



INTRINSYC SOFTWARE INTERNATIONAL, INC.

QUARTERLY REPORT

Third Quarter Fiscal 2008

For the three and nine months ended September 30, 2008



Chief Executive Officer Letter

The third quarter was marked by continued strength in our services business and the first quarter that Soleus™ royalty revenues commenced. Both, MiTAC International Corp. (MiTAC) a leading handheld device provider and SiRF Technology Holdings, Inc. (SiRF), a GPS silicon vendor, began shipping devices based on Soleus software in the quarter, about 9-12 months after commencing development of their Soleus products. A strong quarter for our wireless services and larger contribution from software due to the Destinator acquisition resulted in achieving Intrinsic's highest quarterly revenue to date while increasing the percentage of revenue attributable to our software business to 36% of total revenue.

Intrinsic also expanded its wireless software business with the acquisition of assets from Destinator Technologies Inc. which provided navigation software for personal navigation devices (PND) and consumer phones. The Destinator navigation technology when combined with Soleus in a new product called Soleus Transit, expands Intrinsic's market for wireless software and delivers a more compelling solution for handset and handheld device makers focused on delivering location-based services and navigation on consumer phones and PNDs.

Since June 30, 2008, we have achieved a number of additional milestones:

- Launch of the Motorola A1600 MING in China, a consumer phone which uses Destinator navigation software.
- Release of the GPS phone development platform by SiRF that combines the Soleus software platform and SiRF's location technology chipset to enable OEMs and ODMs to deliver connected consumer navigation handhelds.
- Product launch of "Cronos" smartphone by Shanghai RagenTek Communication Technology Co. Ltd., in China, which is based on the complete software/hardware platform from Intrinsic and SiRF
- Design win signed with Motorola for two new Personal Navigation Devices (PNDs) MOTONAV TN20 and MOTONAV TN30 in the United States with Motorola's MOTONAV based on a custom version of Destinator® navigation software.
- Design win with Supa Technologies for personal navigation products based on Destinator version 8 to be sold through leading North American office supply retailers
- Signed a software license agreement (SLA) with a leading mobile phone and consumer device manufacturer to deliver Destinator navigation software for use on a new series of PNDs
- Signed a multi-year agreement establishing a sales relationship with NAVTEQ, a global leader in premium-quality digital map data
- Announced Soleus Transit, which addresses the connected PND market and combines Soleus with Destinator for a complete solutions for connected PNDs
- Signed a Soleus® license agreement with GPS Technologies Company, Ltd. (GPS-E), a leading manufacturer of personal navigation devices located in Hong Kong, China
- Announced the launch of "RapidRIL™, our proprietary radio interface layer technology for rapid Windows Mobile telephony development, delivered with our engineering services engagement for customer, InterDigital, Inc.

In the third quarter the acquisition integration was completed, ahead of schedule, and the company took action to reduce operating costs by capturing synergies from the combined operations. The result was a reduction in personnel of approximately 20% and substantial reduction in operating expenses. This enabled us to preserve our financial runway while ensuring operational effectiveness to support our business growth. Our team remains focused on our current customer engagements and driving the services and software business engagements.

Yours sincerely,

Tracy Rees
Chief Executive Officer

INTRINSYC SOFTWARE INTERNATIONAL, INC.

For the Three and Nine Months Ended September 30, 2008

Part I. Financial Information

	<u>Page</u>
Financial Statements	
a) Consolidated Balance Sheets September 30, 2008 (unaudited) and December 31, 2007	1
b) Consolidated Statements of Operations, Loss and Deficit For the three and nine months ended September 30, 2008 and August 31, 2007 (unaudited)	2
c) Consolidated Statements of Comprehensive Loss For the three and nine months ended September 30, 2008 and August 31, 2007 (unaudited)	3
d) Consolidated Statements of Cash Flows For the three and nine months ended September 30, 2008 and August 31, 2007 (unaudited)	4
e) Notes to Consolidated Financial Statements	5
Management's Discussion and Analysis of Financial Condition and Results of Operations	21
Risks and Uncertainties	38
Certification of Interim Filings	40

INTRINSYC SOFTWARE INTERNATIONAL, INC.

Interim Consolidated Financial Statements

For the three and nine months ended
September 30, 2008 and August 31, 2007
(Unaudited and expressed in US dollars)



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

	September 30, 2008	December 31, 2007
	<i>(Unaudited)</i>	
ASSETS		
Current assets		
Cash	\$ 19,658,717	\$ 12,153,601
Accounts receivable <i>(notes 4 and 13)</i>	6,722,559	3,595,124
Inventory	-	103,812
Prepaid expenses - current	811,140	699,247
Total current assets	27,192,416	16,551,784
Prepaid expenses	192,115	277,580
Equipment <i>(notes 5 and 13)</i>	2,588,861	1,410,663
Goodwill <i>(notes 1 and 3)</i>	14,845,937	14,314,345
Intangible assets <i>(notes 1, 3 and 5)</i>	12,947,841	136,874
Total assets	\$ 57,767,170	\$ 32,691,246
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 7,604,789	\$ 3,368,653
Taxes payable	1,129,937	246,243
Capital lease obligation - Current	62,692	15,885
Deferred revenue	1,041,703	1,174,587
Total current liabilities	9,839,121	4,805,368
Long-term capital lease obligation	94,984	27,442
Future income taxes	12,017	111,163
Total liabilities	9,946,122	4,943,973
Shareholders' equity		
Share capital <i>(notes 6 and 11)</i>	108,125,914	72,257,965
Warrants and underwriters' options <i>(note 11)</i>	4,489,508	4,895,966
Contributed surplus <i>(note 12)</i>	4,046,119	3,152,145
Accumulated other comprehensive income <i>(note 7)</i>	6,765,446	9,222,949
Deficit	(75,605,939)	(61,781,752)
Total shareholders' equity	47,821,048	27,747,273
Total liabilities and shareholders' equity	\$ 57,767,170	\$ 32,691,246

Commitments and contingencies (note 9)

See accompanying notes to unaudited interim consolidated financial statements.

