



**INTRINSYC SOFTWARE INTERNATIONAL, INC.**

**QUARTERLY REPORT**

**First Quarter Fiscal 2008**

**For the three months ended March 31, 2008**

**CEO's Letter  
First Quarter 2008  
Intrinsyc Software International Inc.  
May 13, 2008**

Dear Fellow Shareholders:

First quarter 2008 delivered strong financial performance and marked solid progress in our plan to build a software business. First quarter revenue and gross margin dollars achieved record levels and more importantly during the quarter we signed two strategic customer contracts strengthening both our Soleus business and our Wireless Services business.

Software contributed 13% of revenues up from 10% in the prior period, with Soleus related revenues for licensing and support amounting to almost \$500,000 in revenue contribution. The Samsung agreement to license Soleus, signed in January, will enable Samsung to bundle Soleus software with their silicon solution to be sold as a bundle to their customers. Their lead customer development is well underway and the project is on track. There are six total Soleus product development efforts in process and two products have completed development and are in field testing currently. While final production release is fully controlled by our customers, based on their feedback we continue to expect to see Soleus-based products begin shipping later this quarter. As you know, Soleus royalty revenues are generated when the products ship and that will mark an important milestone in the maturing of our software business.

On the Services side, the first quarter was very strong, highlighted by the signing of a new agreement with Symbian and our appointment as a Symbian Competency Center. Intrinsyc is now one of only ten worldwide Competency Centers to provide wireless services to Symbian licensees and is the largest Symbian development center in North America. Through the quarter we won wireless services engagements for software based on Linux, Symbian and Microsoft operating systems and continued to build a stronger pipeline of services engagements. While the nature of the services business is project-oriented work, which can result in fluctuations in business results, we are pleased with the progress this business is making and believe that the business will achieve or exceed historical growth levels this year.

As we transition to become a high-margin wireless handheld device software solutions business, it is essential we expand our development capabilities and technology portfolio. As a result the company stated in the first quarter that it intends to utilize the majority of proceeds of the February 2008 financing for the purposes of strategic acquisitions. Our focus will be to identify technology or capabilities that complement or enhance our Soleus business.

By leveraging the strong foundation developed over the past year, we look forward to building success and creating shareholder value by:

- Ramping the Soleus business, through current customer enabling and winning new licensees;
- Delivering Soleus software solutions to meet customer demands and expand our market opportunity;
- Continuing to execute on our strategy of corporate expansion;
- Aligning our strong wireless engineering services to support Soleus as well as generate growth in services revenues; and
- Driving the path to profitability.

Intrinsyc is committed to becoming a leading software solutions provider to the wireless industry by broadly deploying our leading edge technologies and expert wireless services. We look forward and remain excited about our prospects for the remainder of 2008.

*Glenda Dorchak*  
Chief Executive Officer and Chairman

# INTRINSYC SOFTWARE INTERNATIONAL, INC.

For the Three Months Ended March 31, 2008

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# **INTRINSYC SOFTWARE INTERNATIONAL, INC.**

## **Interim Consolidated Financial Statements**

For the three months ended  
March 31, 2008 and February 28, 2007  
*(Unaudited and expressed in US dollars)*

**INTRINSYC SOFTWARE INTERNATIONAL, INC.**  
**Consolidated Balance Sheets**  
(Expressed in U.S. dollars)

	March 31, 2008	December 31, 2007
	<i>(Unaudited)</i>	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents <i>(note 3)</i>	\$ 35,246,802	\$ 12,153,601
Accounts receivable <i>(note 4)</i>	5,458,832	3,595,124
Inventory	51,204	103,812
Prepaid expenses - current	703,136	699,247
Total current assets	41,459,974	16,551,784
Prepaid expenses	149,205	277,580
Equipment <i>(notes 5 and 13)</i>	1,472,963	1,410,663
Goodwill	13,823,389	14,314,345
Deferred strategic charges <i>(note 17)</i>	418,207	-
Intangible assets	55,381	136,874
Total assets	\$ 57,379,119	\$ 32,691,246
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,496,342	\$ 3,368,653
Taxes payable	195,089	246,243
Capital lease obligation	15,600	15,885
Deferred revenue	1,258,582	1,174,587
Total current liabilities	4,965,613	4,805,368
Long term capital lease obligation	22,502	27,442
Future income taxes	86,853	111,163
Total liabilities	5,074,968	4,943,973
Shareholders' equity		
Share capital <i>(notes 6 and 11)</i>	102,513,092	72,257,965
Warrants and underwriters' options <i>(notes 6 and 11)</i>	4,489,508	4,895,966
Contributed surplus <i>(note 12)</i>	3,520,211	3,152,145
Accumulated other comprehensive income <i>(note 7)</i>	7,399,973	9,222,949
Deficit	(65,618,633)	(61,781,752)
Total shareholders' equity	52,304,151	27,747,273
Total liabilities and shareholders' equity	\$ 57,379,119	\$ 32,691,246

Commitments and contingencies *(note 9)*

On behalf of the board:

"Glenda Dorchak"  
Director

"Robert Gayton"  
Director

*See accompanying notes to unaudited interim consolidated financial statements.*



**INTRINSYC SOFTWARE INTERNATIONAL, INC.**  
**Consolidated Statements of Operations, Loss and Deficit**  
(Unaudited and expressed in U.S. dollars)

	Three months ended	
	March 31, 2008	February 28, 2007
Revenue ( <i>note 13</i> )	\$ 5,555,535	\$ 4,317,229
Cost of sales	3,019,349	2,189,424
	2,536,186	2,127,805
Expenses		
Sales and marketing	1,828,375	1,454,362
Research and development	2,546,648	2,830,219
General and administration	1,820,975	1,209,527
Amortization ( <i>note 5</i> )	211,808	182,223
Stock-based compensation ( <i>notes 11 and 12</i> )	284,260	180,045
Technology Partnerships Canada Funding Investment ( <i>note 8</i> )	23,419	1,479
	6,715,485	5,857,855
Loss before other expense (income) and income taxes	4,179,299	3,730,050
Other expense (income)		
Foreign exchange gain	(214,493)	(149,594)
Interest income	(171,945)	(48,920)
Loss before income taxes	3,792,861	3,531,536
Income tax expense (recovery)		
Current	67,575	133,757
Future	(23,555)	(24,987)
	44,020	108,770
Loss for the period	3,836,881	3,640,306
Deficit, beginning of period	61,781,752	43,039,242
Deficit, end of period	\$ 65,618,633	\$ 46,679,548
Loss per share (basic and diluted)	\$0.03	\$0.04
Weighted average number of shares outstanding	131,128,763	83,043,369

*See accompanying notes to unaudited interim consolidated financial statements.*



**INTRINSYC SOFTWARE INTERNATIONAL, INC.**  
**Consolidated Statement of Comprehensive Loss**  
(Unaudited and expressed in U.S. dollars)

	Three months ended	
	March 31, 2008	February 28, 2007
Loss for the period	\$3,836,881	\$ 3,640,306
Other comprehensive loss:		
Unrealized losses on translating financial statements from functional currency to reporting currency	1,822,976	544,650
<b>Comprehensive loss</b>	<b>\$5,659,857</b>	<b>\$ 4,184,956</b>

*See accompanying notes to unaudited interim consolidated financial statements.*



**INTRINSYC SOFTWARE INTERNATIONAL, INC.**  
**Consolidated Statements of Cash Flows**  
(Unaudited and expressed in U.S. dollars)

	Three months ended	
	March 31, 2008	February 28, 2007
<b>OPERATING ACTIVITIES</b>		
Loss for the period	(\$ 3,836,881)	(\$ 3,640,306)
Items not involving cash		
Amortization	211,808	182,223
Future income taxes	(20,954)	(23,753)
Stock-based compensation	284,260	180,045
Changes in non-cash operating working capital		
Accounts receivable	(2,031,554)	854,366
Inventory	50,408	17,807
Prepaid expenses	93,009	20,361
Accounts payable and accrued liabilities	248,647	(228,162)
Taxes payable	(43,658)	113,994
Deferred revenue	127,049	(77,659)
Cash used in operating activities	(4,917,866)	(2,601,084)
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	(246,448)	(158,451)
Deferred strategic charges	(427,522)	-
Cash used in investing activities	(673,970)	(158,451)
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares and warrants <i>(notes 6 and 11)</i>	32,119,750	-
Share issuance costs <i>(note 6)</i>	(2,186,676)	-
Repayment of capital lease obligation	(3,822)	-
Cash provided by financing activities	29,929,252	-
Effect of exchange rate changes on cash and cash equivalents	(1,244,215)	(182,081)
Increase (decrease) in cash and cash equivalents	23,093,201	(2,941,616)
Cash and cash equivalents, beginning of period	12,153,601	8,027,823
Cash and cash equivalents, end of period <i>(note 3)</i>	\$ 35,246,802	\$ 5,086,207
<b>Supplementary information</b>		
Interest paid	-	\$ 170
Income taxes paid	\$ 99,000	-

