reference systems.

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

- Designing and assisting OEMs in manufacturing and certifying mobile phones using Microsoft Windows Mobile or Symbian operating systems;
- Developing customized software and hardware solutions using common operating systems including Windows Mobile, Windows CE, Pocket PC, Linux and Symbian;
- Customizing the Corporation's products for in-house use by OEMs;
- Conducting feasibility studies, requirements analyses and architecture designs;
- Developing detailed product specifications in conjunction with OEM's product development team;
- Providing detailed technical training and support programs for OEM's staff;
- Developing customized hardware design and producing prototypes;

- Integrating off-the-shelf components; and

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

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

- Windows Mobile BSP Kits, packaged services for implementing Windows Mobile Board Support Packages (BSPs) on a wide range of embedded processors from key silicon vendors for system integration;

- Windows CE BSP Kits, packaged services for implementing Windows CE Board Support Packages (BSPs) on a wide range of embedded processors from key silicon vendors for system integration;

- Power Management Kits, packaged services for product development to help reduce the total power consumption of the final product, improving its battery life and power management capabilities; and

- Windows Mobile Quality Assurance Kits, packaged services to ensure the Windows Mobile device in development receives independent validation and verification.

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

Examples of client-side software technologies and products include various smartphone and mobile device software 'stacks' such as radio interface layers (RILs), mobile telephony stacks (µPhone) to support GSM/GPRS and CDMA2000 embedded modems, email clients, media players, JVMs, boot loaders, and related device driver libraries for Microsoft Windows CE, Symbian and Linux based operating system mobile devices.

The products available off-the-shelf for various modems and hardware configurations used for developing embedded devices utilizing Microsoft's Windows Mobile or Windows CE that require a wireless GSM/GPRS modem, include:

- iQuickStart, is a fully customized program that provides the technology and services to develop a 3G Windows Mobile 2005 device.

- i-RIL™, a proven radio interface allowing for the integration of mobile applications with various types of GSM/GPRS modem modules;

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

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

These products are marketed primarily to mobile device manufacturers.

Client-side reference systems include mobile and embedded hardware designs (Cerfboards) based on Intel XScale processors with software board support packages (BSPs) for Microsoft Windows CE and Linux based operating systems. In certain cases, these platforms have been developed in partnership with Intel and other silicon vendors. These reference platforms are initially provided to original equipment manufacturers (OEM's) in initial prototype orders, with volume run-time licensing revenue being generated once a product developed using a reference design or development platform is commercialized. The Corporation also manufactures prototypes of custom designs for customers and will on occasion oversee volume unit production.

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

The Corporation uses contract manufacturers for the outsourcing of volume production. The Corporation has three main suppliers of manufacturing services and obtains competitive quotes for each significant production run. The Corporation works with leading chip manufacturers, primarily Intel Corporation, to prepare and customize these designs, which include the following:

- *Intrinsyc/Intel® 2700G Multimedia Accelerator Reference System*, designed in collaboration with Intel®, is a customizable mobile/wireless device reference platform based on the 32-bit Intel Corporation PXA270 RISC processor and 270M multimedia accelerator, with various memory configurations and several open standard data connectivity built-in ports, including a high contrast color touch screen LCD display; CompactFlash®, Secure Digital™ / MultiMedia Card, USB Client, RS232 serial, 10 Base-T Ethernet, GPIO, VGA and JTAG connectors. The 2700G reference system is a full-featured, flexible platform that is an ideal starting point for next generation wireless handheld devices. Its compact case design, multimedia capability (full VGA support with video and 3D graphics acceleration) and connection options make it a comprehensive solution to test proof-of-concept designs, or to be used as a development platform for next generation handheld device or software development;

- *Intrinsyc/Intel® 270M CerfPod Multimedia Accelerator Reference System*, designed in collaboration with Intel®, is a customizable mobile/wireless device reference platform based on the Intrinsyc/Intel 2700M design above, with additional communications ports and expansion options;

- *CerfBoard™ PXA255*, a customizable Internet-enabled reference platform based on the 32-bit Intel Corporation PXA255 RISC processor, with various memory configurations and several open standard data connectivity built-in ports, including Ethernet, USB, Compact Flash, serial, and GPIO. The PXA255- platform runs at 450Mhz**,** conforms to industrial temperature requirements and optionally supports a colour touch screen liquid crystal display;

- *CerfPod 255SE,* a comprehensive developer's kit for designing in-vehicle computers, web tablets and point-of-sale devices running either Windows CE or Linux and complete with a 7.5" display, off-the-shelf embedded tools and multiple configuration options available with a high performance PXA255 processor;

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

These products are marketed primarily to mobile device manufacturers.