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

	Three months ended		Nine months ended	
	September 30, 2008	August 31, 2007	September 30, 2008	August 31, 2007
Revenue (<i>note 13</i>)	\$ 7,870,120	\$ 4,288,236	\$ 18,991,671	\$ 13,119,274
Cost of sales	3,093,209	2,183,970	9,068,735	6,549,316
	4,776,911	2,104,266	9,922,936	6,569,958
Expenses				
Sales and marketing	2,317,495	1,727,331	5,968,344	4,712,957
Research and development	4,096,978	2,642,128	9,338,451	8,079,799
General and administration	2,466,342	1,199,420	6,081,949	3,658,937
Amortization (<i>note 5</i>)	737,487	213,350	1,160,191	575,923
Stock-based compensation (<i>notes 11 and 12</i>)	279,626	154,148	847,252	418,872
Technology Partnerships Canada Funding Investment (<i>note 8</i>)	117,064	128,648	299,165	265,542
	10,014,992	6,065,025	23,695,352	17,712,030
Loss before other expense (income) and income taxes	5,238,081	3,960,759	13,772,416	11,142,072
Other expense (income)				
Foreign exchange (gain) loss	(311,606)	58,035	(473,495)	340,067
Interest income	(126,044)	(186,339)	(552,410)	(317,471)
Loss on disposal of equipment	-	2,457	-	2,457
Restructuring charges	814,668	-	814,668	-
Loss before income taxes	5,615,099	3,834,912	13,561,179	11,167,125
Income tax expense (recovery)				
Current	114,536	39,368	292,929	268,382
Future	6,486	10,485	(29,921)	(40,110)
	121,022	49,853	263,008	228,272
Net loss for the period	5,736,121	3,884,765	13,824,187	11,395,397
Deficit, beginning of period	69,869,818	50,549,876	61,781,752	43,039,244
Deficit, end of period	\$ 75,605,939	\$ 54,434,641	\$ 75,605,939	\$ 54,434,641
Loss per share (basic and diluted)	\$ 0.04	\$ 0.03	\$ 0.09	\$ 0.09
Weighted average number of shares outstanding	160,928,816	119,261,618	147,861,766	125,460,791

See accompanying notes to unaudited interim consolidated financial statements.

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

	Three months ended		Nine months ended	
	September 30, 2008	August 31, 2007	September 30, 2008	August 31, 2007
Loss for the period	(\$5,736,121)	(\$3,884,765)	(\$13,824,187)	(\$11,395,397)
Other comprehensive gain (loss):				
Unrealized gains (losses) on translating financial statements from functional currency to reporting currency	(\$1,023,660)	\$438,346	(\$2,457,503)	\$2,072,372
Comprehensive loss	(\$6,759,781)	(\$3,446,419)	(\$16,281,690)	(\$9,323,025)

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		Nine months ended	
	September 30, 2008	August 31, 2007	September 30, 2008	August 31, 2007
OPERATING ACTIVITIES				
Net loss for the period	(\$ 5,736,121)	(\$ 3,884,765)	(\$ 13,824,187)	(\$ 11,395,397)
Items not involving cash				
Amortization	737,487	213,350	1,160,191	575,923
Future income taxes	1,212	9,947	(33,093)	(43,614)
Stock-based compensation	279,626	154,148	847,252	418,872
Changes in non-cash operating working capital				
Accounts receivable	(2,310,216)	(77,212)	(3,368,921)	1,645,362
Inventory	-	69,671	102,443	122,564
Prepaid expenses	529,778	(221,138)	(85,094)	(115,648)
Accounts payable and accrued liabilities	3,037,999	407,119	4,473,239	447,568
Taxes payable	800,148	17,609	831,671	227,883
Deferred revenue	(155,982)	229,661	(74,970)	64,888
Cash used in operating activities	(2,816,069)	(3,081,610)	(9,971,469)	(8,051,599)
INVESTING ACTIVITIES				
Purchase of equipment	(1,048,149)	(196,793)	(1,606,846)	(446,818)
Loan receivable	1,936,241	-	(62,321)	-
Deferred acquisition costs	-	-	(1,448,982)	-
Cash paid on acquisition of Destinator, net of cash acquired	(7,844,260)	-	(7,844,260)	-
Cash used in investing activities	(6,956,168)	(196,793)	(10,962,409)	(446,818)
FINANCING ACTIVITIES				
Issuance of common shares and warrants <i>(notes 6 and 11)</i>	-	1,756,738	32,119,750	19,819,100
Share issuance costs <i>(note 6)</i>	-	(145,682)	(2,186,676)	(1,748,688)
Repayment of capital lease obligation	(16,175)	(1,431)	(32,434)	(1,431)
Cash provided by (used in) financing activities	(16,175)	1,609,625	29,900,640	18,068,981
Effect of exchange rate changes on cash and cash equivalents	(558,494)	257,192	(1,461,646)	986,666
Increase (decrease) in cash	(10,346,906)	(1,411,586)	7,505,116	10,557,230
Cash, beginning of period	30,005,623	19,996,639	12,153,601	8,027,823
Cash, end of period	\$ 19,658,717	\$ 18,585,053	\$ 19,658,717	\$ 18,585,053
Supplementary information				
Assets acquired under capital leases	-	-	\$ 66,055	-
Interest paid	\$ 3,722	-	\$ 12,879	\$ 1,111
Income taxes paid	-	-	\$ 281,510	-

See accompanying notes to unaudited interim consolidated financial statements.

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

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, Intrinsic Software (Barbados), Inc., Intrinsic Software (Israel) Ltd. and Intrinsic Software (Beijing), 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 ("GAAP") 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, except as noted below. The unaudited interim consolidated financial statements do not include all information and footnote disclosures required for a set of annual financial statements under Canadian GAAP. 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 and nine month periods ended September 30, 2008 are not necessarily indicative of the results that may be expected for the fiscal year or for any other period.

Due to ongoing operating losses of the Company and current volatility and uncertainty of global financial markets, there is a possibility that the carrying values attributable to the Company's goodwill and intangible assets are impaired. A formal assessment of a potential impairment will be completed in connection with the preparation of the Company's audited consolidated financial statements as at December 31, 2008, with any adjustments to the carrying values of goodwill and intangible assets being provided for at that time. The recorded balances of goodwill and intangible assets are \$14,845,937 and \$12,947,841, respectively, as at September 30, 2008, and as such any potential impairment would be material.

2. SIGNIFICANT ACCOUNTING POLICIES

Except for the change in reporting currency to the United States dollar and adoption of the new accounting standards described below, the Company applied the same accounting policies in the preparation of the unaudited 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 software 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 Statements
(Unaudited and expressed in U.S. dollars)

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 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.

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 consolidated financial statements as at and for the three and nine month periods ended September 30, 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 Statements
(Unaudited and expressed in U.S. dollars)

3. ACQUISITION OF SELECTED ASSETS OF DESTINATOR

On July 9, 2008, the Company completed the acquisition of certain assets and operations of Destinator with an aggregate purchase price of \$14.3 million inclusive of estimated acquisition costs of \$2.1 million and a working capital shortfall of \$1.5 million. The total consideration paid, excluding estimated transaction costs, consisted of \$6.8 million in cash consideration, the assumption of \$1.5 million in working capital shortfall and 11 million common shares of Intrinsic valued at \$0.502 per share, for a total value of \$5.5 million. As of September 30, 2008, total cash consideration of \$6.3 million had been paid.

Cash	\$6,788,341
Common shares of the Company (11.0 million issued by the Company)	5,522,377
Estimated acquisition costs	<u>2,055,539</u>
	<u>\$14,366,257</u>

The total purchase price consideration has been allocated on a preliminary basis to the fair values of the assets acquired and liabilities assumed based on management's best estimates and taking into account all available information as at the time of the acquisition as follows:

<u>Net Assets Acquired</u>	
Cash	\$ 282,676
Accounts receivable	113,496
Prepaid expenses and other current assets	326,820
Other long-term assets	27,811
Property and equipment	921,940
Acquired intangible assets	13,698,000
Goodwill	1,249,489
Accounts payable and accrued liabilities	(654,396)
Taxes payable	(978,367)
Other current liabilities	(562,886)
Other long-term liabilities	(58,326)
Total	\$ 14,366,257

The fair value of the 11.0 million common shares issued was determined on the Company's common share price of \$0.502 per share, representing the average closing price of the Company's shares for a reasonable period before, and after the date of announcement of the acquisition commencement date on July 2, 2008.