*See accompanying notes to unaudited interim consolidated financial statements.*



**INTRINSYC SOFTWARE INTERNATIONAL, INC.**  
**Notes to Consolidated Financial Statement**  
(Unaudited and expressed in U.S. dollars)

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## **1. BASIS OF PRESENTATION**

The accompanying unaudited interim consolidated financial statements include the accounts of Intrinsic Software International, Inc. (the “Company”) and its wholly-owned subsidiaries, Intrinsic Software (USA) Inc., Linar Limited, Intrinsic Europe Limited, NMI Electronics Limited and Intrinsic Software (Barbados), Inc. The Company has eliminated all significant intercompany balances and transactions. These unaudited interim consolidated financial statements are stated in United States dollars and have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information, on the basis that the Company is a going concern which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations applied on a basis consistent with the audited consolidated financial statements as at and for the four-month period ended December 31, 2007. The unaudited interim consolidated financial statements do not include all information and footnote disclosures required for a set of annual financial statements under Canadian generally accepted accounting principles. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto as at and for the four-month period ended December 31, 2007.

The preparation of these unaudited interim consolidated financial statements and the accompanying notes requires management to make estimates and assumptions that affect the amounts reported. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) considered necessary for a fair presentation of the consolidated financial position, results of operations and cash flows for all periods presented, have been included. Interim results as at and for the three-month period ended March 31, 2008 are not necessarily indicative of the results that may be expected for the fiscal year or for any other period.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

Except for the change in reporting currency to the U.S. dollar and adoption of the new accounting standards described below, the Company applied the same accounting policies in the preparation of the interim consolidated financial statements as disclosed in Note 2 of its audited consolidated financial statements as at and for the four-month period ended December 31, 2007.

### **Change in Reporting Currency to the United States Dollar**

Effective January 1, 2008, the Company changed its reporting currency to the United States dollar (USD) from the Canadian dollar (CAD). The change in reporting currency was made to enhance comparability of the Company’s results with other publicly traded companies in the industry. The Company has retained the Canadian dollar as its functional currency.

In accordance with the Canadian Institute of Chartered Accountants (“CICA”) Emerging Issues Committee Abstract 130, the consolidated financial statements of the Company are translated into United States dollars using the current rate method.



**INTRINSYC SOFTWARE INTERNATIONAL, INC.**  
**Notes to Consolidated Financial Statement**  
(Unaudited and expressed in U.S. dollars)

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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)**

Assets and liabilities are translated at the rate of exchange prevailing at the balance sheet date. Shareholders' equity is translated at the applicable historical rates. Revenue, expense and cash flow items are translated at the exchange rate in effect on the transaction dates. Translation gains and losses are reported as a separate component of shareholders' equity titled Accumulated Other Comprehensive Income.

The financial information for all prior periods is presented in United States dollars as if the United States dollar had been used as the reporting currency during those periods.

**Changes in Accounting Policies**

Effective January 1, 2008, the Company retroactively without restatement adopted the following new accounting standards issued by the CICA.

- a) Section 3862, "Financial Instruments – Disclosures", describes the required disclosure for the assessment of the significance of financial instruments to an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. Section 3863, "Financial Instruments – Presentation", establishes standards for presentation of financial instruments and non-financial derivatives. These sections replace Section 3861, "Financial Instruments – Disclosure and Presentation".
- b) Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure requirements of the entity's objectives, policies and processes for managing capital, the quantitative data relating to what the entity regards as capital, whether the entity has complied with capital requirements, and, if it has not complied, the consequences of such non-compliance.
- c) Section 3031, "Inventories", which replaced Section 3030, "Inventories". Under the requirements of the new standard, inventories will be measured at the lower of cost and net realizable value. Cost of inventories that are not ordinarily interchangeable and goods or services produced and segregated for specific projects will be assigned by using a specific identification of their individual costs. Consistent use of either first-in, first out or weighted average cost is prescribed for other inventories and the reversal of previous write-downs to net realizable value occurs when there is a subsequent increase in the value of the inventories.
- d) The Company has adopted the additional requirements of the CICA Handbook Section 1400, "General Standards of Financial Statements". The additional requirements require management to make an assessment of the Company's ability to continue as a going concern, and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

The adoption of these standards did not have any impact on the Company's interim consolidated financial statements as at and for the three month period ended March 31, 2008. See notes 15 and 16.

**Future Accounting Changes**

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and other Intangible Assets" and Section 3450, "Research and Development Costs". The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standard for its fiscal year beginning January 1, 2009. This Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.



**INTRINSYC SOFTWARE INTERNATIONAL, INC.**  
**Notes to Consolidated Financial Statement**  
(Unaudited and expressed in U.S. dollars)

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**3. CASH AND CASH EQUIVALENTS AND OPERATING LINE OF CREDIT**

a) Cash and Cash Equivalents

	March 31, 2008	December 31, 2007
Cash	\$ 35,246,802	\$ 12,153,601
Cash equivalents	-	-
	<u>\$ 35,246,802</u>	<u>\$ 12,153,601</u>

b) Operating Line of Credit

The Company has an established operating line of credit for borrowings up to CAD \$5,000,000, bearing interest at prime rate plus 0.5%. Prime rate was 5.25% at March 31, 2008 [December 31, 2007 – 6.0%]. The line is collateralized by eligible receivables and a general security agreement over all assets of the Company. There was no borrowing outstanding against the operating line of credit as at March 31, 2008 and December 31, 2007.

**4. ACCOUNTS RECEIVABLE**

	March 31, 2008	December 31, 2007
Trade and miscellaneous receivables	\$ 5,346,364	\$ 3,576,945
Unbilled revenue	112,468	18,179
	<u>\$ 5,458,832</u>	<u>\$ 3,595,124</u>

**5. AMORTIZATION**

	Three Months Ended	
	March 31, 2008	February 28, 2007
Equipment	\$ 133,293	\$ 114,648
Intangible assets	78,515	67,575
	<u>\$ 211,808</u>	<u>\$ 182,223</u>



**INTRINSYC SOFTWARE INTERNATIONAL, INC.**  
**Notes to Consolidated Financial Statement**  
(Unaudited and expressed in U.S. dollars)

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## 6. PUBLIC OFFERING

On February 7, 2008, the Company announced that it had entered into an agreement with a group of underwriters in connection with a public offering of common shares. The offering closed on February 27, 2008 and a total of 28,600,000 shares were sold at an offering price of CAD \$1.05 per share for gross proceeds of \$30,234,204 (CAD \$30,030,000) with net proceeds of \$28,047,304 (CAD \$27,856,582) after deducting underwriters' fees and estimated expenses.

In addition, the underwriters were granted an underwriters' over-allotment option to increase the offer by up to 4,290,000 shares for a period of 30 business days following the closing of the financing. The over-allotment option expired unexercised on April 10, 2008.

## 7. ACCUMULATED OTHER COMPREHENSIVE INCOME

	March 31, 2008	December 31, 2007
Balance – beginning of period	\$ 9,222,949	\$ 7,097,801
Unrealized foreign currency translation gains (losses)	(1,822,976)	2,125,148
Balance – end of period	\$ 7,399,973	\$ 9,222,949

## 8. GOVERNMENT ASSISTANCE

Under agreements with the Government of Canada's Technology Partnerships Canada ("TPC") program, the Company was eligible to receive conditionally repayable research and development funding to support the development of embedded devices and wireless internet-enabled network connectivity. This agreement expired March 31, 2004. The Company received a total of CAD \$3.8 million in contributions during the term of the agreement. In exchange for these contributions, the Company has agreed to pay royalties on future revenue. Royalties are calculated at a rate of 3% of annual revenue over CAD \$10,000,000 until August 31, 2011. To date the Company has paid and accrued approximately CAD \$805,872 to TPC in royalties.

During the year ended August 31, 2005, the Company determined that it had received an overpayment from TPC of CAD \$22,063 and accordingly recorded a liability for this amount. The Company has received further communication from TPC dated January 18, 2008 and April 30, 2008. See note 9 - Commitments and Contingencies.