Enterprise Interoperability Solutions

Examples of interoperability software technologies and products include application level inter-operability protocols between Java, Common Object Request Broker Architecture (CORBA) and Microsoft Windows based systems. These products include a Java / Microsoft Component Object Model connector (J-Integra for COM), a Java / Microsoft Exchange connector (J-Integra for Exchange), a Java / .NET connector based on the Microsoft .NET Remoting protocol (J-Integra for .NET) and a Java or CORBA / .NET connector based on a Microsoft .NET implementation of the Internet Inter-ORB Protocol (J-Integra Espresso).

These products are provided in a downloadable software format from the J-Integra Intrinsyc website. These products are marketed to end-users, independent software vendors (ISV) and OEMs. Volume run-time licensing revenue is generated once products developed using the software are commercialized. The products currently offered by the Corporation include:

- J-Integra Espresso, a set of development tools and run-time components that enable software developers to bridge Microsoft .NET to Java and CORBA technologies, deployed in the .NET environment;

- J-Integra for .NET, a set of development tools and run-time components that enable software developers to bi-directionally bridge Microsoft .NET and Java components, deployed in the Java environment;

- J-Integra for COM, a set of development tools and run-time components that enable software developers to bi-directionally bridge Microsoft Component Object Model (COM) components to Java, deployed in the Java environment; and

- J-Integra for Exchange, a set of development tools and run-time components that enable software developers to bridge Java to Microsoft Exchange, deployed in the Java environment.

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

Enterprise and mobile inter-operability engineering services usually involve the customization of the Corporation's current J-Integra Suite products for specific OEM application needs for Java and Microsoft Windows COM, .NET and Exchange based systems on the enterprise server-side, and Microsoft Windows CE, Symbian and Linux based operating system mobile devices. The Corporation provides these services in most cases only if it involves the licensing of existing Corporation technologies, or if it presents an opportunity to sell into a new strategic account or to develop new licensable technology modules.

Marketing and Sales Strategy

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

To support its sales efforts, the Corporation markets its solutions through an active set of marketing programs including attendance at industry events, trade shows alliance developer forums, through distributor referral programs, a web presence, focussed direct mail, seminars, public relations and ongoing strategic relationships with key system integrators, silicon vendors, network operations, and handset manufactures (OEM's and ODM's).

Events

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

Media and Web Presence

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

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

The Corporation targets its web presence through several portal service providers that offer vendor and solutions information to specific vertical market customers.

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

Sales

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

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

With respect to indirect sales channels, the Corporation's major objective has been to establish several points of presence in its vertical markets, both in North America and abroad. To this end, the Corporation has established channel relationships with value-added resellers (i.e. companies that can provide system integration services to their OEM customers such as Asahi Techneion in Japan), platform companies (silicon vendors and single board computer vendors such as Texas Instruments, Freescale, and Intel Corporation,) and key software developers and application service providers with specific market expertise or geographical area of operation (such as BEA Systems Inc, SAP, and IBM).

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

To date, the Corporation's revenues have been derived primarily from the United States and Europe. The Corporation intends to continue to expand its direct sales force and its web presence into Asia.

Customers

The Corporation focuses on providing mobility solutions and specialized intelligent devices to a wide variety of customers through direct distribution channels. There is no typical customer purchase in that an individual sale may consist of a single reference design or development kit of nominal value, to a full-scale engineering services agreement followed by a run-time license fee. The Corporation currently has over 1500 distinct customers with a historical range of contract values from USD$500 to USD$1,600,000.

The Corporation's historical and current customers include some of its alliance partners. Some of the Corporation's key customers based on revenue or strategic importance to the Corporation include: Microsoft Corporation, Samsung Corporation , Symbian Limited, Hand Held Products, Tiger Telematics (Gizmondo), Texas Instruments, Intel Corporation, Freescale Corporation, Siemens, GE, SAP and BEA Systems Inc.,. In fiscal 2005, Symbian Limited, Tiger Telematics (Gizmondo), and Hand Held Products accounted for 18%, 14% and 11% respectively of the Corporation's revenue.

Industry Partnerships

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

Competitive Conditions

Competitors

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

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

- Companies that provide system integration services for Microsoft Windows Mobile and CE, such as BSquare Corporation, and Teleca AB;

- Companies with interoperability solutions such as Borland Software Corp.; and

- Companies with in-house capabilities to build mobile software solutions.

