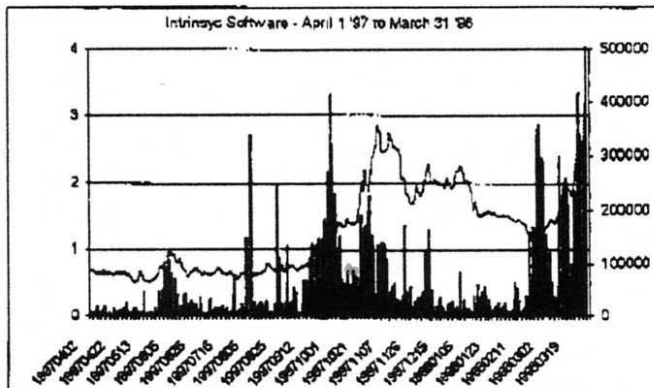


YORKTON*Internal Use Only***RESEARCH - RETAIL GROUP****MARCH 31, 1998****INDUSTRIAL / TECHNOLOGY / BIOTECHNOLOGY***John Panchuk, Equity Analyst***COMPANY UPDATE****INTRINSYC SOFTWARE****(VSE:ICS \$3.38)**

Intrinsyc Software (VSE:ICS / \$3.38 / 14.0 M s/o). Intrinsyc made several announcements today. They and my comments on these are as follows:

"Intrinsyc announces merger with Annasoft"

This is an important event for the Company. Annasoft is the leading supplier of Microsoft operating systems to the embedded software market as well as being a service provider to the industry. This merger does several things including:

- enhances access to distribution for Intrinsyc products
- provides additional internal resources to increase the capacity to provide systems integration services to clients
- provides a larger management team with significant industry experience; this allows for Management to focus more effectively (i.e. Derek Spratt can focus on business development, ...)
- creates a more diversified corporate entity that will have a higher profile within the industry
- gives the Company a bona fide U.S. presence and profile
- should help provide access to: greater capital; increased industry opportunities; M&A opportunities
- continues to take advantage of the cost advantage of employing skilled programmers in Canada

"Intrinsyc announces Integration Expert for Windows CE" // "Intrinsyc announces the launch of its Rainbow Quickstart Program"

The Company is currently at the Microsoft Windows CE Developers Conference in Chicago. These two announcements coincide with the show to announce the continued development of Intrinsyc's existing product line. Next week, there is the West Coast version of the show in San Jose, California, therefore this is a key time to make announcements and attract attention.

Following is some more information on the Company and what it does in a question and answer format:

What does Intrinsyc do?

Intrinsyc develops software tools to allow programmers to efficiently develop software applications to run on Windows CE operating systems.

What are its products?

Products include Rainbow web server software, Intrinsyc IX Development and Deployment Tools for Windows embedded systems (including components), WinFT fault tolerant software. Rainbow is server software that allows devices using the Windows CE operating system to be connected to and accessed via the Internet (i.e. can host a web site, be attached to peripherals such as cameras, ...). Intrinsyc's other two product lines allow programmers to easily create software applications using a suite of tools and to insure that devices using Windows CE are fault tolerant.

What's driving the industry?

The great reduction in the cost of powerful computer chips is making it affordable to use relatively high powered embedded computer controllers in new situations. Some of these include: cars; electronic products (VCR, stereos, video cameras, ...), control systems (for security, residential heating, ...), etc.

Microsoft sees both existing and new uses for embedded computing devices as an opportunity to do with Windows CE, what its done with DOS, Windows 3.1, 95 and NT. Therefore,

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Microsoft would like to see Windows CE being used in both emerging applications and in more traditional embedded applications.

Intrinsyc's products allow devices using Windows CE to connect to the Internet thereby being monitored and controlled from remote locations. Uses might include checking on one's residence via a the Internet; programming a VCR remotely; accessing information like maps and traffic cameras from one's car, etc.

Why is this timely?

Cheap computer chips; the need for Microsoft to find additional growing revenue streams; competition between consumer product manufacturers searching for ways to add value and differentiate their products.

How big is the industry?

Huge. The emerging portion of the industry is the mass retail product portion of the market. Embedded computing is widely used in the industrial market to control machines. These machines work on various platforms that may be better suited to the function than Windows CE therefore don't expect rapid penetration of CE into these areas; at least in the short term.

Any revenues to date?

Intrinsyc has limited revenues to date. Sales should begin in earnest this quarter. *10 million. Project 20 - 25 for 98*

Where does Intrinsyc go from here?

As I mentioned in my weekly update recently, the story is continuing to unfold. With its Rainbow server software. Intrinsyc is attempting to gain wide usage through OEM manufacturers and generate revenues on volume based on the use of Rainbow in a large number of retail products.

Future growth is expected to come from: further M&A activity; from systems integration services for clients; and from the sale of software products, systems tools and component libraries.

I expect the story line going forward to include share price appreciation to higher levels, facilitating additional financing with U.S. participation; further M&A opportunities; continued internal development of the merged entity. The goal of Intrinsyc will be to be the largest player (aside from Microsoft) in this area. Therefore, there is the potential for Intrinsyc to be acquired by someone if the Management can successfully execute its business plan.

Where does the stock go from here?

I expect continued market interest; high trading volumes with accompanying volatility and higher share prices over time. Keep in mind that the Annasoft deal has not been finalized (due diligence, ...) and that it has yet to get final approval. Also, the merged entity will have approximately 28 M shares outstanding with current revenues of C\$10 M. I believe that the market will not be too concerned with sales fundamentals at this stage given the potential for this emerging area. *Keep in mind, Intrinsyc has existing relationships with large computer products manufacturers that were previously announced.* Management is both capable and driven.

Detailed financial information relating to Annasoft has not been released therefore the profitability of the Company and for the combined entity is unknown.

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