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

3. ACQUISITION OF SELECTED ASSETS OF DESTINATOR (Cont'd)

The following table presents preliminary details of the purchased identifiable intangible assets:

	Estimated Useful Life (in years)	Acquired Amount
Acquired software	6	\$11,110,000
Customer relationships	6	1,560,000
Patent portfolio	6	870,000
Trademarks and brand	4	158,000
Balance at July 9, 2008		\$13,698,000

The estimated future amortization expense as of September 30, 2008 of the purchased identifiable intangible assets is as follows:

Amortization of Acquired Intangible Assets	
2008	\$ 584,000
2009	2,296,000
2010	2,296,000
2011	2,296,000
2012	2,277,000
2013	2,257,000
2014	1,174,000
Total	\$13,180,000

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

4. ACCOUNTS RECEIVABLE

	September 30, 2008	December 31, 2007
Trade and miscellaneous receivables	\$ 5,998,029	\$ 3,576,945
Unbilled revenue	724,530	18,179
	<u>\$ 6,722,559</u>	<u>\$ 3,595,124</u>

5. AMORTIZATION

	Three Months Ended		Nine Months Ended	
	September 30, 2008	August 31, 2007	September 30, 2008	August 31, 2007
Equipment	\$ 219,036	\$ 138,831	\$ 506,946	\$ 363,940
Intangible assets	518,451	74,519	653,245	211,983
	<u>\$ 737,487</u>	<u>\$ 213,350</u>	<u>\$ 1,160,191</u>	<u>\$ 575,923</u>

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 approximately \$30,234,204 (CAD \$30,030,000) with net proceeds of approximately \$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

	September 30, 2008	December 31, 2007
Balance - beginning of period	\$ 9,222,949	\$ 7,097,801
Unrealized foreign currency translation gains (losses)	(2,457,503)	2,125,148
Balance – end of period	<u>\$ 6,765,446</u>	<u>\$ 9,222,949</u>

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

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 \$10.0 million until August 31, 2011. To date the Company has paid and accrued approximately CAD \$1,087,947 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 Statements
(Unaudited and expressed in U.S. dollars)

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. 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:

	September 30, 2008
2008	\$ 571,015
2009	1,688,531
2010	1,444,469
2011	776,878
2012	217,591
	<hr/> \$ 4,698,484 <hr/>

- b) The Company has received correspondence from the Industrial Technology Office (“ITO” formerly “TPC”) indicating that certain amounts claimed by the Company under its contribution agreement with TPC have been disallowed and that a 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 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 Company continues to believe the costs are eligible under the program and has determined it will continue to vigorously defend its position with the ITO. The ITO has not issued an invoice to the Company to date. 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 possible future repayments. Any amount the Company pays the ITO in excess of the accrued CAD \$22,063 will result in an additional loss that would be recorded in the period of the determination that the amount is owed.

- c) The Company is subject to a variety of claims and suits that arise from time to time in the ordinary course of business. Although management currently believes that resolving claims against the Company, individually or in aggregate, will not have a material adverse impact on the Company’s financial position, results of operations, or cash flows, these matters are subject to inherent uncertainties and management’s view of these matters may change in the future.

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

10. EMPLOYEE RETIREMENT SAVINGS CONTRIBUTIONS

	Three Months Ended		Nine Months Ended	
	September 30, 2008	August 31, 2007	September 30, 2008	August 31, 2007
Benefit costs	\$ 162,581	\$ 167,520	\$ 562,703	\$ 463,314

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	296,704	162,927
Shares issued in connection with warrants exercised	1,386,000	857,904
Shares issued in 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>)	-	122,648
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
Shares issued in connection with acquisition of Destinator (<i>note 3</i>)	11,000,000	5,522,377
Outstanding, September 30, 2008	162,004,903	\$ 108,125,914

INTRINSYC SOFTWARE INTERNATIONAL, INC.
Notes to Consolidated Financial Statements
(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 nine months ended September 30, 2008 is as follows:

	Number of common shares	Outstanding options Weighted average exercise price (in Canadian dollars)
Outstanding, December 31, 2007	9,677,500	\$ 0.81
Options granted	3,169,500	1.14
Options exercised	(296,704)	0.55
Options cancelled	(1,320,411)	0.99
Outstanding, September 30, 2008	11,229,885	\$ 0.89

The following table summarizes the share options outstanding at September 30, 2008:

Options outstanding			Options exercisable		
Range of exercise price (in Canadian dollars)	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)
\$ 0.23 – 0.74	4,476,490	3.44	\$ 0.54	2,037,113	\$ 0.56
\$ 0.75 – 0.90	2,607,575	3.02	0.82	1,432,140	0.84
\$ 0.91 – 1.80	4,145,820	3.69	1.30	1,058,125	1.12
	11,229,885	3.43	\$ 0.89	4,527,378	\$ 0.78

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

11. SHARE CAPITAL (cont'd.)

Warrants & underwriters' compensation options

	Outstanding warrants and underwriters' compensation options		
	Number of warrants and underwriters' compensation options	Weighted average exercise price (in Canadian dollars)	Amount
Outstanding, December 31, 2007	21,300,140	\$ 0.93	\$ 4,895,966
Compensation options exercised	(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)
Outstanding, September 30, 2008	18,016,570	\$ 0.95	\$ 4,489,508

The following table provides the details of the Company's outstanding warrants and underwriters' compensation 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
Outstanding, September 30, 2008	18,016,570		

During the nine months ended September 30, 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 one half of 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 the related compensation warrants expired unexercised on March 30, 2008.