Some of the Corporation’s current and potential competitors, alone or together with their trade associations and partners, have greater financial, technical, marketing, service and other resources, as well as greater name recognition, broader product offerings, and longer operating histories.

The Corporation’s industry involves rapidly changing technology, frequent new product introductions and evolving standards and protocols. To maintain or improve the Corporation’s competitive position, it must continue to develop and introduce, on a timely and cost-effective basis, new products and services.

The principal competitive factors that affect the market for the Corporation’s products are:

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

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

- price of the Corporation’s products; and

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

The Corporation’s competitive strength is derived mainly from the expertise and specialized knowledge of its engineering resources, its history with its customers and the quality and performance of its software products . The Corporation seeks to maintain its competitive strength through its continuous research and development programs as well as by capturing dominant customers in the mobility and interoperability vertical markets.

<u>Barriers to Entry</u>

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

Research and Development Activities

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

With regard to new products, the Corporation has taken on major development of a client based product via it Mobile Software Products (MSP) business unit in Bellevue, Washington USA relating to delivering a software “stack” for mobile handsets targeting OEMs and ODMs.

Proprietary Feature Phone Software Stack

Polaris is the codename for a proprietary set of feature phone targeted software extensions for the Microsoft Windows CE operating system and tool chain under development at the Corporation's Mobile Software Products unit. The Corporation is applying the Microsoft Platform Builder and Visual Studio development tools to handset development and plans to enable use of these tools for teams internal to the device maker as well as the extended set of vendors and programming resources currently working with feature phones. In addition, MSP is working with silicon vendors to ensure that handsets with an optimized bill-of-materials are matched with the upcoming Intrinsyc product offerings.

Other Development activities are as follows:

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

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

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

- Continue packaging J-Integra for new implementations and continued customization for large OEM and independent software vendor opportunities.

Intellectual Property

The Corporation has applied for registration in Canada, and the United States and the European Union of the trademark "Intrinsyc". The Canadian and US trademarks have been issued. The European Union application for this trademark was published in the Community Trademark Bulletin dated July 25, 2005 and was not opposed. Accordingly it is expected that the European Union application for registration of the "Intrinsyc" trademark will be approved by December 2005.

The Corporation currently has four utility and three design patent applications approved or under consideration with the US Patent and Trademark Office, the Canadian Patent and Trademark Office and/or the European Patent Office. The Corporation attempts to protect its proprietary rights by requiring each employee, prior to commencing employment with the Corporation, to enter into an agreement with the Corporation which provides, among other things, that during employment and for a period not less than one year subsequent to the termination of employment, the employee is prohibited from competing with the Corporation, and is prohibited from disclosing confidential information to third parties for an indefinite period. These agreements also provide that the employee shall assign to the Corporation all intellectual property rights in any work undertaken by the employee. See "Risk Factors".

While the Corporation's competitive position may be affected by its ability to protect its proprietary information, the Corporation believes that because of the rapid pace of technical change in the industry, factors such as the technical expertise, knowledge and innovative skill of the Corporation's management and technical personnel and its ability to rapidly develop, produce, enhance and market its software and hardware products may be more significant than formal intellectual property protection measures in maintaining the Corporation's competitive position. Nonetheless, the Corporation has invested in ongoing patent and trademark protection and continues to review opportunities to protect intellectual property protection on an ongoing basis.

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

Cycles

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

Economic Dependence & Changes to Contracts

The Corporation's various major customer engagements are described above under "Industry Partnerships" and "Significant Customers". In fiscal 2005, Symbian Limited, Tiger Telematics (Gizmondo), and Hand Held Products accounted for 18%, 14% and 11% respectively of the Corporation's revenue, while no other customer engagement accounted for more than 10% of revenues. The Symbian contract is on a time and materials basis and is renewable by Symbian Limited every six months. Each of the other customer relationships involves annual (or more frequent) re-negotiation of the value and amount of products and services provided by the Corporation, and other than future payments for per-use or per-unit software royalties, may be subject to cancellation or discontinuation by these customers. See "Risk Factors".

Employees

As of the end of the 2005 fiscal year, the Corporation employed 155 full-time personnel and 12 contractors. Of these, 113 were engaged in research, development, services engagements and customer support activities, 13 in sales and marketing and 24 in finance and administration.