**INTRINSYC SOFTWARE INTERNATIONAL, INC.**  
**Notes to Consolidated Financial Statement**  
(Unaudited and expressed in U.S. dollars)

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**9. COMMITMENTS AND CONTINGENCIES**

- a) The Company has lease commitments for office premises and equipment with remaining terms of up to five years. In addition, the Company has a commitment to pay a royalty of USD \$15 per \$100 of licenses sold of certain software licenses to third party suppliers. In the event the cumulative royalty is less than \$150,000, the Company must pay the difference between the cumulative amount paid and the \$150,000 on November 30, 2008. As at December 31, 2007, the Company had accrued the remaining balance owing as management has determined that future sales under this agreement are unlikely. The aggregate of royalty and minimum lease payments in each of the next five years are approximately as follows:

	March 31, 2008
2008	\$ 1,075,505
2009	1,318,549
2010	1,109,684
2011	496,919
2012	241,662
	<u>\$ 4,242,319</u>

- b) The Company has received correspondence from the Industrial Technology Office (“ITO” formerly “TPC”) dated January 18, 2008 and April 30, 2008 indicating that certain amounts claimed by the Company under its contribution agreement with TPC have been disallowed and that an invoice will be issued to the Company for approximately CAD \$929,183 in addition to the already recorded CAD \$22,063 (See note 8 – Government Assistance).

The Company evaluated the correspondence dated January 18, 2008 and the original contribution agreement, and had engaged in a dialogue with the ITO in order to arrive at a final determination of eligibility of these costs under the program. The letter received from the ITO dated April 30, 2008 indicated that ITO had reviewed the Company’s arguments as to the eligibility of these costs and maintained its position that the costs outlined previously were not eligible and that an invoice as outlined above will be issued to the Company. The Company continues to believe the costs are eligible under the program and intends to continue to engage in a dialogue with the ITO to support its position, and use dispute resolution processes outlined in the contribution agreement as necessary, which may be pursued in the event that the parties are unable to reach agreement on eligibility of these costs.

As a result of receiving the April 30, 2008 letter from the ITO where after review of the Company’s position regarding these costs the ITO has maintained its own position that these costs are not eligible, the Company has determined it will continue to vigorously defend its position with the ITO, and has requested a meeting with the ITO to arrive at a resolution. The ITO has agreed to hold such a meeting and to not issue an invoice pending this meeting. At this time, the Company is unable to assess the likelihood of repayment of the requested amounts or arrive at an estimate for the quantum of any future negotiated repayments. Any amount the Company pays the ITO in excess of the accrued \$22,063 will result in an additional loss that would be recorded in the period of the determination that the amount is owed.



**INTRINSYC SOFTWARE INTERNATIONAL, INC.**  
**Notes to Consolidated Financial Statement**  
(Unaudited and expressed in U.S. dollars)

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**10. EMPLOYEE RETIREMENT SAVINGS CONTRIBUTIONS**

	Three Months Ended	
	March 31, 2008	February 28, 2007
Benefit costs	\$ 177,525	\$ 129,729

The Company matches employees' retirement savings contributions to registered pension plans as part of the employee benefits plan. The funds are transferred to the individual employees' retirement savings plans on a periodic basis. The expense is accrued throughout the year.

**11. SHARE CAPITAL**

**Authorized**

Unlimited number of common shares without par value; and  
Unlimited number of preference shares without par value.

**Issued**

	Number of common shares	Amount
Outstanding, December 31, 2007	119,693,986	\$ 72,257,965
Shares issued for cash in connection with stock options exercised	187,454	109,566
Shares issued for cash connection with warrants exercised	1,386,000	857,904
Shares issued for cash connection with compensation options exercised	1,028,213	917,701
Non cash transfer from contributed surplus of issue date fair value for options exercised ( <i>note 12</i> )	-	85,564
Non cash transfer from warrants and underwriters' options of issue date fair value for warrants exercised	-	184,512
Non cash transfer from warrants and underwriters' options of issue date fair value for compensation options exercised		52,576
Shares issued for cash in connection with public offering ( <i>note 6</i> )	28,600,000	28,047,304
Outstanding, March 31, 2008	150,895,653	\$ 102,513,092



**INTRINSYC SOFTWARE INTERNATIONAL, INC.**  
**Notes to Consolidated Financial Statement**  
(Unaudited and expressed in U.S. dollars)

**11. SHARE CAPITAL (cont'd.)**

**Share option plan**

The Company has a rolling incentive stock option plan. Under the terms of the Company's stock option plan, the Board of Directors may grant options to directors, officers, employees and service providers equal to the lower of: (i) up to 10% of issued and outstanding common shares of the Company from time to time, less one share; and, (ii) 30,000,000 shares. The plan provides for the granting of options at the closing price of the Company's stock on the day prior to the grant date. Options granted generally vest over three years with the first one-third 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. A summary of the Company's share option activity for the three months ended March 31, 2008 is as follows:

	Outstanding options	Weighted average exercise price (in Canadian dollars)
	Number of common shares	
Outstanding, December 31, 2007	9,677,500	\$ 0.81
Options granted	1,847,900	1.61
Options exercised	(187,454)	0.59
Options cancelled	(208,146)	0.86
Outstanding, March 31, 2008	11,129,800	\$ 0.94

The following table summarizes the share options outstanding at March 31, 2008:

Range of exercise price (in Canadian dollars)	Options outstanding			Options exercisable	
	Number of common shares	Weighted average remaining contractual life	Weighted average exercise price (in Canadian dollars)	Number Exercisable	Weighted average exercise price (in Canadian dollars)
\$ 0.39 – 0.74	3,420,557	3.24	\$ 0.57	1,558,420	\$ 0.53
\$ 0.75 – 0.90	2,644,115	3.51	0.82	1,197,554	0.84
\$ 0.91 – 1.80	5,065,128	2.66	1.26	1,637,271	1.13
	11,129,800	3.04	\$ 0.94	4,393,245	\$ 0.84



**INTRINSYC SOFTWARE INTERNATIONAL, INC.**  
**Notes to Consolidated Financial Statement**  
(Unaudited and expressed in U.S. dollars)

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**11. SHARE CAPITAL (cont'd.)**

**Warrants & underwriters' options**

	Number of Warrants and underwriters' options	Weighted average exercise price (in Canadian dollars)	Amount
Outstanding, December 31, 2007	21,300,140	\$ 0.93	\$ 4,895,966
Compensation options exercised and warrants continued	(1,028,213)	0.90	(52,576)
Compensation options and warrants expired	(869,357)	0.90	(169,370)
Warrants exercised	(1,386,000)	0.62	(184,512)
<b>Outstanding, March 31, 2008</b>	<b>18,016,570</b>	<b>\$ 0.95</b>	<b>\$ 4,489,508</b>

The following table provides the details of the Company's outstanding warrants and underwriters' options by type and date of issuance:

	Number of options	Exercise (in Canadian dollars)	Expiry date
Warrants issued October 3, 2005	2,284,968	\$ 0.62	October 3, 2010
Warrants issued March 30, 2006	13,398,201	\$ 1.05	March 29, 2010
Compensation options issued May 10, 2007	1,666,700	\$ 0.60	May 9, 2009
Compensation options issued June 7, 2007	152,595	\$ 0.60	June 6, 2009
Compensation warrants issued in connection with March 30, 2006 financing	514,106	\$ 1.05	March 30, 2010
<b>Outstanding, March 31, 2008</b>	<b>18,016,570</b>		

During the three months ended March 31, 2008 1,028,213 compensation options issued as part of the March 30, 2006 financing were exercised for cash proceeds of \$917,701. Each compensation option was exercised into one common share and continued the life of one half a compensation warrant. Each whole compensation warrant is exercisable into one common share at \$1.05 and expires on March 30, 2010. As a result of this exercise 514,106 whole compensation warrants remain outstanding. The balance of the previously issued compensation options and compensation warrants expired unexercised on March 30, 2008.