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

11. SHARE CAPITAL (cont'd.)

The weighted average fair value of stock options granted during the three and nine months ended September 30, 2008 was CAD \$0.22 per share and CAD \$0.29 per share, respectively, (CAD \$0.40 per share for the three months ended August 31, 2007, CAD \$0.36 per share for the nine months ended August 31, 2007). 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		Nine months ended	
	September 30, 2008	August 31, 2007	September 30, 2008	August 31, 2007
Expected life (in years)	4.0	4.0	4.0	4.0
Risk-free interest rate	2.93%	4.67%	2.92%	4.44%
Volatility	84.17%	85.94%	85.20%	84.19%
Dividend yield	0.0%	0.0%	0.0%	0.0%

12. CONTRIBUTED SURPLUS

	September 30, 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>)	(122,648)	(171)
Transfer from warrants and underwriters' compensation options for expired compensation options (<i>note 11</i>)	169,370	-
Stock-based compensation expense	847,252	232,058
Balance – end of period	\$ 4,046,119	\$ 3,152,145

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

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:

	September 30, 2008	December 31, 2007
United States	\$ 449,502	\$ 424,829
Canada	1,120,360	865,735
Other	1,018,999	116,775
Europe	-	3,324
Total	\$ 2,588,861	\$ 1,410,663

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

	Three Months Ended		Nine Months Ended	
	September 30, 2008	August 31, 2007	September 30, 2008	August 31, 2007
United States	\$ 2,887,389	\$ 2,017,085	\$ 6,912,112	\$ 7,304,271
Canada	26,631	92,868	361,184	708,865
Europe	3,452,602	2,116,101	8,891,367	4,944,188
Other	1,503,498	62,182	2,827,008	161,950
Total	\$ 7,870,120	\$ 4,288,236	\$ 18,991,671	\$ 13,119,274

Significant customers

In each respective period, a combination of three of the Company's largest customers accounted for the following percentage of the Company's total revenues, as indicated below:

	% of Sales Three Months Ended		% of Sales Nine Months Ended		% of Accounts Receivable September 30, 2008
	September 30, 2008	August 31, 2007	September 30, 2008	August 31, 2007	
Customer 1	35%	38%	41%	28%	28%
Customer 2	15%	12%	6%	23%	16%
Customer 3	5%	1%	11%	1%	1%
Total	55%	51%	58%	52%	45%

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

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 September 30, 2008, the Company has ceased continuing operations.

The following table summarizes the expenses recorded by the Company as at September 30, 2008.

	Employee Related Costs	Loss on Disposal of Equipment	Office Related Costs	Other Costs	Total
Balance at August 31, 2007	-	-	-	-	-
Charges	\$475,299	\$66,502	\$75,379	\$46,627	\$663,807
Settlements	204,884	66,502	67,470	18,533	357,389
Balance at December 31, 2007	270,415	-	7,909	28,094	306,418
Settlements	270,415	-	7,909	28,094	306,418
Balance at September 30, 2008	-	-	-	-	-

On September 22, 2008, the Company announced restructuring initiatives to reduce operating costs. As part of these initiatives, the Company began the execution of a twenty percent workforce reduction.

The following table summarizes the expenses recorded by the Company as at September 30, 2008.

	Employee Related Costs	Office Related Costs	Total
Balance at June 30, 2008	-	-	-
Charges	\$739,668	\$75,000	\$814,668
Settlements	544,968	-	544,968
Balance at September 30, 2008	\$194,700	\$75,000	\$269,700

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

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 in the consolidated statement of shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in the 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.

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, accounts receivable and foreign exchange option contracts. The Company limits its exposure to credit risk with respect to cash by investing available cash, from time to time, 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.

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

16. FINANCIAL INSTRUMENTS (cont'd.)

Credit Risk (cont'd)

As at September 30, 2008 and December 31, 2007 the Company's exposure to credit risk for these financial instruments was as follows:

	September 30, 2008	December 31, 2007
Cash	\$ 19,658,717	\$ 12,153,601
Accounts receivable	6,722,559	3,595,124
	<u>\$ 26,381,276</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 September 30, 2008, the Company had \$ 19,658,717 in cash.

Foreign Currency Risk

Although substantially all of the Company's revenues are received 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 September 30, 2008 balances would have an approximate \$672,000 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 September 30, 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 (weakening) of the Canadian dollar against the US dollar would also impact the reporting currency balance sheet values with an offsetting adjustment of approximately \$1.0 million to other comprehensive income.

Interest Rate Risk

The Company's exposure to interest rate fluctuations is primarily interest earned on its cash. The Company has performed sensitivity analysis on interest rate risk at September 30, 2008 to determine how a change in interest rates would impact equity and net earnings. During the three months ended September 30, 2008, the Company earned \$126,044 of interest income on its cash. 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 \$62,000. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

INTRINSYC SOFTWARE INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

(Unaudited and expressed in U.S. dollars)

17. 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 and Nine Months ended September 30, 2008

The following Management's Discussion and Analysis of Financial Condition and Results of Operations, as of November 14, 2008, ("MD&A") should be read in conjunction with the unaudited interim consolidated financial statements of Intrinsic Software International, Inc. ("Intrinsic" or the "Company") as at and for the three and nine month periods ended September 30, 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 ("GAAP").

On September 1, 2007, the Company changed its fiscal year-end from August 31 to December 31. The current fiscal period ended September 30, 2008 consists of operations as at and for the three and nine month periods then ended. Comparative figures are as at and for the three and nine month periods ended August 31, 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.

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

Intrinsic 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. Intrinsic is the licensor of the Soleus software platform built on top of Windows® Embedded CE for consumer handset development. Intrinsic is a Microsoft® Windows® Embedded Gold Partner, the 2007 Windows Embedded Excellence Award winner for System Integrator and 2008 Excellence Award winner for Soleus, and a Symbian Platinum Partner. With effect from July 8, 2008, Intrinsic's wireless software solutions offering expanded to include global positioning system devices and navigation software for wireless handsets (see Corporate Summary section).

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 Intrinsic 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 Intrinsic Software, Inc. to Intrinsic Software International, Inc. The Company's principal business office is 10th 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 solutions business and the wireless systems engineering services business.

Intrinsic'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. Intrinsic 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.

Intrinsic markets its products and services through a worldwide sales and business development team based in offices located in Canada, the United States, Mainland China 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.

On July 9, 2008, the Company acquired certain assets and operations inclusive of wholly owned China and Israel subsidiaries of Destinator Technologies Inc. ("Destinator"), a multinational developer of wireless software for global positioning system ("GPS") devices and navigation software for wireless handsets. This transaction expands the Company's mobile software product portfolio with the addition of a navigation oriented application software product offering complementing the Company's Soleus software product offering. Key assets acquired by Intrinsyc include:

- Highly skilled wireless software development centers in China and Israel;
- Strategic GPS and wireless software products, including 17 patents granted or pending;
- Existing streams of software revenue from migrated contracts and tier one customers including Motorola Inc. and LG;
- A well established sales force; and
- Proven navigation technology fully compatible across all major operating systems.

As of September 30, 2008, the Company has completed the integration of the assets and operations of Destinator.

On November 13, 2008, the Company announced the departure of Glenda Dorchak, Chief Executive Officer and Chairman with the appointment of Tracy Rees, Chief Operating Officer, as interim Chief Executive Officer. The Company also appointed Philip Ladouceur as Chairman of its Board of Directors at this time.

Significant Events for Third Quarter 2008

Financial Highlights

- Revenue growth of 78% over the comparative three-month period ended August 31, 2007.

Customer Highlights

- InterDigital, Inc. licensed RapidRIL, a radio interface technology developed by Intrinsyc, to support its SlimChip Reference Platform for Windows Mobile devices.
- Announced that the first Soleus units were shipped by customers.

Major Corporate Transactions

- Entered into an asset purchase agreement to acquire certain assets and operations of Destinator, a provider of wireless software for global positioning system devices and navigation software for wireless handsets. The transaction closed July 9, 2008.