Foreign Operations

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

Lending

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

Risk Factors

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

Ability to Meet the Obligations of Outstanding Debentures

The Corporation has outstanding secured debentures in the amount of $8.0 million maturing on October 3, 2007. The debentures have an annual interest rate of 12.5% with monthly payments of interest only until maturity, and are secured by a charge over all of the assets of Intrinsyc and its subsidiaries. Under the terms of the debentures, the Corporation must maintain a minimum cash balance of $2 million and tangible net assets in excess of $500,000. In the event that the Corporation is not able to meets its obligations under the debenture or raise capital to repay the debenture, the debenture holder has a right to all of the assets of the Corporation.

Additional Financing

The Corporation currently operates at a loss and uses cash raised in equity markets to fund working capital. If adequate funds are not available when required or on acceptable terms, the Corporation may be required to delay, scale back or terminate its product development activities and sales and marketing efforts, and may be unable to continue operations. There can be no assurance that the Corporation will be able to obtain the additional financial resources required to compete in its markets on favourable commercial terms or at all. Any equity offering will result in dilution to the ownership interests of shareholders and may result in dilution of the value of such interests.

Research and Development

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

Major Industry Software Vendor Partners May Become Competitors

As the developer of Windows Mobile, Windows CE, Microsoft .NET and Symbian based software technologies, all of which the Corporation is reliant upon, Microsoft Corporation and Symbian Limited could add features to their operating systems and application product offerings that directly compete with the software products and services the Corporation provides. The ability of the Corporation's customers or potential customers to obtain software products and services directly from Microsoft Corporation and Symbian Limited that compete with the Corporation's software products and services could harm the Corporation's business.

History of Losses

The Corporation has a history of losses, and there can be no assurance that the Corporation's revenue will continue to grow. As at August 31, 2005, the Corporation had an accumulated deficit of approximately $31 million. The Corporation's prospects must be considered in the context of its stage of development, the risks and uncertainties it faces, and the inability of the Corporation to accurately predict its operating results and the results of product development and sales and marketing initiatives. There can be no assurance that implementation of the Corporation's strategies will result in the Corporation becoming profitable.

Stock Price Volatility

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

Dependence on Management

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

Product Development and Technological Change

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

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

Length of Sales Cycle

The typical sales cycle of the Corporation's integrated solutions is lengthy (generally between 6 and 9 months), unpredictable, and involves significant investment decisions by prospective customers, as well as education of those customers regarding the use and the benefits of the Corporation's products and services. The purchase of the Corporation's products and services is often delayed while prospective customers conduct lengthy internal reviews and obtain capital expenditure approvals. Even after deciding to purchase the Corporation's products or services, the Corporation's customers tend, in some cases, to deploy the products slowly and deliberately depending on a variety of factors, including the skill level of the customer and the status of its own technology with which the Corporation's products are to integrate. As a result, the Corporation's quarterly financial results may vary significantly.

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

The market for mobile device and inter-operability software and services is emerging and the potential size of this market and the timing of its development are not well known. As a result, the Corporation's profit potential is uncertain and the Corporation's revenue may not grow as fast as the Corporation anticipates, if at all. The Corporation is dependent upon the broad acceptance by businesses and consumers of a wide variety of mobile devices as well as supporting applications, which will depend on many factors, including:

- the development of content and applications for mobile devices;
- the willingness of large numbers of businesses and consumers to use mobile devices such as smartphones, PDAs, wireless gaming consoles, and other such specialized mobile devices such as handheld medical devices and industrial data collectors to perform functions currently carried out manually or by traditional

PCs, including inputting 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.

Competition

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

Sales and Marketing and Strategic Alliances

If the Corporation is to become successful, it must continue to expand its sales and distribution channels and its marketing and technology alliances. There is no assurance the Corporation will be able to reach agreements with additional alliance or distribution partners on a timely basis or at all, or that these partners will devote sufficient resources to advancing the Corporation's interests.

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

International Expansion of Business Operations

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

Intellectual Property Protection

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

Potential Fluctuations in Quarterly Results

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

Foreign Exchange Risk

A substantial portion of the Company’s sales are denominated in United States dollars and are made to United States-based customers. Because the Company’s operations are based in Canada and the United Kingdom, the Company is exposed to risks associated with fluctuations in the exchange rate between the United States dollar, the British Pound and the Canadian dollar. If the Canadian dollar or British Pound rise relative to the United States dollar, the Company’s operating results may be adversely impacted. The Company has now implemented a foreign exchange hedging program that effectively hedges approximately 60% - 80% of its net monthly US dollar receipts.