**INTRINSYC SOFTWARE INTERNATIONAL, INC.**  
**Notes to Consolidated Financial Statement**  
(Unaudited and expressed in U.S. dollars)

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**11. SHARE CAPITAL (cont'd.)**

The weighted average fair value of stock options granted during the three months ended March 31, 2008 was CAD \$0.32 per share (four months ended December 31, 2007 – CAD \$0.62). The fair value of each option granted was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	Three months ended March 31, 2008	Four months ended December 31, 2007
Expected life (in years)	4.0	4.0
Risk-free interest rate	3.2%	4.0%
Volatility	86.3%	86.8%
Dividend yield	0.0%	0.0%

**12. CONTRIBUTED SURPLUS**

	March 31, 2008	December 31, 2007
Balance – beginning of period	\$ 3,152,145	\$ 2,920,258
Transfer to common share capital of issue date fair value for options exercised ( <i>note 11</i> )	(85,564)	(171)
Transfer from warrants and underwriters' options for expired compensation options ( <i>note 11</i> )	169,370	-
Stock-based compensation expense	284,260	232,058
Balance – end of period	\$ 3,520,211	\$ 3,152,145



**INTRINSYC SOFTWARE INTERNATIONAL, INC.**  
**Notes to Consolidated Financial Statement**  
(Unaudited and expressed in U.S. dollars)

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**13. SEGMENTED INFORMATION**

**Operating segments**

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

**Geographic information**

Substantially all of the Company's valued goodwill and intangibles are located in Canada. The Company's equipment is located as follows:

	March 31, 2008	December 31, 2007
United States	\$ 406,560	\$ 424,829
Canada	947,466	865,735
Asia	118,937	116,775
Europe	-	3,324
	<b>\$ 1,472,963</b>	<b>\$ 1,410,663</b>

The Company earned revenues attributed to the following countries based on the location of the customer:

	Three Months Ended	
	March 31, 2008	February 28, 2007
United States	\$ 2,097,714	\$ 2,728,951
Canada	194,315	279,804
Europe	2,690,148	1,266,908
Asia	573,358	41,566
	<b>\$ 5,555,535</b>	<b>\$ 4,317,229</b>

**Significant customers**

	% of Sales Three Months Ended		% of Accounts Receivable
	March 31, 2008	February 28, 2007	March 31, 2008
Customer 1	43%	21%	47%
Customer 2	20%	-	26%
Customer 3	-%	28%	-%
Total	63%	49%	73%



**INTRINSYC SOFTWARE INTERNATIONAL, INC.**  
**Notes to Consolidated Financial Statement**  
(Unaudited and expressed in U.S. dollars)

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**14. RESTRUCTURING**

On November 7, 2007, the Company announced that it had entered into a consultation period for its engineering operations in the United Kingdom, as required under UK law, whereby the Company would propose to close the operation before the end of 2007. The consultation period was completed during the four months ended December 31, 2007. As at March 31, 2008, the Company is in the process of winding up these operations.

The following table summarizes the expenses recorded by the Company and the remaining liabilities as at March 31, 2008. The balance of \$27,555 below is included in accounts payable and accrued liabilities.

	Employee Related Costs	Loss on Disposal of Equipment	Office Related Costs	Other Costs	Total
Balance at August 31, 2007	\$ -	\$ -	\$ -	\$ -	\$ -
Charges	477,299	66,502	75,379	44,627	663,807
Settlements	204,884	66,502	67,470	18,533	357,389
Balance at December 31, 2007	272,415	-	7,909	26,094	306,418
Settlements	266,871	-	7,909	3,883	278,663
Balance at March 31, 2008	\$ 5,544	\$ -	\$ -	\$ 22,211	\$ 27,755

**15. CAPITAL DISCLOSURES**

The Company's objectives for managing capital are:

- To safeguard the Company's ability to continue as a going concern, so that it can provide adequate returns for shareholders and benefits for other stakeholders.
- To ensure sufficient liquidity to enable the internal financing of capital projects thereby facilitating its expansion.
- To maintain a strong capital base so as to maintain investor, creditor and market confidence.

The Company considers the items included as shareholders' equity except other comprehensive income as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or return capital to shareholders. The Company is not subject to externally imposed capital requirements.



**INTRINSYC SOFTWARE INTERNATIONAL, INC.**  
**Notes to Consolidated Financial Statement**  
(Unaudited and expressed in U.S. dollars)

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**16. FINANCIAL INSTRUMENTS**

a) Fair Value Disclosure

Fair value estimates are made at a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and often cannot be determined with precision.

The Company has determined that the carrying value of its short-term financial assets and liabilities approximates fair value at the quarter-end dates due to the short-term maturity of these instruments.

b) Risk Management

Disclosures relating to exposure to risks, in particular credit risk, liquidity risk, foreign currency risk, and interest rate risk are provided below.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents and accounts receivable. The Company limits its exposure to credit risk with respect to cash and cash equivalents by investing available cash in short-term deposits with Canadian financial institutions and commercial paper with a rating not less than R1. With respect to accounts receivable, the Company performs ongoing credit evaluations of its customers' financial condition and requires letters of credit or other guarantees whenever deemed necessary.

As at March 31, 2008 the Company's exposure to credit risk for these financial instruments was as follows:

	March 31, 2008	December 31, 2007
Cash and cash equivalents	\$ 35,246,802	\$ 12,153,601
Accounts receivable	5,458,832	3,595,124
	<u>\$ 40,705,634</u>	<u>\$ 15,748,725</u>

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. The contractual maturity of the majority of accounts payable is within one month. As at March 31, 2008, the Company had a high degree of liquidity with \$35,246,802 in cash and cash equivalents in addition to \$5,000,000 of available credit facilities. Cash equivalents can generally be redeemed on demand.



**INTRINSYC SOFTWARE INTERNATIONAL, INC.**  
**Notes to Consolidated Financial Statement**  
(Unaudited and expressed in U.S. dollars)

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## **16. FINANCIAL INSTRUMENTS (cont'd)**

### Foreign Currency Risk

Although substantially all of the Company's revenues are earned in US dollars, the Company incurs operating costs and has outstanding indebtedness denominated in Canadian dollars as well as a number of foreign currencies. The Company incurs certain research and development expenses in the United States. Fluctuations in the exchange rates between these currencies could have a material effect on the business, financial condition and results of operations. The Company attempts to mitigate this risk by denominating many of its payment obligations in US dollars. A 10% change in the US to Canadian dollar exchange rate on the March 31, 2008 balances would have an approximate \$558,000 impact on net income. The Company may purchase foreign exchange forward contracts to hedge sales to customers and expenditures expected to occur in the near future in US dollars. The purpose of the Company's hedging activities is to reduce the level of exposure to exchange rate movements. As at March 31, 2008 and as at December 31, 2007 the Company did not have any outstanding foreign exchange contracts nor did the Company enter into any foreign exchange contracts during the respective periods then ended.

A 10% strengthening or weakening of the Canadian dollar against the US dollar would also impact the translation of the reporting currency balance sheet values with an offsetting translation adjustment of approximately \$5.2 million to other comprehensive income.

### Interest Rate Risk

The Company's exposure to interest rate fluctuations is primarily interest earned on its cash and cash equivalents. The Company has performed sensitivity analysis on interest rate risk at March 31, 2008 to determine how a change in interest rates would impact equity and net earnings. During the three months ended March 31, 2008, the Company earned \$171,945 of interest income on its cash and cash equivalents. An increase or decrease of 100 basis points in the average interest rate earned during the quarter would have increased or decreased equity and net earnings by approximately \$59,000. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

## **17. DEFERRED STRATEGIC CHARGES**

Deferred strategic charges consist of professional fees and expenses associated with investigating a potential corporate transaction. The Company is currently involved in negotiations and believes that it is more likely than not that a transaction may result, however no assurance can be provided that any transaction will ultimately result with respect to these charges. If the transaction is successful these costs will be included in the acquisition cost of any acquired business. If the transaction is unsuccessful these costs will be expensed in the period the transaction is abandoned.



**INTRINSYC SOFTWARE INTERNATIONAL, INC.**  
**Notes to Consolidated Financial Statement**  
(Unaudited and expressed in U.S. dollars)

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**18. COMPARATIVE FIGURES**

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current period's consolidated financial statements.



# **INTRINSYC SOFTWARE INTERNATIONAL, INC.**

## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **For the Three Month Period ended March 31, 2008**

The following Management's Discussion and Analysis of Financial Condition and Results of Operations, as of May 13, 2008, ("MD&A") should be read in conjunction with the unaudited interim consolidated financial statements of Intrinsyc Software International, Inc. ("Intrinsyc" or the "Company") as at and for the three-month period ended March 31, 2008 and the audited consolidated financial statements as at and for the four-month period ended December 31, 2007, prepared in accordance with Canadian generally accepted accounting principles.

On September 1, 2007, the Company changed its fiscal year-end from August 31 to December 31. The current fiscal period ended March 31, 2008 consists of operations as at and for the three-month period then ended. Comparative figures are as at and for the three-month period ended February 28, 2007.

All amounts are presented in United States dollars unless otherwise noted. All referenced materials as well as additional information and disclosures regarding the Company, including the Annual Information Form ("AIF") for the four-month period ended December 31, 2007, are available at [www.sedar.com](http://www.sedar.com).

#### **Forward-Looking Statements**

The following MD&A may contain certain information of a forward-looking nature. Such information may include estimates, projections or statements relating to the Company's business plans, objectives and expected operating results. These statements generally are identified by words such as "expects," "anticipates," "believes," "intends," "estimates," "predicts," "potential," "targeted," "plans," "possible" and similar expressions, or statements that events, conditions or results "will," "may," "could" or "should" occur or be achieved. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of these and other risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in the section entitled "Risks and Uncertainties". The Company disclaims any intent or obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

#### **Overview**

Intrinsyc provides wireless software solutions that enable next-generation handheld products, including mobile handsets, smartphones and converged devices. The Company's software products and engineering services help device makers, service providers and silicon providers deliver wireless products with faster time-to-market and improved development cost. Intrinsyc is the licensor of the Soleus software platform based on Windows® Embedded CE for consumer handset development. Intrinsyc is a Microsoft® Windows® Embedded Gold Partner, the 2007 Windows Embedded Excellence Award winner for System Integrator, and a Symbian Platinum Partner.