Corporate Reorganization

- Corporate operations were streamlined and reduced by way of the execution of a twenty percent workforce reduction.

Selected Quarterly Information

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

Balance Sheets

<i>(in US\$ '000's)</i>	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007	August 31, 2007	May 31, 2007	February 28, 2007	November 30, 2006
Cash and cash equivalents	\$19,659	\$30,006	\$35,246	\$12,154	\$18,585	\$19,997	\$5,086	\$8,028
Working capital	\$17,353	\$31,203	\$36,494	\$11,746	\$17,575	\$19,428	\$5,772	\$9,448
Total assets	\$57,757	\$55,164	\$57,379	\$32,691	\$37,241	\$38,162	\$22,738	\$27,043
Long term debt	-	-	-	-	-	-	-	-
Other long term financial liabilities	\$107	\$188	\$109	\$139	\$175	\$132	\$150	\$178
Shareholders' equity	\$47,821	\$48,779	\$52,304	\$27,747	\$32,612	\$34,293	\$19,441	\$23,445

Statements of Operations

<i>(in US\$ '000's, except earnings per share)</i>	Three months ended September 30, 2008	Three months ended June 30, 2008	Three months ended March 31, 2008	Three 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
Revenue	\$7,870	\$5,566	\$5,556	\$5,260	\$4,288	\$4,514	\$4,317	\$4,455
Cost of goods sold	3,093	2,956	3,020	3,344	2,184	2,177	2,189	2,400
Gross margin	4,777	2,610	2,536	1,916	2,104	2,337	2,128	2,055
Expenses								
Sales and marketing	2,317	1,822	1,828	2,379	1,727	1,531	1,454	1,182
Research and development	4,097	2,695	2,547	3,371	2,642	2,607	2,830	2,641
General and administration	2,466	1,795	1,821	2,178	1,199	1,250	1,210	997
Amortization	738	211	212	286	213	180	182	159
Stock-based compensation	280	283	284	232	154	85	180	177
Technology Partnerships Canada								
Funding Investment	117	159	23	-	129	135	2	-
Total operating expenses	10,015	6,965	6,715	8,446	6,064	5,788	5,858	5,156
Loss before other items and income taxes	(5,238)	(4,355)	(4,179)	(6,530)	(3,960)	(3,451)	(3,730)	(3,101)
Other items	377	(202)	(386)	759	(126)	349	(199)	627
Loss before income taxes	(5,615)	(4,153)	(3,793)	(7,289)	(3,834)	(3,800)	(3,531)	(3,728)
Income tax expense	121	98	44	58	50	70	109	51
Loss	(\$5,736)	(\$4,251)	(\$3,837)	(\$7,347)	(\$3,884)	(\$3,870)	(\$3,640)	(\$3,779)
Loss per share	(\$0.04)	(\$0.03)	(\$0.04)	(\$0.06)	(\$0.03)	(\$0.04)	(\$0.04)	(\$0.05)

Financial results for the three months ended September 30

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.

The Company's revenues are generated by the following sources:

- Engineering services consisting of software modifications, consulting, implementation, training and integration services;
- Software solutions which include revenue generated from the sale of software licenses, royalties, implementation and other related services, maintenance and support attributable to the Company's Destinator, Soleus and Enterprise Interoperability software product offerings; and
- Hardware sales.

Revenues generated by the above sources are summarized as follows:

<i>Revenue by Source</i>	Three months ended September 30, 2008	%	Three months ended June 30, 2008	%	Three months ended August 31, 2007	%
Engineering Services	\$4,707,680	60%	\$3,989,671	72%	\$3,565,119	83%
Software Solutions	2,876,906	37%	1,270,567	23%	616,674	14%
Hardware	285,534	3%	305,779	5%	106,444	3%
Total revenue	\$7,870,120	100%	\$5,566,017	100%	\$4,288,237	100%

Revenue for the three-month period ended September 30, 2008 increased by 84% from the three months ended August 31, 2007, due to increased revenues from both the Company's engineering services and software solutions. While engineering services continued to account for the majority of the Company's revenue for both periods, software revenue's contribution to the total revenue figure rose from 14% to 37%, period on period.

Engineering services revenue for the three months ended September 30, 2008 was \$4.7 million, compared to \$3.6 million for the three months ended August 31, 2007, an increase of 32% period on period, due to execution of an increased number of engineering services contracts during the current period.

Total revenues attributable to the Company's software solutions increased to 37% of total revenues during the three months ended September 30, 2008 compared to 23% and 14% for the three months ended June 30, 2008 and August 31, 2007, respectively. The growth in software solutions revenue was primarily due to the addition of the Destinator Mobile GPS Navigation software, a product which the Company began selling July 9, 2008. Sales of the Destinator product accounted for approximately \$2.2 million of the total revenue for the three months ended September 30, 2008.

Hardware revenue increased to \$285,534, accounting for 3% of total revenue compared to \$106,444 or 3% of total revenue for the three months ended August 31, 2007. The increase in hardware revenue is attributable to new shipments completed during the period. The Company announced in 2007 that it planned to cease its reference design platform business in 2008. Following this announcement, increased orders were received as customers placed orders to satisfy their expected demands. The increased orders were reflected in the first quarter 2008 revenue composition, where hardware revenue accounted for 10% of the total revenue figure. As the Company plans to sunset the reference design platform business, hardware revenue has been expected to decline throughout

2008. Such a decline has occurred and is evidenced by the fact hardware revenue makes-up only 5% and 3% of the total revenue for the three month periods ended June 30th and September 30th 2008 respectively. Such a decline is expected to continue for the remainder of fiscal 2008.

To date, the Company has had a significant portion of its revenue derived from engineering services provided to several of its largest customers. While the Company continues to focus its efforts on developing revenue from its Soleus and Destinator software platforms and diversifying its customer base, it is expected that in the near-term, revenue generation will continue to be concentrated on several customers. In each respective period, a combination of two of the Company's largest customers accounted for the following percentages of the Company's total revenues:

	Three months ended September 30, 2008	Three months ended June 30, 2008	Three months ended August 31, 2007
Revenue	\$3,701,294	\$3,318,513	2,131,320.50
Percentage of total revenue	47%	60%	50%

The two customers accounting for 50% of the total revenue for the three months ended September 30, 2008 were not the same two customers that accounted for 60% of the total revenue for the three months ended June 30, 2008.

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

	Three months ended September 30, 2008	Three months ended June 30, 2008	Three months ended August 31, 2007
United States	\$2,887,389	\$1,927,009	\$2,017,086
Canada	26,631	140,239	92,868
Europe	3,452,602	2,748,617	2,116,101
Other	1,503,498	750,152	62,182
	\$7,870,120	\$5,566,017	\$4,288,237

Gross Margin

Gross margins on software licensing revenue are significantly higher than the gross margins obtained on engineering 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 September 30, 2008	%	Three months ended June 30, 2008	%	Three months ended August 31, 2007	%
Revenues	\$7,870,120	100%	\$5,566,017	100%	\$4,288,236	100%
Cost of sales	3,093,209	39%	2,956,178	53%	2,183,970	51%
Gross margin	\$4,776,911	61%	\$2,609,839	47%	\$2,104,266	49%

Gross margin percentage for the three months ended September 30, 2008 was 61%, representing a 14% increase over the three months ended June 30, 2008 of 47%. Gross margin percentage also increased from 49% in the three months ended August 31, 2007 to 61% during the three-month period ended September 30, 2008. The increase in gross margin for the three months ended September 30, 2008 when compared to both prior periods is directly attributable to the growth in software revenue, specifically the addition of Destinator's GPS Navigation System revenue.