Management of Growth

The Corporation’s growth continues to place significant demands on its management and other resources. The Corporation’s future results of operations will depend in part on the ability of its officers and other key employees to implement and expand operational, customer support and financial control systems and to expand, train and manage its employee base. The Corporation’s future performance will also depend to a significant extent on its ability to identify, attract, train and retain highly skilled sales, technical, marketing and management personnel.

Acquisitions

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

Product Liability

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

Third Party Manufacturing

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

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

The Corporation does not typically have supply agreements with its manufacturers and instead obtains manufacturing services on a purchase-order basis. The Corporation's manufacturers typically have no obligation to supply the Corporation with any specific product, in any specific quantity or at any specific price. If the Corporation's manufacturers were to become unable or unwilling to continue to manufacture its products in required volumes, at acceptable quality, yields and costs, or in a timely manner, the Corporation's business might be harmed to the degree that its revenues are dependent on the sale of these reference designs. As a result, the Corporation would have to attempt to identify and qualify substitute manufacturers for its current manufacturers, which could be time consuming and difficult, and might result in unforeseen manufacturing and operations problems.

Component Suppliers

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

Shareholders' Rights Plan

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

ITEM 4: DIVIDEND POLICY

The Corporation has not paid any cash dividends on its common shares to date. The Corporation currently intends to retain any future earnings to finance the growth and development of the business and, therefore, the Corporation does not anticipate paying cash dividends at this time.

ITEM 5: DESCRIPTION OF CAPITAL STRUCTURE

Authorized and Issued Share Capital

The Corporation's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares. As at August 31, 2005, the Corporation's issued share capital consisted of 56,233,718 common shares. The Corporation has no issued and outstanding preferred shares. In addition, as of August 31, 2005 the Corporation has outstanding warrants to purchase an aggregate of 100,000 common shares at a price of $3.20, and stock options to purchase an aggregate of 4,732,973 common shares at prices ranging from $0.49 per share to $3.21 per share granted under the Corporation's Incentive Stock Option Plan. To the extent that outstanding options or warrants are exercised, dilution to the interests of the Corporation's shareholders will occur.

Share Rights

Common Shares

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

Preference Shares

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

Stock Option Plan

Under the terms of the Corporation's employee stock option plan, the Board of Directors may grant options to employees, officers and directors. The plan provides for the granting of options at the closing price of the Company's stock prior to the grant date. Options granted on or after May 11, 1999 and before April 5, 2001 generally vest over three years with the first 1/3 vesting at the first anniversary date of the grant and the balance vesting in equal amounts at the end of each quarter thereafter. The Company determines the term of each option at the time it is granted, with options generally having a five year term. The Company has reserved 11,095,774 options for issuance under its employee share option plan, a total of 4,095,774 options have been exercised to date leaving a total of 7,000,000 options available for issuance of which 4,732,973 have been granted and are outstanding as at August 31, 2005.

Shareholder Rights Plan

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

ITEM 6: MARKET FOR SECURITIES OF THE CORPORATION

Trading Price and Volume

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

Month in fiscal 2005	**Trading Price (Monthly Average)**	**Trading Volume (Monthly Average)**
September	**$0.53**	**25,238**
October	**$0.53**	**109,945**
November	**$0.59**	**106,454**
December	**$0.93**	**160.804**
January	**$1.02**	**116,040**
February	**$0.94**	**66,505**
March	**$0.93**	**59,286**
April	**$0.75**	**51,271**
May	**$0.84**	**38,842**
June	**$0.75**	**41,795**
July	**$0.68**	**34,960**
August	**$0.62**	**30,950**

ITEM 7: DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The table set forth below lists the directors and executive officers of the Corporation as at August 31, 2005, indicating their names, municipalities of residence, their respective positions and offices held with the Corporation, their principal occupation within the five preceding years and their length of service to the Corporation.

