



Suite 1050 – 1075 West Georgia Street
Vancouver, B.C., V6E 3C9
Phone (604) 801-6461 • Fax (604) 801-6417

INTRINSYC SIGNS DEFINITIVE MERGER AGREEMENT WITH ANNABOOKS SOFTWARE, LLC

August 26, 1998 – Intrinsic Software, Inc. (the “Company”), of Vancouver, British Columbia is pleased to announce that it has entered into an Arrangement and Exchange Agreement (the “Agreement”) with, among others, Annabooks Software, LLC (“Annasoft”), of San Diego, California, pursuant to which the Company will acquire, indirectly, all of the outstanding shares of Annasoft in exchange for shares of Intrinsic, Inc. (“US Co.”), a wholly-owned subsidiary of the Company incorporated in Delaware.

Immediately prior to acquiring the shares of Annasoft, the Company intends to reorganize its capital and to implement an arrangement pursuant to which, subject to shareholder and Court approval, the shareholders of the Company will exchange their shares of the Company for either shares of Common Stock of US Co. or at their election, depending on their personal Canadian tax considerations, common share equivalents of the Company that are exchangeable for shares of Common Stock of US Co. Upon completion of the transactions contemplated by the Agreement both the Company and Annasoft will become operating subsidiaries of US Co.

Annasoft’s Value to Intrinsic

Annasoft, which does business under the name Annasoft Systems, is a major distributor of Microsoft® operating systems to the embedded software market, including Windows® CE®, Windows NT®, Windows 95®/98®, MS-DOS®, Windows 3.1®, and Windows for Workgroups®. By merging with Annasoft, the Company will acquire a sales and marketing team experienced in the embedded software market and capable of marketing and selling the Company’s products and services. Although software distribution is its principal business, Annasoft also develops embedded Windows software and provides Original Equipment Manufacturers with design, development, and integration services, and publishes a line of technical books and materials on embedded software and hardware technologies.

Capital Structure of US Co.

Upon completion of the transactions contemplated by the Agreement, there will be approximately 26,500,000 shares of Common Stock of US Co. outstanding and options and warrants to acquire approximately 9,300,000 shares of Common Stock. Existing holders of shares, warrants and options of the Company will hold shares representing, and warrants and options to acquire, in aggregate approximately 67% of the Common Stock of US Co., on a fully-diluted basis, and existing holders of shares, warrants and options of Annasoft will hold shares representing, and warrants and options to acquire, in aggregate, approximately 33% of the Common Stock of US Co., on a fully-diluted basis. Approximately 3.8% of the Common Stock of US Co. held by the existing shareholders of Annasoft will be subject to cancellation if certain conditions are not met during the three years following closing of the Agreement.

Annasoft's Business Model and Financial Position

In early 1997 Annasoft invested in a strategic diversification of its business model in concert with the introduction of Windows CE by Microsoft. Annasoft, which until then had been primarily a software distributor, added software development teams to produce Windows CE specific device drivers, hardware adaptation kits, and development tools (e.g. Annasoft's Windows CE JumpStart[®] kits) to facilitate the operation of Windows CE on existing embedded PCs. Annasoft also started providing value added services to its customers, including custom software development.

Based on audited financial statements for the year ended February 28, 1998, Annasoft produced sales of US\$6,567,000 and a net loss of US\$600,000. The loss is primarily attributable to Annasoft's investment in the diversification and expansion of its business in 1997. Since the introduction of Annasoft's software products in December, 1997, Annasoft has entered into agreements with seventeen embedded PC manufacturers to use and promote these products and it has sold its Windows CE Jumpstart kits to approximately ninety customers.

Shareholders will be provided with full information concerning Annasoft and the Agreement in an Information Circular, expected to be mailed during the month of September.

Private Placements

The Company and Annasoft have entered into Subscription Agreements pursuant to which they have agreed to issue securities for aggregate proceeds of \$4,865,218. The Company's portion of the offering, which is subject to regulatory approval, consists of 2,169,670 units at a price per unit of \$1.66, for proceeds of \$3,601,652. Each unit will consist of one common share and one-half of a warrant. Each whole warrant will entitle the holder to acquire one common share at a price per share of \$2.49 for a period of one year. Annasoft's portion of the offering will result in proceeds to Annasoft of approximately \$1,263,566. Completion of both private placements will occur concurrently with completion of the transactions contemplated by the Agreement and is conditional upon the transactions contemplated by the Agreement completing. Proceeds will be used for continued business expansion that includes the initiation of further corporate acquisition negotiations.

For more information, contact Intrinsyc at info@intrinsyc.com or via its new World Wide Web site at: <http://www.intrinsyc.com> or call (800) 474-7644.

On Behalf of the Board
Intrinsyc Software Inc.

Derek Spratt
President & CEO