The Company was incorporated under the laws of Alberta on August 31, 1992 under the name I.T.C. Microcomponents Inc. and continued under the laws of British Columbia on July 19, 1995. The Company changed its name to Intrinsyc Software, Inc. on June 16, 1997. Articles of Continuance were filed under the Canada Business Corporations Act on May 1, 2003 to continue the Company federally and change the name of the Company from Intrinsyc Software, Inc. to Intrinsyc Software International, Inc. The Company's principal business office is 10<sup>th</sup> Floor, 700 West Pender Street, Vancouver, British Columbia, V6C 1G8, telephone (604) 801-6461, fax (604) 801-6417 and its registered office is Suite 2600, Three Bentall Centre, 595 Burrard Street, Vancouver, British Columbia, V7X 1L3. The Company is listed on the Toronto Stock Exchange (TSX) under the trading symbol ICS.



Effective January 1, 2008, the Company changed its reporting currency to the United States dollar (USD) from the Canadian dollar (CAD). The change in reporting currency was made to enhance comparability of the Company's results with other publicly traded companies in the industry. The Company has retained the Canadian dollar as its functional currency.

The consolidated financial statements of the Company are translated into United States dollars using the current rate method. Assets and liabilities are translated at the rate of exchange prevailing at the balance sheet date. Shareholders' equity is translated at the applicable historical rate. Revenue, expense, and cash flow items are translated at the exchange rate in effect on the transaction dates. Translation gains and losses are reported as a separate component of shareholders' equity titled, Accumulated Other Comprehensive Income.

The financial information for all prior periods is presented in United States dollars as if the United States dollar had been used as the reporting currency during those periods.

### **Corporate Summary**

The Company is a wireless software solutions company offering proprietary software products on a licensed basis and providing systems integration services for the rapidly growing market of wireless handheld products, which includes consumer mobile handsets, personal navigation devices, smartphones and other consumer converged devices. The Company is comprised of two main businesses, the wireless software business and the wireless systems engineering business.

Intrinsyc's wireless systems engineering business, which is currently the largest single source of the Company's revenue, began as a general engineering service business but has recently focused specifically on wireless engineering services. The wireless software division is responsible for the development of the Company's licensable Soleus software product for wireless and handheld devices. The wireless software business released its first product to market in December 2006. These products and services are sold to original equipment manufacturers (OEMs), original device manufacturers (ODMs), software and silicon providers and telecommunications service providers who deploy wireless products and services such as consumer mobile handsets. The Company's software products and engineering services generate value for their customers by simplifying complex wireless technology development, thereby allowing increased flexibility in design, which in turn enables a more rapid response to the demand for new features or services from end users. The Company has strategically positioned its product and service offerings to capitalize on the anticipated convergence of four industries: telecommunications; computing; entertainment; and consumer electronics related to mobility products and services. Intrinsyc believes these trends will result in increased demand for its products and services. Management believes that the Company's products, such as Soleus and its systems integration services, are key enablers in delivering new consumer handheld products including mobile handsets, smart phones and converged devices.

Intrinsyc markets its products and services through a worldwide sales and business development team based in offices located in Canada, the United States and Taiwan. Management believes that the recent expansion of regional sales operations to Taiwan and the United States will allow the Company to reach key markets and prospective customers that will accelerate revenue growth. In 2007, the Company also implemented a strategy to partner with leading silicon vendors in order to create an initial installed base of the Soleus software platform on their computer chipsets enabling prospective OEMs to test and evaluate Soleus more easily. Management believes these strategic alliances will assist both the silicon vendor and the Company to present an integrated handheld platform solution, which in turn will strengthen the market position of Soleus with leading handset OEMs around the world.



## Significant Events for First Quarter 2008

### *Financial Highlights*

- Revenue growth of 29% over the comparative three-month period ended February 28, 2007.
- Execution of an equity financing for gross proceeds of \$30.2 million resulting in cash and cash equivalents of \$35.2 million as at March 31, 2008.

### *Customer Highlights*

- Entered into a licensing agreement with Samsung Semiconductor System LSI division for the Company's Soleus software platform product offering.

### *Alliance Partner Highlights*

- Entered into an agreement with Westtek LLC to adapt Westtek's file viewer application, to further strengthen the Soleus platform.

### *Marketing Highlights*

- Presented Eight Keys to Successful Consumer Handset Development at ESC China 2008 industry conference.

### *Major Management and Director Changes*

- Appointed Philip Ladouceur as a Director of the Company on January 31, 2008.
- Appointed George Reznik as Chief Financial Officer of the Company effective April 15, 2008.



## Selected Annual Information

The following table presents selected annual financial data for the Company's three most recently completed fiscal periods:

### Balance Sheets

<i>(in US\$ '000's)</i>	December 31, 2007	August 31, 2007	August 31, 2006
Cash and cash equivalents	\$12,154	\$18,585	\$20,344
Working capital	\$11,746	\$17,575	\$19,905
Total assets	\$32,691	\$37,241	\$39,317
Long term debt	-	-	\$6,892
Other long term financial liabilities	\$139	\$175	\$208
Shareholders' equity	\$27,747	\$32,612	\$27,900

### Statement of operations

<i>(in US\$ '000's, except earnings per share)</i>	Four months ended December 31, 2007	Twelve months ended August 31, 2007	Twelve months ended August 31, 2006
Revenue	\$5,260	\$17,574	\$16,264
Cost of goods sold	3,344	8,949	9,860
Gross Margin	1,916	8,625	6,404
Expenses			
Sales and marketing	2,379	5,895	3,014
Research and development	3,371	10,721	9,607
General and administration	2,178	4,656	4,713
Amortization	286	735	923
Stock-based compensation	232	596	796
Technology Partnerships Canada Funding Investment	-	265	231
Total Operating Expenses	8,446	22,868	19,284
Loss before other items and income taxes	(6,530)	(14,243)	(12,880)
Other items	759	651	1,332
Loss before income taxes	(7,289)	(14,894)	(14,212)
Income tax expense	58	279	115
Loss	(\$7,347)	(\$15,173)	(\$14,327)
Loss per share	(\$0.06)	(\$0.16)	(\$0.21)



## Selected Quarterly Information

The following table presents selected financial information for the most recently completed eight quarters of the Company:

<i>(in US\$ '000's)</i>	March 31, 2008	December 31, 2007	August 31, 2007	May 31, 2007	February 28, 2007	November 30, 2006	August 31, 2006	May 31, 2006
Cash and cash equivalents	\$35,246	\$12,154	\$18,585	\$19,997	\$5,086	\$8,028	\$20,344	\$24,002
Working capital	\$36,494	\$11,746	\$17,575	\$19,428	\$5,772	\$9,448	\$19,905	\$23,620
Total assets	\$57,379	\$32,691	\$37,241	\$38,162	\$22,738	\$27,043	\$39,317	\$42,885
Long term debt	-	-	-	-	-	-	\$6,892	\$6,838
Other long term financial liabilities	\$109	\$139	\$175	\$132	\$150	\$178	\$208	\$221
Shareholders' equity	\$52,304	\$27,747	\$32,612	\$34,293	\$19,441	\$23,445	\$27,900	\$31,894

### Statements of Operations

<i>(in US\$ '000's, except earnings per share)</i>	Three months ended March 31, 2008	Four months ended December 31, 2007	Three months ended August 31, 2007	Three months ended May 31, 2007	Three months ended February 28, 2007	Three months ended November 30, 2006	Three months ended August 31, 2006	Three months ended May 31, 2006
Revenue	\$5,556	\$5,260	\$4,288	\$4,514	\$4,317	\$4,455	\$4,395	\$3,860
Cost of goods sold	3,020	3,344	2,184	2,177	2,189	2,400	2,343	2,501
Gross Margin	2,536	1,916	2,104	2,337	2,128	2,055	2,052	1,359
Expenses								
Sales and marketing	1,828	2,379	1,727	1,531	1,454	1,182	773	791
Research and development	2,547	3,371	2,642	2,607	2,830	2,641	3,281	2,631
General and administration	1,821	2,178	1,199	1,250	1,210	997	1,291	1,066
Amortization	212	286	213	180	182	159	172	190
Stock-based compensation	284	232	154	85	180	177	141	221
Technology Partnerships Canada Funding Investment	23	-	129	135	2	-	122	108
Total Operating Expenses	6,715	8,446	6,064	5,788	5,858	5,156	5,780	5,007
Loss before other items and income taxes	(4,179)	(6,530)	(3,960)	(3,451)	(3,730)	(3,101)	(3,728)	(3,648)
Other items	(386)	759	(126)	349	(199)	627	180	449
Loss before income taxes	(3,793)	(7,289)	(3,834)	(3,800)	(3,531)	(3,728)	(3,908)	(4,097)
Income tax expense	44	58	50	70	109	51	45	41
Loss	(\$3,837)	(\$7,347)	(\$3,884)	(\$3,870)	(\$3,640)	(\$3,779)	(\$3,953)	(\$4,138)
Loss per share	(\$0.04)	(\$0.06)	(\$0.03)	(\$0.04)	(\$0.04)	(\$0.05)	(\$0.05)	(\$0.06)