Name, Place of Residence and Position with Corporation(1)	Present and Principal Occupationduring the last five years(5)	Date of Appointment as Director
Derek W. Spratt British Columbia, Canada CEO, Director	Various positions in the Corporation including: Chief Executive Officer of the Corporation from April 14, 2003 to present; President of the Corporation from April 14, 2003 to June 14, 2004; President and CEO of the Corporation from November 7, 1996 to September 6, 2001.	April 18, 1996
Vincent P. Schiralli British Columbia, Canada President and COO Director	President and Chief Operating Officer of the Corporation from Aug. 5, 2003 to present; President of Vinsuvius International, Inc. (an information technology consulting company) Sept. 2002 to present; CEO of Qobra Systems Inc. (a technology and internet service provider company) from Feb. 2002 to Sept. 2002; COO Rodin Communications Inc. (a telecommunications company) from Sept. 2000 to April. 2001.	April 14, 2003
Robert J. Gayton(2) (4) Ph.D, FCA British Columbia, Canada Director	Business Consultant from 1990 to present; Vice President, Finance/Chief Financial Officer of Western Silver Corporation from October 1995 to January 1, 2004; January 1, 2004 to present; Director and Audit Committee Member of Western Silver Corporation; Currently Director and Audit Committee Member of several public companies.	February 23, 1995
George A. Duguay(2)(3) Ontario, Canada Director	President of G. Duguay Services Inc. from 1988 to present (a financial services company); Director of Genesis Microchip Inc. since May 1993 to November 2004; Officer of several public companies; Mr. Duguay is a Certified General Accountant and an associate of the Institute of Chartered Secretaries.	April 14, 2003
Geoffrey S. Belsher(4) Illinois, USA Director	Partner, Blake, Cassels & Graydon (U.S.) LLP (law firm) and Blake, Cassels & Graydon LLP (law firm).	December 16, 2003
Glenda M. Dorchak(3)(4) California, USA Director	VP & GM Consumer Electronics Group, Intel Corporation (semiconductor manufacturer) from Feb. 2002 to present; VP & COO Intel Communications Group, March 2001 to February 2002; Chairman and CEO Value America Inc. (an online retailer) from November 1999 to November 2000; President of Value America from September 1998 to November 1999.	March 16, 2004

William K. Bryant(2)(3) Washington, USA Director	Managing Director, Envision Ventures LLC (venture capital fund) from January 2003 to present; Partner, Atlas Ventures LP (venture capital fund) from March 2001 to December 2002; Chairman of Qpass Inc. (mobile billing system supplier) from June 1998 to March 2001.	March 15, 2004
Andrew Morden British Columbia, Canada Chief Financial Officer	CFO of the Corporation from September, 2004 to present; CFO of Digital Dispatch Systems Inc. (a wireless mobile data technology company) from November, 2003 to September, 2004; Vice-President of Financial Planning and Systems of Intrawest Corporation from July, 1999 to November, 2003.	N/A
David Manuel British Columbia, Canada Vice-President, Mobile and Embedded Solutions	Vice-President, Mobile and Embedded Solutions for the Corporation from July, 1999 to present;.	N/A
Randy Kath Washington, USA Vice-President, Mobile Software Products	Vice-President of Mobile Software Products and previously Director, Mobile Software Products from May 2004 to the present; General Manager Microsoft Embedded Platform Group from January 2000 to August 2000.	N/A

Note:

(1) Currently the position of Chairman is vacant and during this period Mr. Gayton is the Lead Independent Director.
(2) Member, Audit Committee.
(3) Member, Compensation Committee.
(4) Member, Governance Committee.

Each director is elected at the Corporation's annual meeting of shareholders to serve until the next annual meeting or until a successor is elected or appointed, unless such director resigns or is removed earlier. To the knowledge of the Corporation, the directors and senior officers as a group, beneficially own, directly or indirectly, or exercise control or direction over 1,065,042 common shares (not including an aggregate 2,345,833 common shares issuable upon the exercise of stock options) representing as at August 31, 2005 approximately 2% of the issued and outstanding common shares**.**

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

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

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

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

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

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

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

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

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

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

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

ITEM 8: LEGAL PROCEEDINGS

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

ITEM 9: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

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

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

ITEM 10: TRANSFER AGENT AND REGISTRAR

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

ITEM 11: MATERIAL CONTRACTS

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

(a) On October 8, 2005, the Corporation closed an $8.0 million financing with Wellington Financial Fund II by way of secured debentures maturing on October 3, 2007. Please refer to the information provided under the headings *"Item 2: General Development of the Business" – "The Current Fiscal Year – 2006"* and "*Risk Factors" – "Ability to Meet the Obligations of Outstanding Debentures"* for particulars of the financing.

(b) Intrinsyc entered into a Lease Agreement with Pacific Centre Leaseholds Limited on April 28, 1999 with respect to its premises at 700 West Pender Street, Vancouver, B.C. The Lease Agreement has been amended from time to time in respect of Intrinsyc's occupation of space additional to that contemplated by the original agreement. The Corporation's total annual obligations under the lease are $565,000 and the Lease Agreement expires on August 31, 2010.