The decline in gross margin percentage for the three months ended June 30, 2008, when compared with the three months ended August 31, 2007 was attributable to the execution of several Soleus product related service projects at lower gross margins during the three months ended June 30, 2008.

Operating Expenses

	Three months ended September 30, 2008	Three months ended June 30, 2008	Three months ended August 31, 2007
Total operating expenses	\$10,014,992	\$6,964,875	\$6,065,025
As a percentage of total revenue	127%	125%	141%

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 September 30, 2008 were \$10.0 million, representing an increase of 65% over the three-month period ended August 31, 2007 and an increase of 44% over the three months ended June 30, 2008.

The increase in total operating expenses for the three months ended September 30, 2008 of \$3.1 million over the three-month period ended June 30, 2008 was due to increased costs in all areas of operations, including the addition of Destinator's operations, as of July 9th 2008. In particular, sales and marketing activities increased by approximately \$500,000, research and development costs increased by \$1.4 million, general and administration expenses increased by approximately \$700,000, and amortization costs increased by approximately \$527,000, due to intangible assets amortization of acquired assets, related to the Destinator acquisition of July 9, 2008.

The majority of the Company's operating costs continue to be incurred in currencies other than the Company's U.S. dollar reporting currency, primarily the Canadian dollar. The average exchange rate for the Canadian – U.S. dollar depreciated by approximately three basis points during the three months ended September 30, 2008 over the three months ended June 30, 2008, resulting in slightly decreased expenses reported by the Company for this period due to the impact of the weakened Canadian dollar.

Sales and Marketing

	Three months ended September 30, 2008	Three months ended June 30, 2008	Three months ended August 31, 2007
Sales and marketing	\$2,317,495	\$1,822,475	\$1,727,331
As a percentage of total revenue	29%	33%	40%

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, marketing collateral, advertising costs and facilities.

Sales and marketing expense for the three months ended September 30, 2008 increased by approximately \$500,000 to \$2.3 million, from \$1.8 million for the three months ended June 30, 2008.

Sales and marketing expense for the three months ended September 30, 2008 of \$2.3 million increased by 34% over the \$1.7 million in the three months ended August 31, 2007. Sales and marketing expense represented 30% and 40% of total revenue for the three months ended September 30, 2008 and August 31, 2007, respectively. The increase in sales and marketing expense was due in part to an additional \$340,000 of salary and benefit costs, as the sales and marketing headcount increased from twenty-eight to forty-seven personnel over the two time periods. In addition, China and Israel offices were acquired from Destinator during third quarter 2008, accounting for approximately \$144,000 of the additional sales and marketing costs during the current period.

Research and Development

	Three months ended September 30, 2008	Three months ended June 30, 2008	Three months ended August 31, 2007
Research and development - Soleus	\$3,112,584	\$2,683,963	\$2,545,768
Other research and development	984,394	10,861	96,360
Total research and development	\$4,096,978	\$2,694,824	\$2,642,128
As a percentage of total revenue	52%	48%	62%

The Company has research and development groups located in Bellevue, Washington, Vancouver, BC, Taipei, Taiwan, Beijing, China and Herzliya, Israel. 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 totalled \$4.1 million for the three months ended September 30, 2008 compared to \$2.6 million for three months ended August 31, 2007, but declined from 62% to 54% of total revenue. The increase in research and development costs of approximately \$1.5 million in the three months ended September 30, 2008 is attributable largely to the increased salaries and related benefits of the Israel and China based staff, acquired on July 8, 2008. Costs for these two offices accounted for approximately \$1.1 million of the overall \$1.5 million increase.

Research and development expenses totalled \$4.1 million for the three months ended September 30, 2008 compared to \$2.7 million for the three months ended June 30, 2008, representing an increase of 52%, with the increase primarily attributable to the addition of costs for the Destinator operations acquired during the period. Excluding the additional Destinator costs, research and development costs rose by approximately \$261,000, due largely to the use of contract research and development services.

General and Administration

	Three months ended September 30, 2008	Three months ended June 30, 2008	Three months ended August 31, 2007
General and administration	\$2,466,342	\$1,794,631	\$1,199,420
As a percentage of total revenue	32%	32%	28%

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

General and administration expenses for the three months ended September 30, 2008 were \$2.5 million, compared to \$1.8 million for the three months ended June 30, 2008 and \$1.2 million for the three months ended August 31, 2007.

The increase of \$1.3 million between the three months ended September 30, 2008 and August 31, 2007 was due to approximately \$331,000 of additional costs for the Destinator operations, approximately \$700,000 of additional salary and benefit costs, as the headcount of general and administration personnel increased by twelve from thirty-two to forty-four and half personnel, and approximately \$200,000 in additional travel and professional fee expenses.

Other Items

	Three months ended September 30, 2008	Three months ended June 30, 2008	Three months ended August 31, 2007
Restructuring charges	\$814,668	-	-
Foreign exchange loss (gain)	(311,606)	52,604	58,035
Interest income	(126,044)	(254,420)	(186,339)
Loss on disposal of equipment	-	-	2,457
Other items	\$377,018	(\$201,816)	(\$125,847)

Other items for the three months ended September 30, 2008 totalled net other expense of \$377,018, compared to net other income of \$201,816 for the three months ended June 30, 2008. Net other expense for the three months ended September 30, 2008 was attributable primarily to a restructuring charge of \$814,668, related to the corporate restructuring and 20% workforce reduction announced during the quarter. The restructuring charge was partially offset by a foreign exchange gain of \$311,606 and interest income of \$126,044.

The foreign exchange gain was caused by the strengthening of the U.S. dollar relative to the Canadian dollar by approximately three basis points, over the three month period ended September 30, 2008. The decline in interest income from \$254,420 for the three months ended June 30, 2008 to \$126,044 for the three months ended September 30, 2008 was due in part to a decline in average cash balances held over the two periods. For the three months ended June 30, 2008, the average cash balance was \$32.6 million, versus an average cash balance of \$24.8 million over the three months ended September 30, 2008. The decline in average cash balances was due, in part, to expenditures related to the acquisition of Destinator, along with normal operating activities.