### Revenue

Revenues are derived from the provision of services, as well as the licensing of software and the sale of hardware. Service revenue may be derived from software modifications, consulting, implementation, training and integration services. The services provided to a customer will be bundled, to meet the customer's specific needs. The services provided may be of a stand-alone nature, or may be part of a corresponding sale of hardware, software, or both. Additionally, the services provided may be of an on-going nature, such as for post software sales customer support services, or may be for specific consulting and software modification services. Revenue is also generated by way of licensing software products, along with providing related customer services.



Revenue for the three-month period ended March 31, 2008 increased by 29% from the three months ended February 28, 2007 due to increased revenue attributable to the Company's wireless engineering services in addition to the growth of revenues attributable to the Company's Soleus product offering during the period. Wireless engineering services continued to account for the majority of the Company's revenue for both periods. The increase in services revenue is attributable to the increased demand for system integration services related to Symbian, Linux, and Microsoft's Windows Mobile product.

	Three months ended March 31, 2008	%	Three months ended February 28, 2007	%	Four months ended December 31, 2007	%
Services revenue	\$4,277,762	77%	\$3,669,645	85%	\$4,085,059	78%
Hardware revenue	555,554	10%	259,034	6%	621,504	12%
Software revenue	722,219	13%	388,550	9%	553,008	10%
Total revenue	\$5,555,535	100%	\$4,317,229	100%	\$5,259,571	100%

Services revenue for the three months ended March 31, 2008 increased by 16% to \$4.3 million from \$3.7 million for the three months ended February 28, 2007. The increase in services revenue is attributable to increased demand for systems integration services related to Symbian, Linux, and Microsoft's Windows Mobile product.

Software revenue consists of license and maintenance revenue attributable to the Company's Soleus and Enterprise Interoperability products. Overall, software revenue accounted for \$722,219 or 13% of total revenue for the three months ended March 31, 2008 representing an increase of 86% over the three-month period ended February 28, 2007 from \$388,550 or 9% of total revenue. The majority of this increase is attributable to approximately \$200,000 of revenue recognized from the Soleus software platform in the three months ended March 31, 2008. The Company did not market its Soleus product in the three-month period ended February 28, 2007. Revenue from the Company's Enterprise Interoperability software product increased by approximately \$100,000 for the three months ended March 31, 2008 over the comparative period ended February 28, 2007.

Hardware revenue increased to \$555,554 accounting for 10% of total revenue compared to \$259,034 or 6% of total revenue for the three months ended March 31, 2008 and February 28, 2007, respectively. The increase in hardware revenue is attributable to new contracts and shipments completed during the period. As the Company plans to cease its reference design platform business in 2008, an increase in orders was encountered as customers placed orders to satisfy their expected demands. As the Company has no plans to continue investment in its reference design platform business product, future revenues from these products are expected to decline in future.

Total revenue for the three months ended March 31, 2008 increased by 6% to \$5.5 million from \$5.3 million for the four months ended December 31, 2007. Wireless engineering services continued to account for the majority of total revenue for both periods. Hardware service revenue of \$555,554 contributed approximately 10% to total revenue during the three months ended March 31, 2008 compared to \$621,504 or 12% of total revenue during the four months ended December 31, 2007. The growth in Software revenue reflects increased recognition of revenue related to the Company's Soleus software platform, as well as increased revenue from the Enterprise Interoperability product offering during the three months ended March 31, 2008 over the four months ended December 31, 2007.

To date, the Company has had a significant portion of its revenue derived from sales to its two largest customers. While the Company continues to focus its efforts on developing revenue from its Soleus software platform, it is expected that in the near-term, revenue generation will continue to be concentrated on several customers. Two customers account for the following percentage of the Company's total revenues as indicated below:

	Three months ended March 31, 2008	Three months ended February 28, 2007	Four months ended December 31, 2007
Revenue	\$3,468,586	\$2,144,227	\$2,680,886
Percentage of total revenue	63%	49%	51%



The Company earned revenues attributed to the following countries based on the location of the customer:

	Three months ended March 31, 2008	Three months ended February 28, 2007	Four months ended December 31, 2007
United States	\$2,097,714	\$2,728,951	\$2,014,985
Canada	194,315	279,804	88,464
Asia	573,358	41,566	358,954
Europe	2,690,148	1,266,908	2,797,168
	\$5,555,535	\$4,317,229	\$5,259,571

### Gross Margin

Gross margins on software licensing revenue of approximately 75% to 85% are significantly higher than the gross margins obtained on services revenue which are generally in the range of 30% to 40%. As a result, the overall gross margin was a blend of these margins that is weighted towards the services gross margin.

	Three months ended March 31, 2008	%	Three months ended February 28, 2007	%	Four months ended December 31, 2007	%
Revenues	\$5,555,535	100%	\$4,317,229	100%	\$5,259,571	100%
Cost of sales	3,019,349	54%	2,189,424	51%	3,343,591	64%
Gross Margin	\$2,536,186	46%	\$2,127,805	49%	\$1,915,980	36%

Gross margin percentage declined slightly from 49% to 46% during the three-month period ended March 31, 2008 compared with the three-month period ended February 28, 2007. During the three months ended February 28, 2007, the Company provided significant wireless engineering services for a specific customer contract completed in 2007 that accounted for the higher than traditional margins which increased overall gross margin for this period. The decline in gross margin was also due in part to the continued execution on several Soleus product related service projects with lower than traditional margins. Overall, the relative consistency of the gross margin percentage over the three-month periods ended March 31, 2008 and February 28, 2007 was due to the Company continuing to complete engagements in its wireless engineering services business.

Gross margin percentage for the three months ended March 31, 2008 increased from 36% to 46%, when compared to the four months ended December 31, 2007. The lower gross margin during the four months ended December 31, 2007 reflected, in part, the impact of a delay in signing a significant engineering services contract, coupled with the completion of the significant wireless services contract referred to previously in mid 2007.

### Operating Expenses

	Three months ended March 31, 2008	Three months ended February 28, 2007	Four months ended December 31, 2007
Total operating expenses	\$6,715,485	\$5,857,855	\$8,446,330
As a percentage of total revenue	121%	136%	161%



Total operating expenses for the Company (comprised of sales and marketing, research and development, general and administration, amortization, stock-based compensation and expenses related to TPC) for the three months ended March 31, 2008 were \$6.7 million representing an increase of 15% over the three-month period ended February 28, 2007 of \$5.9 million. As a percentage of total revenue, total operating expenses declined from 136% to 121%.

The increase in total operating expense for the three-month period ended March 31, 2008 over the three-month period ended February 28, 2007 is attributable to increased sales and marketing expenses incurred to promote the Company's new Soleus product. Lower research and development costs were incurred as Soleus's initial development was completed prior to the three months ended March 31, 2008. Additionally, higher general and administration costs were incurred, as the Company increased its support functions for its increased international operations. Increased operating expenses during the three months ended March 31, 2008 were also attributable to the weakened U.S dollar relative to the Canadian dollar by approximately 15% compared with the three months ended February 28, 2007. While most of the Company's revenue is generated in U.S dollars, the majority of the Company's operating expenses are incurred in Canadian dollars, as well as other foreign currencies. The Company has not entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations.

Total operating expenses for the three months ended March 31, 2008 were \$6.7 million representing 121% of total revenue compared to \$8.4 million or 161% of total revenue for the four months ended December 31, 2007. When the total operating expenses for the four months ended December 31, 2007 are prorated to a comparable three-month period, the total operating expenses are approximately 6% lower than the total operating expense of \$6.7 million recorded during the three months ended March 31, 2008 which is attributable to the Company increasing its support functions to support the increase in international operations.