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

Pursuant to agreements under the Government of Canada's TPC program, the Corporation was eligible to receive conditionally repayable research and development funding amounting up to $5,415,648 to support the development of embedded devices and wired and wireless internet-enabled network connectivity. During the year ended August 31, 2004, the Corporation claimed $603,074, which was recorded as a reduction of expenses. The amount recorded was net of $184,247 representing a 15% commission that was paid to a consultant for services performed in securing the funding. Under the terms of the agreements, an amount up to a maximum of $13,278,000 was to be repaid by royalties on annual sales, in excess of certain revenue thresholds of specified products, commencing in 2003 through to 2011. The TPC funding agreements expired on March 31, 2004 and all claims up to that date, in the net amount of $3,187,167, were completed and filed.

During the year ended August 31, 2004, the Corporation was notified that, as part of an ongoing audit of the Corporation's TPC program, payment of claims totalling $947,374 (recorded as other receivables as at August 31, 2004) would be withheld, as permitted in the funding contract.

As a result of the audits, on August 25, 2004 the Corporation reached a settlement with the Government of Canada on a specific matter related to the use of an outside consultant and related commissions. As a result, the Corporation made a payment of $568,268 to the Government of Canada. This figure represented 15% of amounts claimed from the inception of the funding agreement to April 1, 2004. The Corporation also settled with the consultant who had provided services related to the TPC filings, accordingly, total commissions of $184,247 that were previously charged against TPC funding (but not paid) to the consultant in the year ended August 31, 2004 were reversed. All claims between the Corporation and the consultant have been settled.

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

During the year ended August 31, 2005, the Corporation determined that it had received an overpayment from TPC of $22,063 and accordingly recorded a liability for this amount. In addition, the Corporation paid royalties of $5,278 during the year ended August 31, 2005 [2004 - $nil] and accrued a further $225,000 in royalties.

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

	2005 $	**2004** $
Amounts claimed under under the TPC program, net of commissions	**-**	(603,074)
Payment to the Government of Canada for settlement on audit	**-**	568,268
Reversal of commissions previously charged	-	(184,247)
Payment received from the Government of Canada, under the TPC program	**(37,689)**	**-**
Overpayment received and payable to the Government of Canada, under the TPC program	**22,063**	**-**
Royalties paid to the Government of Canada, under the TPC program	**5,278**	**-**
Accrued royalties payable to the Government of Canada, under the TPC program	**225,000**	**-**
	214,652	(219,053)

The ongoing audits of the TPC program are complete and the Corporation is currently reviewing the results of the audit and negotiating an extension of its TPC agreement. If the extension is granted by TPC and the Corporation accepts the extension, the Corporation will be required to pay approximately $387,000 and the original terms and conditions will be amended. If the Corporation does not accept the extension, the Corporation is not obligated to pay $387,000. The outcome of these negotiations is not known or determinable at this time. If the Corporation is found to be in default of its agreement with TPC, TPC can suspend or terminate any obligation and it can demand repayment of all or part of the contributions disbursed to the Corporation. To date the Corporation has received approximately $3.8 million in contributions and paid approximately $5,000 in royalties.

ITEM 12: AUDIT COMMITTEE

1. Charter

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

2. Composition of the Audit Committee

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

3. Relevant Education and Experience

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

4. Relevant Education and Experience

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

Name and Position	Business Experience and Professional Qualifications of Audit Committee Members
Robert J. Gayton, Audit Committee Chair	Robert Gayton holds a Ph.D. from the University of California, Berkeley, in Accounting, Finance and Business and qualified as a Chartered Accountant in 1964. Dr. Gayton articled with Peat Marwick from 1962 to 1964 and taught accounting at the University of British Columbia and the University of California, Berkeley from 1965 to 1974. Dr. Gayton joined Peat Marwick in Toronto to head up training and after being made partner and establishing firm wide training, he entered the audit practice. He remained with Peat Marwick for 13 years, eight as an audit partner. In 1967 Dr. Gayton joined a client company in the capacity of Chief Financial Officer and over the past 17 years has held this position with a number of public companies. He has also been a member of the Board and Audit Committee Chair of numerous public companies.
George Duguay Audit Committee Member	Mr. Duguay is a member of the Certified General Accountants Association (C.G.A.), an Associate of the Institute of Chartered Secretaries (A.C.I.S.) and a Professional Administrator (P.Admin). In addition Mr. Duguay also completed the Canadian Securities Course. Mr. Duguay is an officer of other public companies, in addition to having been a director and member of the audit committee of another public company
William K. Bryant, Audit Committee Member	Mr. Bryant obtained a Bachelor of Arts degree in European History and Business and holds an MBA with a concentration in Business Strategy. Mr. Bryant has also taken over three years of coursework toward a Ph.D. in Business Strategy at the University of Washington. He also holds a Ph.C. diploma (Doctoral Candidate). Mr. Bryant has served on the Board of Directors and has been a member of Audit committees for numerous public companies.

