



INTRINSYC SOFTWARE INTERNATIONAL, INC.

QUARTERLY REPORT

First Quarter Fiscal 2010

For the three months ended March 31, 2010

Chief Executive Officer Letter

Intrinsyc again achieved positive EBITDA (Earnings before interest, amortization, stock-based compensation, TPC funding investment, restructuring charges, loss/(gain) on disposal of equipment, foreign exchange loss/(gain) and income tax) of \$103,000 for the three months ended March 31, 2010. For the last four consecutive quarters, we achieved positive EBITDA. As a result, the Company has achieved positive EBITDA of approximately \$1.0 million during this period. We experienced an increase of \$2.2 million in working capital with \$11.1 million as at March 31, 2010 compared to \$8.9 million as at March 31, 2009. These results reflect the achievement of goals we set out in the restructuring plan put into place in 2009.

Revenue for the quarter was \$3.5 million compared to \$3.9 million in the previous quarter and compared to \$4.4 million in Q1 of 2009. Although our revenue was down from last year, our EBITDA improved from (\$1.2) million to \$103,000 from the prior year. Our overall gross margin was 60% consistent with 60% in the previous quarter and higher compared to 48% in Q1 of 2009.

During the quarter we signed a significant new agreement that extends our important relationship with a Fortune 500 customer to assist in development of future mobile devices and signed a software and services agreement with a company based in Asia that is expected to generate royalties in future quarters.. Revenue and margin results would have been slightly better in the quarter, but for the start of development on this project which consists in part of deferred revenue based on per unit device shipment. Future revenue from this project should begin late in the second quarter and will be dependent on the success of the product in the market.

In our navigation business, we achieved a significant milestone with the completion and launch on the Apple APP store of Destinator[®] 9.2 for the iPhone[™] in North America. Destinator is now available as 30 day trial, with in-app purchase options on perpetual license or monthly fee basis.

Recent News from the First Quarter, 2010, included:

- Selected by Leica Geosystems Agriculture, a pioneer of innovative precision farming tools, to power the turn-by-turn functionality in the new Leica mojoMINI portable guidance solution.
- Announced the expansion of its Windows[®] Mobile and Android applications into the UK, Australia and Western Europe – which are available immediately for download through [Destinator NavStore](#) and Android Market.
- Launched Destinator 9 for purchase on the [Windows Marketplace for Mobile](#), the online applications and media portal for Windows phones.
- Demonstrated its latest Android RapidRIL[™] on ZiiLABS' cellular Development Kit at Mobile World Congress, in Barcelona, February 15-18.
- Launched Destinator 9.2 navigation application for the Apple iPhone in North America through Apple APP Store.
- Announced a partnership to integrate GyPSii's award-winning social media and contextual advertising/coupon functionality into the globally acclaimed Destinator navigation application for smart phones. The combination of the two heralds a first for the mobile navigation segment with the full integration of social media features into a mobile turn-by-turn navigation application.
- Announced a partnership with MIPS technology to bring 3.5G functionality to the MIPS[®] architecture. The companies are porting Intrinsyc's RapidRIL software to the MIPS architecture in order to accelerate mobile SoC development for MIPS licensees around the globe.
- Announced the immediate availability of a commercial-grade, open market Radio Interface Layer (RIL) software for mobile devices utilizing the Android operating system and Sierra Wireless series 8 modems.
- Completed executive level restructuring with the departure of two executives and the addition of Randy Moore, Vice President of Engineering Operations.

In addition to the distribution of Destinator in the North American markets, we are focused on expanding the distribution of Destinator in international markets. We believe that international markets have significant growth potential, with less competition, and we can better leverage Destinator's stronger historical brand presence. In some markets we will be selling Destinator directly through application stores and in other markets we will sell in conjunction with our strong regional partners.

In our mobile device development business, we are increasing our activities with key technology providers and expanding our capabilities. This effort is restoring and expanding our reputation for technical excellence and quality performance. We will continue to enhance our relationships with industry suppliers and leverage our strong reputation for mobile device development to build a broader customer base and enhance revenue.