## Sales and Marketing

	Three months ended March 31, 2008	Three months ended February 28, 2007	Four months ended December 31, 2007
Sales and marketing	\$1,828,375	\$1,454,362	\$2,379,539
As a percentage of total revenue	33%	34%	45%

The Company maintains a direct sales force, with staff in the United States, Canada, the United Kingdom and Taiwan. A centralized sales and marketing department in Vancouver, Canada supports the worldwide sales activities. Sales and marketing expense consists primarily of salaries and related personnel costs, sales commissions, consulting fees, trade show expenses, advertising costs, facilities and costs of marketing material.

Sales and marketing expense for the three months ended March 31, 2008 was \$1.8 million compared with \$1.5 million in the three-month period ended February 28, 2007. While the overall expense increased by 26% during the three-month period ended March 31, 2008, total sales and marketing expense declined from 34% to 33% of total revenue. The relative weakening of the U.S to Canadian dollar of approximately 15% in the comparative period accounted for approximately \$300,000 of the increase in sales and marketing expense in the three months ended March 31, 2008. The remainder of the increase in sales and marketing expense in the three months ended March 31, 2008 was due to higher salaries and related benefits for an increased number of sales and marketing personnel who are focused in launching the Company's Soleus product located in North America and Asia through the establishment of the Company's Taiwan office in late 2007.

Sales and marketing expense for the three months ended March 31, 2008 declined by 23% from the four months ended December 31, 2007. The decline was primarily attributable to the additional month in the comparative four-month period ended December 31, 2007. As a percentage of revenue, sales and marketing expense declined from 45% for the four months ended December 31, 2007 to 33% for the three months ended March 31, 2008.



## Research and Development

	Three months ended March 31, 2008	Three months ended February 28, 2007	Four months ended December 31, 2007
Research and development - Soleus	\$2,531,497	\$2,829,343	\$3,301,142
Other Research and development	15,151	876	69,504
Total Research and development	\$2,546,648	\$2,830,219	\$3,370,646
As a percentage of total revenue	46%	66%	64%

The Company has research and development groups located in Bellevue, Washington, Vancouver, BC and Taipei, Taiwan. Research and development expenses relate primarily to salaries and related benefit costs, as well as a portion of the Company's overall facilities costs.

Research and development expenses totaled \$2.5 million for the three months ended March 31, 2008 compared to \$2.8 million for the three months ended February 28, 2007 resulting in a decrease in research and development expenditures of 10%, primarily attributable to lower salary expense of \$900,000 due to the reduction in staff deployed in the development of Soleus as the product has now been launched in the market. The relative weakening of the U.S to Canadian dollar of approximately 15% in the comparative period partially offsets the decrease in expense by approximately \$500,000 during the three months ended March 31, 2008. In addition, the Company incurred an increase in travel expense of approximately \$46,000 during the three month-period ended March 31, 2008 over the three-month period ended February 28, 2007 due to the Company's expanded geographic operations and approximately \$70,000 in increased contract research and development activities in the current period.

Research and development expenses declined by 24% for the three months ended March 31, 2008 when compared against the four months ended December 31, 2007. Research and development expenses declined from 64% of revenue for the four months ended December 31, 2007 to 46% of revenue for the three months ended March 31, 2008. The decline was primarily due to the additional month's activities in the comparative four-month period ended December 31, 2007.

## General and Administration

	Three months ended March 31, 2008	Three months ended February 28, 2007	Four months ended December 31, 2007
General and administration	\$1,820,975	\$1,209,527	\$2,178,201
As a percentage of total revenue	33%	28%	41%

General and administration expenses include executive and administrative staff, facilities, public company costs, insurance, corporate variable compensation accruals, audit and legal fees as well as various minor administrative costs.

General and administration expenses for the three months ended March 31, 2008 were \$1.8 million, compared to \$1.2 million for the three months ended February 28, 2007 representing an increase of 51%. The relative weakening of the U.S to Canadian dollar of approximately 15% from the three months ended March 31, 2008 over the three months ended February 28, 2007 accounted for approximately \$200,000 of the increase in general and administration expenses incurred by the Company. The balance of the increase in the three-month period ended March 31, 2008 is attributable to increased salary costs of approximately \$237,000 over the three-month period ended February 28, 2007 offset by lower severance costs of \$171,000 with overall increases in travel, investor relations and consulting of approximately \$77,000, \$53,000 and \$33,000 respectively. The increased investment by the Company is to support the launch of its new Soleus product offering and the ramp up of its Taiwan operations. In addition, a bad debt expense of \$20,000 was also recorded during the three-month period ended March 31, 2008 compared to a bad debt recovery of \$100,000 during the three months ended February 28, 2007.



General and administration expenses for the three months ended March 31, 2008 declined by 16% to \$1.8 million when compared against those of the four months ended December 31, 2007 of \$2.2 million, with the decline attributable to the additional month in the comparative period. As a percentage of revenue, general and administration costs for the three months ended March 31, 2008 were 33%, compared to 41% for the four month period ended December 31, 2007.

### Other Items

	Three months ended March 31, 2008	Three months ended February 28, 2007	Four months ended December 31, 2007
Foreign exchange loss (gain)	(\$214,493)	(\$149,594)	\$290,782
Interest income	(171,945)	(48,920)	(195,969)
Restructuring	-	-	663,807
Other items	(\$386,438)	(\$198,514)	\$758,620

Other items for the three months ended March 31, 2008 totaled net other income of \$386,438, compared to net other income of \$198,514 for the three months ended February 28, 2007. Net other income during the three months ended March 31, 2008 consisted of foreign exchange gains, and interest income. Interest income was higher during the three-month period ended March 31, 2008, than the three months ended February 28, 2007, due to higher cash balances, following the completion of a financing with net proceeds of approximately \$28.0 million during the current period.

Other items for the three months ended March 31, 2008 were a net other income of \$386,438, when compared to a net other expense of \$758,620 for the four-month period ended December 31, 2007. Net other income during the three months ended March 31, 2008 consisted primarily of foreign exchange gains, and interest income. Other net expenditures for the four months ended December 31, 2007 included a restructuring charge of \$663,807 related to the closure of the Company's services operation in the United Kingdom, a foreign exchange loss of \$290,782 and interest income of \$195,969 resulting from interest earned on cash balances.

### LIQUIDITY AND CAPITAL RESOURCES

The Company finances its operations and capital expenditures through cash generated from operations and equity and debt financings. As at March 31, 2008, the Company had cash and cash equivalents totaling approximately \$35.2 million, with working capital<sup>1</sup> of \$36.4 million, as compared to cash and cash equivalents of \$12.1 million and working capital of \$11.7 million as at December 31, 2007.

Cash provided by (used in):	Three months ended March 31, 2008	Three months ended February 28, 2007	Four months ended December 31, 2007
Operating activities	(\$4,917,866)	(\$2,601,084)	(\$7,592,361)
Investing activities	(673,970)	(158,451)	(164,869)
Financing activities	29,929,252	-	120,130
Effect of exchange rate changes on cash and cash equivalents	(1,244,215)	(182,081)	1,205,646
Increase (decrease) in cash and cash equivalents	\$23,093,201	(\$2,941,616)	(\$6,431,454)

Cash used in operating activities for all comparable periods was attributable to research and development expenditures incurred for the Company's Soleus product offering in addition to sales and marketing efforts related to

<sup>(1)</sup> Working Capital is a non-generally accepted accounting principle ("GAAP") measure that does not have a standardized meaning and may not be comparable to a similar measure disclosed by other issuers. This measure does not have a comparable GAAP measure. Working capital is defined as current assets less current liabilities.



the Soleus product, and overall corporate general and administration activities. Additionally, accounts receivable increased by approximately \$2.0 million in the three months ended March 31, 2008 due to increased business activity and timing of customer receipts, which increased the cash used in operations for the three months ended March 31, 2008 accordingly.

Investing activities increased by approximately \$500,000, during the three months ended March 31, 2008 as compared to the comparable periods, as the Company incurred \$427,522 in the current period for deferred strategic charges, relating to a potential corporate transaction. The remainder of cash used in investing activities in the current period was a result of the purchase of additional capital assets particularly relating to the Taiwan office, which was opened in the fall of 2007. Investing activities in both the comparable periods related to the purchase of capital assets. Investing activities relating to the purchase of capital assets will increase in the second quarter of 2008, as the Company increases its presence in Asia, by way of an office expansion in Taipei, Taiwan.

During the three months ended March 31, 2008, the Company completed a financing. In total, 28.6 million common shares were issued at a price of CAD \$1.05 per share for gross proceeds of \$30.2 million. Share issuance costs related to the offering totaled approximately \$2.2 million. Financing activities in the current period also included cash generated from the exercising of previously issued warrants and stock options. The financing and exercise of options and warrants in the three months ended March 31, 2008 resulted in cash generated by financing activities of \$29,929,252. No such share financing was completed during the three months ended February 28, 2007, and as a result no cash was generated from financing activity during this period. Financing activity during the four-month period ended December 31, 2007 of \$120,130 related to the exercise of previously issued warrants and stock options.