Other items for the three months ended September 30, 2008 totalled net other expense of \$377,018, compared to net other income of \$125,847 for the three months ended August 31, 2007. The net other expense during 3rd quarter 2008 was due to the restructuring charge, which did not exist in the comparative prior period. The net other income during the three months ended August 31, 2007 consisted of interest income, offset by a foreign exchange loss. While interest income of \$126,044 during the current three month period is comparable to that of the three months ended August 31, 2007, the recent strengthening of the U.S. dollar resulted in a foreign exchange gain during the current quarter.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by (used in):	Three months ended September 30, 2008	Three months ended June 30, 2008	Three months ended August 31, 2007
Operating activities	(\$2,816,069)	(\$2,237,533)	(\$3,081,609)
Investing activities	(6,956,168)	(3,332,271)	(196,793)
Financing activities	(16,175)	(12,437)	1,609,625
Effect of exchange rate changes on cash and cash equivalents	(558,494)	341,062	257,191
Increase (decrease) in cash and cash equivalents	(\$10,346,906)	(\$5,241,179)	(\$1,411,586)

The Company finances its operations and capital expenditures through cash generated from operations and equity and debt financings. As at September 30, 2008, the Company had cash totalling approximately \$19.7 million, with working capital¹ of \$17.0 million, as compared to cash of \$12.2 million and working capital of \$11.7 million as at December 31, 2007.

⁽¹⁾ 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.

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 the Destinator and Soleus products, and overall corporate general and administration activities. Accounts receivable increased by approximately \$2.2 million in the three months ended September 30, 2008, from June 30, 2008, due to the timing of customer receipts, which was offset by an increase of \$3.0 million in accounts payable and accrued liabilities, primarily attributable to the acquisition of Destinator assets on July 9, 2008.

Cash used in investing activities rose to \$7.0 million during the three months ended September 30, 2008, due to the acquisition of Destinator, in addition to \$1.0 million in capital asset purchases.

During the three months ended September 30, 2008, cash used by financing activities was attributable to repayments for capital lease obligations. This compares to the three-month period ended August 31, 2007, when equity financings resulted in positive cash inflow from financing activities.

The Company incurs a significant percentage of its cost of sales and operating expenses in Canadian dollars. As a result, a significant percentage of the Company's treasury investment portfolio is maintained in Canadian dollars to fund such expenses. The Company funds non-Canadian dollar expenses through the proceeds received from sales made to its customers in US dollars. The Company maintains the majority of its treasury investments in lower risk investments including Government of Canada treasury bills and investments held with top tier Canadian chartered banks. The recent volatility experienced in the public capital markets and economy has not directly impacted the Company's treasury investment portfolio or financial results during the three months ended September 30, 2008. The Company will continue to deploy investment strategies it deems appropriate to preserve its cash resources to fund future operations as required under the Company's business plan.

During the three months ended September 30, 2008, the Company terminated its line of credit in the amount \$5.0 million previously held with a US financial institution.

Management is of the opinion that cash and cash equivalents of approximately \$19.7 million at September 30, 2008, together with new business attained through November 14, 2008 and ongoing revenue from its customers, will provide sufficient working capital to meet the Company's projected cash requirements through 2009. However, if there are any unanticipated expenses or lower than anticipated revenues this could require the Company to seek additional financing or engage in further reductions in expenditures which may include further restructuring of the Company. The current economic environment may impact the Company's ability to generate such incremental financing.

Staffing levels

The following table summarizes the Company's headcount, by functional group:

	As at September 30, 2008	As at June 30, 2008	As at August 31, 2007
Service engineers	126	122	96
Sales and marketing	29	31	28
Research and development	138	69	67
General and administration	34	38	32
Total	327	260	223

Financial results for the nine months ended September 30

Financial Performance Summary

	Nine months ended September 30, 2008	Nine months ended September 30, 2008	Nine months ended August 31, 2007	Nine months ended August 31, 2007
Revenue	\$18,991,671	100.0%	\$13,119,274	100.0%
Cost of goods sold	9,068,735	47.8%	6,549,316	49.9%
Gross margin	9,922,936	52.2%	6,569,958	50.1%
Expenses				
Sales and marketing	5,968,344	31.4%	4,712,957	35.9%
Research and development	9,338,451	49.2%	8,079,799	61.6%
General and administration	6,081,949	32.0%	3,658,937	27.9%
Amortization	1,160,191	6.1%	575,923	4.4%
Stock-based compensation	847,252	4.5%	418,872	3.2%
Technology Partnerships Canada Funding Investment	299,165	1.6%	265,542	2.0%
Total operating expenses	23,695,352	124.8%	17,712,030	135.0%
Loss before other items and income taxes	(13,772,416)	(72.5%)	(11,142,072)	(84.9%)
Other items	(211,237)	(1.1%)	25,053	0.2%
Loss before income taxes	(13,561,179)	(71.4%)	(11,167,125)	(85.1%)
Income tax expense	263,008	1.4%	228,272	1.7%
Loss	(\$13,824,187)	(72.8%)	(\$11,395,397)	(86.8%)

The financial performance for the nine months ended September 30, 2008 compared to the nine months ended August 31, 2007 is summarized as follows:

- Revenue increased by 45% to \$19.0 million in the nine months ended September 30, 2008;
- Gross margin increased 51% to \$9.9 million in the nine months ended September 30, 2008 and increased as a percentage of revenue to 52% in the nine months ended September 30, 2008 from 50% in the nine months ended August 31, 2007;
- Total operating expenses increased 34% in the nine months ended September 30, 2008 due to increased investment in sales and marketing, research and development and general and administration costs; and
- Other items increased to a net other income of \$211,237 during the nine months ended September 30, 2008 due to greater interest income attributable to higher cash balances due to the equity financing in February 2008.

Revenue

<i>Revenue by Source</i>	Nine months ended September 30, 2008	%	Nine months ended August 31, 2007	%	Change
Engineering Services	\$12,715,997	67%	11,162,897	85%	14%
Software Solutions	5,124,987	27%	1,491,261	11%	244%
Hardware	1,150,687	6%	465,116	4%	147%
Total revenue	\$18,991,671	100%	\$13,119,274	100%	45%

Revenue for the nine months ended September 30, 2008 increased by 45% to \$19.0 million over the nine-month period ended August 31, 2007. The increase was due to increased engineering service revenue, as well as increased software solutions revenue and hardware revenue. Software solutions revenue, which includes license, maintenance, support and service revenues for both the Soleus product offering, as well as the Destinator GPS Navigation System, accounted for the majority of the overall revenue increase.

During each of the nine-month periods ended September 30, 2008 and August 31, 2007, a significant portion of the Company's total revenues were derived from sales to two large customers. These customers accounted for the following percentages of the Company's total revenues as indicated below:

	Nine months ended September 30, 2008	Nine months ended August 31, 2007	Change
Revenue	\$9,847,260	\$6,666,213	48%
Percentage of total revenue	52%	51%	

The two customers accounting for 51% of the total revenue for the nine months ended August 31, 2007 were not the same two customers that accounted for 52% of the total revenue for the nine months ended September 30, 2008.