5. External Auditor Service Fees

Audit Fees

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

Fiscal 2004	Fiscal 2005
$61,024	$65,500

Audit-Related Fees

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

Fiscal 2004	Fiscal 2005
$27,935	$35,105

The nature of the services comprising these fees included quarterly review engagements.

Tax Fees

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

Fiscal 2004	Fiscal 2005
$22,258	$13,870

The nature of the services comprising these fees included preparation of tax returns and tax disclosure.

All Other Fees

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

Fiscal 2004	Fiscal 2005
$4,711	$29,200

The nature of the services comprising these fees was consulting services.

ITEM 13: ADDITIONAL INFORMATION

Additional information concerning the Corporation may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness to the Corporation, principal holders of the securities of the Corporation, options to purchase securities and interests of insiders in material transactions, is contained in the Corporation's Management Proxy Circular dated November 15, 2005 (the "Proxy Circular") and filed on SEDAR. Additional financial information is provided in the Corporation's audited consolidated financial statements for the year ended August 31, 2005 (the "Audited Consolidated Financial Statements"). Management's Discussion and

Analysis of Financial Conditions and Results of Operations (the "MD&A") is set out on pages six to fourteen of the Corporation's 2005 Annual Report. The Audited Consolidated Financial Statements and MD&A were filed on SEDAR on November 18, 2005.

ITEM 14: GLOSSARY

BSP	Board Support Package.
CDMA	Code Division Multiple Access. Digital cellular communications standard.
CETK	Microsoft Windows CE Test Kit.
COM……………………	Component Object Model, a model for binary code developed by Microsoft. The COM enables programmers to develop objects that can be accessed by any COM-compliant application. OLE is based on COM.
DirectX...............................	A Microsoft proprietary application programming interface for multimedia.
DLL....................................	Dynamic Link Library, a software component that can be added as a subroutine or function into a program dynamically.
Embedded system	A microprocessor-based system that is incorporated into a larger device and is dedicated to responding to external events by performing specific tasks. Examples of such devices include antilock brakes, video game systems, fax machines and industrial robots.
GPRS	General Packet Radio Service
GSM...................................	Global Systems for Mobile communications. Digital cellular communications standard.
IDE.....................................	Integrated Development Environment. Software Tools for development of software code.
ISV	Independent Software Vendor.
Java	A high-level operating system using independent programming language developed by Sun Microsystems, designed for handheld devices and set-top boxes.
JVM	Java Virtual Machine.
Linux..................................	A freely distributable implementation of UNIX that runs on a number of hardware platforms, including those of Intel and Motorola.

OEM..................................	Original equipment manufacturer. A company that manufactures and sells products based on original designs through a variety of distribution channels for either consumer or industrial consumption.
PDA	Personal Digital Assistant.
SD	Secure Digital. Peripheral interface for portable devices.
SDK	Software Development Kit.
Windows Mobile/CE	Microsoft mobile and embedded operating systems used in low cost devices that are less complex than Windows XP® desktop PC based systems.
XML..................................	eXtensible Markup Language, an enhancement to basic HTML (HyperText Markup Language), which is the basic communication protocol for Internet web servers and web browsers.

Schedule A

AUDIT COMMITTEE CHARTER

1. Purpose

The purpose of the Audit Committee is to:

(a) assist the Board in its oversight of:

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

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

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

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

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

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

2. Composition

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

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

3. Qualifications and Experience

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

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

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

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

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

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

(v) an understanding of audit committee functions.

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

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

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

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

(iv) other relevant experience.

4. Member Appointment and Removal

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

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

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

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

5. Mandate and Responsibilities

The Audit Committee shall:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

With respect to the Independent Auditors, the Committee shall:

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

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

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

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

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

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

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

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

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

With respect to legal compliance the Audit Committee shall:

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

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

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

6. Authority

The Audit Committee shall have the authority:

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

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

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

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

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

7. Proceedings

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

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

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

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

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

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

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

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

8. Reporting

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

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