The Company continues to have no bank debt, off-balance sheet financing arrangements or significant capital leases. The Company has leased facilities in Canada, Taiwan, and the United States. Minimum lease payments are as follows for the years ending December 31:

<b>Contractual Obligations</b>	<b>Total</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Operating lease obligations</b>	\$4,242,000	\$1,076,000	\$1,318,000	\$1,109,000	\$497,000	\$242,000

As at May 13, 2008, the Company had 151,004,903 common shares outstanding, 11,020,550 share options outstanding and 18,016,570 outstanding warrants and underwriters' options.

### **Government Assistance**

Under agreements with the Government of Canada's Technology Partnerships Canada ("TPC") program, the Company was eligible to receive conditionally repayable research and development funding to support the development of embedded devices and wireless internet-enabled network connectivity. This agreement expired March 31, 2004. The Company received a total of CAD \$3.8 million in contributions during the term of the agreement. In exchange for these contributions, the Company agreed to pay royalties on future revenue. Royalties are calculated at a rate of 3% of annual revenue over CAD \$10.0 million until August 31, 2011. To date, the Company has paid and accrued approximately CAD \$805,872 to TPC in royalties.

During the year ended August 31, 2005, the Company determined that it had received an overpayment from TPC of CAD \$22,063 and accordingly recorded a liability for this amount.

The Company has received correspondence from the Industrial Technology Office ("ITO" formerly "TPC") dated January 18, 2008 and April 30, 2008 indicating that certain amounts claimed by the Company under its contribution agreement with TPC have been disallowed and that an invoice will be issued to the Company for approximately CAD \$929,183 in addition to the already recorded CAD \$22,063.

The Company evaluated the correspondence dated January 18, 2008 and the original contribution agreement, and had engaged in a dialogue with the ITO in order to arrive at a final determination of eligibility of these costs under the program. The letter received from the ITO dated April 30, 2008 indicated that ITO had reviewed the Company's arguments as to the eligibility of these costs and maintained its position that the costs outlined previously were not eligible and that an invoice as outlined above will be issued to the Company. The Company continues to believe the



costs are eligible under the program and intends to continue to engage in a dialogue with the ITO to support its position, and use dispute resolution processes outlined in the contribution agreement as necessary, which may be pursued in the event that the parties are unable to reach agreement on eligibility of these costs.

As a result of receiving the April 30, 2008 letter from the ITO where after review of the Company's position regarding these costs the ITO has maintained its own position that these costs are not eligible, the Company has determined it will continue to vigorously defend its position with the ITO, and has requested a meeting with the ITO to arrive at a resolution. The ITO has agreed to hold such a meeting and to not issue an invoice pending this meeting. At this time, the Company is unable to assess the likelihood of repayment of the requested amounts or arrive at an estimate for the quantum of any future negotiated repayments. Any amount the Company pays the ITO in excess of the accrued \$22,063 will result in an additional loss that would be recorded in the period of the determination that the amount is owed.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Intrinsyc prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"), and makes estimates and assumptions that affect its reported amounts of assets, liabilities, revenue and expenses, and the related disclosure of contingent assets and liabilities. The Company bases its estimates on historical experience and other assumptions that it believes are reasonable in the circumstances. Actual results may differ from these estimates. Significant estimates include, but are not limited to, the determination of project expenditures for contracts accounted for on the percentage of completion basis, allowance for doubtful accounts, income tax valuation allowances, goodwill impairment tests and the useful lives and valuation of intangible assets.

The Company's accounting policies are fundamental to understanding management's discussion and analysis of operations and financial condition since they involve significant estimates and assumptions used in preparing its consolidated financial statements. These policies are described in note 2 to the audited, consolidated financial statements as at and for the transition year ended December 31, 2007 and should be referred to in conjunction with reading the management discussion and analysis. Except as noted below, during the three-month period ended March 31, 2008, the Company did not adopt any new accounting policies that would have a material impact on its consolidated financial statements, nor did it make changes to existing accounting policies.

On January 1, 2008, the Company adopted the following new accounting policies:

Effective January 1, 2008, the Company changed its reporting currency to the United States dollar (USD) from the Canadian dollar (CAD). The change in reporting currency was made to enhance comparability of the Company's results with other publicly traded companies in the industry. The Company has retained the Canadian dollar as its functional currency.

The consolidated financial statements of the Company are translated into United States dollars using the current rate method. Assets and liabilities are translated at the rate of exchange prevailing at the balance sheet date. Shareholders' equity is translated at the applicable historical rate. Revenue, expense, and cash flow items are translated at the exchange rate in effect on the transaction dates. Translation gains and losses are reported as a separate component of shareholders' equity titled, Accumulated Other Comprehensive Income.

The financial information for all prior periods is presented in United States dollars as if the United States dollar had been used as the reporting currency during those periods.

### *Capital Disclosures and Financial Instruments – Presentation and Disclosure*

The CICA issued three new accounting standards: section 1535, Capital Disclosures, section 3862, Financial Instruments – Disclosures, and section 3863, Financial Instruments – Presentation. These new standards were effective for fiscal years beginning on or after October 1, 2007. The adoption of these standards did not have a material effect on the financial statements as at and for the three-month period ended March 31, 2008.



Section 1535 establishes disclosure requirements about an entity's capital and how it is managed. The purpose is to enable users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital.

Sections 3862 and 3863 replace section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

#### *Inventories*

The CICA issued section 3031, Inventories, which replaced section 3030, Inventories. This new standard was effective for fiscal years beginning on or after January 1, 2008. Under the requirements of the new standard, inventories are to be measured at the lower of cost and net realizable value. Cost of inventories that are not ordinarily interchangeable and goods or services produced and segregated for specific projects will be assigned by using a specific identification of their individual costs. Consistent use of either first-in, first-out or weighted average cost is prescribed for other inventories and the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of the inventories. The adoption of this standard did not have a material effect on the financial statements as at and for the three month period ended March 31, 2008.

#### *Going Concern*

Effective January 1, 2008, the Company adopted the additional requirements of the CICA Handbook Section 1400 – General Standards of Financial Statements. The additional requirements require management to make an assessment of the Company's ability to continue as a going concern, and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. Adoption of these new requirements had no effect on the financial statements as at and for the three month period ended March 31, 2008.

#### **Recent Accounting Pronouncements Issued and not yet Adopted**

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and other Intangible Assets" and Section 3450, "Research and Development Costs". The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standard for its fiscal year beginning January 1, 2009. This Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

#### **RISKS AND UNCERTAINTIES**

An investment in the securities of the Company may be regarded as speculative due to the Company's stage of development. Risk factors relating to the Company could materially affect the Company's future results and could cause them to differ materially from those described in forward-looking statements relating to the Company. Prospective investors should carefully consider these risks, which are disclosed in the Company's Annual Information Form, filed March 31, 2008 at [www.sedar.com](http://www.sedar.com).

#### **Internal Control over Financial Reporting**

Management has designed internal controls over financial reporting, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for the external purposes in accordance with Canadian GAAP.



Because of the inherent limitations in a control system, any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will prevent or detect all misstatements, due to error or fraud, from occurring in the financial statements.

No changes were made in the Company's internal control over financial reporting during the three-month period ended March 31, 2008 and the most recent interim period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### **Disclosure Controls and Procedures**

Management has designed disclosure controls and procedures to provide reasonable assurance that all relevant information relative to the Company and its consolidated subsidiaries is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, on a timely basis so that the appropriate decisions can be made regarding public disclosure.

The Chief Executive Officer and Chief Financial Officer of the Company conducted an evaluation of the disclosure controls and procedures as required by Multilateral Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings" issued by the Canadian Securities Administrators. They concluded that as at March 31, 2008, the Company's disclosure controls and procedures were effective to provide reasonable assurance that material information regarding required disclosures was made known to them on a timely basis.



### Form 52-109F2 Certification of Interim Filings

I, George Reznik, Chief Financial Officer of Intrinsic Software International, Inc., certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Intrinsic Software International, Inc. (the issuer) for the interim period ending March 31, 2008;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officers and I am responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
  - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared;
  - (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: May 13, 2008

"George Reznik"

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George Reznik

Chief Financial Officer



**Form 52-109F2 Certification of Interim Filings**

I, Glenda Dorchak, Chief Executive Officer of Intrinsic Software International, Inc., certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Intrinsic Software International, Inc. (the issuer) for the interim period ending March 31, 2008;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officers and I am responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
  - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared;
  - (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: May 13, 2008

"Glenda Dorchak"

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Glenda Dorchak  
Chief Executive Officer