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

	Nine months ended September 30, 2008	Nine months ended August 31, 2007	Change
United States	\$6,912,112	\$7,304,121	(5%)
Canada	361,184	708,851	(49%)
Europe	8,891,367	4,944,086	80%
Other	2,827,008	162,216	1,643%
	\$18,991,671	\$13,119,274	45%

Revenue for the nine months ended September 30, 2008 included \$2.8 million or 15% from primarily Asian - based customers. The Company expects that in the future, the revenue contribution from Asian - customers will continue to expand.

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.

	Nine months ended September 30, 2008	%	Nine months ended August 31, 2007	%	Change
Revenues	\$18,991,671	100%	\$13,119,274	100%	45%
Cost of sales	9,068,735	48%	6,549,316	50%	38%
Gross margin	\$9,922,936	52%	\$6,569,958	50%	51%

Gross margin for the nine months ended September 30, 2008 increased to \$9.9 million, and rose from 50% to 52% of total revenue. Revenue for the nine months ended August 31, 2007 included a non-recurring engineering services contract that provided higher than traditional margins. The improvement in gross margin percentage during the current nine-month period can be attributed to the greater contribution from software solutions towards the total revenue. Software solutions, which generate higher gross margins than other revenue streams, accounted for 27% of total revenue, compared with 11% during the previous nine-month period.

Operating Expenses

	Nine months ended September 30, 2008	Nine months ended August 31, 2007	Change
Total operating expenses	\$23,695,352	\$17,712,030	34%
As a percentage of total revenue	125%	135%	

Operating expenses expressed as a percentage of revenue declined to 126% in the nine months ended September 30, 2008 from 135% in the nine months ended August 31, 2007.

Total operating expenses for the nine months ended September 30, 2008 increased by \$6.0 million or 34% compared to the nine months ended August 31, 2007.

While the Company's revenues are generated in U.S. dollars, a significant percentage of its operating expenses are incurred in Canadian dollars, resulting in exposure to foreign exchange fluctuations. The average Canadian to U.S. dollar exchange rate declined by approximately 10% in the nine months ended September 30, 2008 compared to the nine months ended August 31, 2007, resulting in the Company's increase in operating expenses being partially attributable to the strengthened Canadian dollar relative to the U.S. dollar, with the remainder attributable to increased sales and marketing, research and development and general and administration expenses.

Sales and Marketing

	Nine months ended September 30, 2008	Nine months ended August 31, 2007	Change
Sales and marketing	\$5,968,344	\$4,712,957	27%
As a percentage of total revenue	31%	36%	

Total sales and marketing expenses for the nine months ended September 30, 2008 increased approximately \$1.2 million, or 27% when compared to the nine months ended August 31, 2007. This increase is partially attributable to the strengthened Canadian dollar relative to the U.S. dollar – \$500,000, with the remainder due to increased salaries – \$600,000 for an additional nineteen personnel, and increased travel expense – \$100,000 to market the Company’s Soleus and Destinator software products.

Research and Development

	Nine months ended September 30, 2008	Nine months ended August 31, 2007	Change
Research and development - Soleus	\$8,328,044	\$7,986,187	4%
Other Research and development	1,010,407	93,612	979%
Total Research and development	\$9,338,451	\$8,079,799	16%
As a percentage of total revenue	49%	62%	

Research and development costs for the nine months ended September 30, 2008 increased by approximately \$1.2 million or 16% over the nine months ended August 31, 2007, which is due primarily to the additional costs of greater research and development personnel, as well as the costs related to the Destinator operations assumed during third quarter 2008.

General and Administration

	Nine months ended September 30, 2008	Nine months ended August 31, 2007	Change
General and administration	\$6,081,949	\$3,658,937	66%
As a percentage of total revenue	32%	28%	

General and administration expense for the nine months ended September 30, 2008 increased by \$2.5 million or 66% when compared to the nine months ended August 31, 2007. This increase is partially attributable to the addition of costs for the Destinator operations acquired in the third quarter 2008 - \$440,000, the strengthening of the Canadian dollar relative to the U.S. dollar - \$395,000, increased salaries and benefits for an additional twelve personnel - \$900,000, increased travel expense - \$200,000, increased rent and related charges due to the Taiwan office which opened in September 2007 - \$200,000, and increased investor relations expenses - \$200,000.

Other Items

	Nine months ended September 30, 2008	Nine months ended August 31, 2007	Change
Restructuring charges	\$814,668	-	100%
Foreign exchange loss (gain)	(473,495)	340,067	(239%)
Interest income	(552,410)	(317,471)	74%
Loss on disposal of equipment	-	2,457	(100%)
Other items	(\$211,237)	\$25,053	

Other items for the nine months ended September 30, 2008 totalled net other income of \$211,237, compared to net other expense of \$25,053 for the nine months ended August 31, 2007. Net other income during the nine months ended September 30, 2008 consisted of a foreign exchange gain due to the weakening of the Canadian dollar relative to the U.S. dollar during the period as compared to a loss in the comparative period as a result of the strengthening of the Canadian dollar relative to the U.S. dollar. Higher interest income in the current period was due to greater cash balances during the nine months ended September 30, 2008, due to the completion of an equity financing in February 2008.

Commitments

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 as at September 30, 2008 are as follows for the years ending December 31:

Contractual Obligations	Total	F2008	F2009	F2010	F2011	F2012
Operating lease obligations	\$4,698,484	\$571,015	\$1,688,531	\$1,444,469	\$776,878	\$217,591

As at November 12, 2008, the Company had 162,004,903 common shares outstanding. The Company also had 11,229,885 share options outstanding and 18,016,570 outstanding warrants and underwriters' options as at November 12, 2008.

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 \$1,087,947 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") 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 continues to believe the costs are eligible under the program and is in discussions with TPC regarding the potential resolution of this matter. As such, the Company continues to defend its position to the ITO. In the event that the ITO maintains its position that these costs are not eligible, the Company has determined it will continue to vigorously defend its position with the ITO. 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 possible future repayments. Any amount the Company pays the ITO in excess of the accrued CAD \$22,063 will result in an additional loss that would be recorded in the period of the determination that the amount is owed.

Goodwill and Intangible Assets Impairment

Due to ongoing operating losses of the Company and current volatility and uncertainty of global financial markets, there is a possibility that the carrying values attributable to the Company's goodwill and intangible assets are impaired. A formal assessment of a potential impairment will be completed in connection with the preparation of the Company's audited consolidated financial statements as at December 31, 2008, with any adjustments to the carrying values of goodwill and intangible assets being provided for at that time. The recorded balances of goodwill and intangible assets are \$14,845,937 and \$12,947,841, respectively, as at September 30, 2008, and as such any potential impairment would be material.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company 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 and nine month period ended September 30, 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 and nine month period ended September 30, 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 and nine month period ended September 30, 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 and nine month period ended September 30, 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.

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 and nine month period ended September 30, 2008 and the most recent interim period that has materially affected, or is 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 September 30, 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 W. 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 September 30, 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: November 14, 2008

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George W. Reznik

Chief Financial Officer

Form 52-109F2 Certification of Interim Filings

I, Tracy Rees, 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 September 30, 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: November 14, 2008

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Tracy Rees
Chief Executive Officer