Finally, in addition to focusing on improving performance with our current products and services we are reviewing strategic opportunities to build greater value for our shareholders.

Yours sincerely,

A handwritten signature in black ink that reads "Tracy Rees". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

Tracy Rees
President and Chief Executive Officer
May 13, 2010

INTRINSYC SOFTWARE INTERNATIONAL, INC.

For the Three Months Ended March 31, 2010

Part I. Financial Information

	<u>Page</u>
Financial Statements	
a) Consolidated Balance Sheets March 31, 2010 (unaudited) and December 31, 2009 (audited)	1
b) Consolidated Statements of Operations and Deficit For the three months ended March 31, 2010 and March 31, 2009 (unaudited)	2
c) Consolidated Statements of Comprehensive Loss For the three months ended March 31, 2010 and March 31, 2009 (unaudited)	3
d) Consolidated Statements of Cash Flows For the three months ended March 31, 2010 and March 31, 2009 (unaudited)	4
e) Notes to Consolidated Financial Statements	5
Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Risks and Uncertainties	45
Certifications of Interim Filings	51

INTRINSYC SOFTWARE INTERNATIONAL, INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended
March 31, 2010 and 2009
(Unaudited and expressed in U.S. dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indication that financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee of the Board of Directors of the Company and the Board of Directors of the Company.

The Company's independent auditors have not performed a review of these consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

A handwritten signature in black ink, appearing to read 'G. Reznik', is positioned above the typed name.

George W. Reznik
Chief Financial Officer
May 13, 2010

INTRINSYC SOFTWARE INTERNATIONAL, INC.

Consolidated Balance Sheets

(Expressed in U.S. dollars)

(See Note 1 – Organization and Basis of Financial Statement Presentation)

As at	March 31, 2010	December 31, 2009
	<i>(Unaudited)</i>	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 12,100,348	\$ 11,710,227
Accounts receivable (<i>notes 4, 14 and 17</i>)	2,410,750	3,401,467
Inventory	7,821	14,269
Prepaid expenses - current	270,765	313,528
Total current assets	14,789,684	15,439,491
Restricted cash (<i>note 3</i>)	98,445	95,147
Prepaid expenses	47,951	47,063
Equipment (<i>notes 6, 14 and 15</i>)	694,883	735,807
Intangible assets (<i>note 5</i>)	3,785,604	3,880,481
Total assets	\$ 19,416,567	\$ 20,197,989
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (<i>notes 13 and 15</i>)	\$ 3,213,788	\$ 3,574,134
Capital lease obligations - current (<i>note 9</i>)	47,183	45,179
Deferred revenue	443,193	526,169
Total current liabilities	3,704,164	4,145,482
Long-term capital lease obligations (<i>note 9</i>)	-	7,388
Total liabilities	3,704,164	4,152,870
Shareholders' equity		
Share capital (<i>note 10</i>)	108,288,585	108,288,585
Warrants and underwriters' options (<i>notes 10 and 11</i>)	270,046	4,029,953
Contributed surplus (<i>notes 10 and 11</i>)	9,048,169	5,230,217
Accumulated other comprehensive income (<i>note 7</i>)	2,603,339	2,068,103
Deficit	(104,497,736)	(103,571,739)
Total shareholders' equity	15,712,403	16,045,119
Total liabilities and shareholders' equity	\$ 19,416,567	\$ 20,197,989

Commitments and contingencies (*note 12*)

See accompanying notes to consolidated financial statements

INTRINSYC SOFTWARE INTERNATIONAL, INC.

Consolidated Statements of Operations and Deficit

(Unaudited and expressed in U.S. dollars)

For the	Three months ended March 31, 2010	Three months ended March 31, 2009
Revenues (<i>note 14</i>)	\$ 3,506,997	\$ 4,400,807
Cost of sales	1,390,866	2,280,615
	2,116,131	2,120,192
Expenses		
Sales and marketing	615,221	1,143,915
Research and development (<i>note 8(b)</i>)	840,935	1,363,089
Administration	556,981	803,590
Amortization (<i>notes 5 and 6</i>)	288,856	319,329
Stock-based compensation (<i>note 11</i>)	58,045	84,508
Technology Partnerships Canada Funding Investment (<i>note 8(a)</i>)	5,115	134,934
Restructuring (<i>note 15</i>)	485,478	-
Loss (gain) on disposal of equipment (<i>note 6</i>)	(2,150)	20,552
	2,848,481	3,869,917
Loss before other expenses (earnings) and income taxes	732,350	1,749,725
Other expenses (earnings)		
Foreign exchange loss (gain)	198,295	(113,183)
Interest income	(6,602)	(37,829)
Loss before income taxes	924,043	1,598,713
Income tax expense - current	1,954	25,749
Net loss for the period	925,997	1,624,462
Deficit, beginning of period	103,571,739	100,641,634
Deficit, end of period	\$104,497,736	\$102,266,096
Loss per share (basic and diluted)	\$0.01	\$0.01
Weighted average number of shares outstanding	163,259,070	163,254,903

See accompanying notes to consolidated financial statements

INTRINSYC SOFTWARE INTERNATIONAL, INC.

Consolidated Statements of Comprehensive Loss

(Unaudited and expressed in U.S. dollars)

For the	Three months ended March 31, 2010	Three months ended March 31, 2009
Net loss for the period	(\$ 925,997)	(\$ 1,624,462)
Other comprehensive gain (loss):		
Unrealized gains (losses) on translating financial statements from functional currency to reporting currency (<i>note 7</i>)	535,235	(537,033)
Comprehensive loss	(\$ 390,762)	(\$ 2,161,495)

See accompanying notes to consolidated financial statements

INTRINSYC SOFTWARE INTERNATIONAL, INC.

Consolidated Statements of Cash Flows

(Unaudited and expressed in U.S. dollars)

For the	Three months ended March 31, 2010	Three months ended March 31, 2009
OPERATING ACTIVITIES		
Net loss for the period	(\$ 925,997)	(\$ 1,624,462)
Items not involving cash:		
Amortization	288,856	319,329
Future income taxes	-	39,091
Stock-based compensation (<i>note 11</i>)	58,045	84,508
Loss on disposal of equipment (<i>note 6</i>)	-	20,552
Changes in non-cash operating working capital:		
Accounts receivable	1,082,686	1,345,529
Inventory	6,780	14,336
Prepaid expenses	53,100	179,909
Accounts payable and accrued liabilities	(472,886)	(1,658,861)
Deferred revenue	(98,846)	107,223
Cash used in operating activities	(8,262)	(1,172,846)
INVESTING ACTIVITIES		
Purchase of equipment	-	(22,866)
Cash used in investing activities	-	(22,866)
FINANCING ACTIVITIES		
Repayment of capital lease obligation (<i>note 9</i>)	(7,039)	(55,722)
Restricted cash (<i>note 3</i>)	-	11,069
Cash provided by financing activities	(7,039)	(42,653)
Effect of exchange rate changes on cash and cash equivalents	405,422	(408,998)
Increase (decrease) in cash and cash equivalents	390,121	(1,647,363)
Cash and cash equivalents, beginning of period	11,710,227	12,391,452
Cash and cash equivalents, end of period	\$ 12,100,348	\$ 10,744,089
Supplementary information		
Interest received	\$ 7,090	\$ 17,861
Income taxes paid	70,756	-

See accompanying notes to consolidated financial statements

INTRINSYC SOFTWARE INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

(Unaudited and expressed in U.S. dollars)

1. ORGANIZATION AND BASIS OF FINANCIAL STATEMENT PRESENTATION

The Company was incorporated on August 31, 1992 under the laws of Alberta and continued under the Company Act (British Columbia) on July 19, 1995. Articles of Continuance were filed under the Canada Business Corporations Act on May 1, 2003 to continue the Company federally and change the name of the Company from Intrinsyc Software, Inc. to Intrinsyc Software International, Inc. The Company is a mobile software and services company that specializes in providing smart phone and feature phone software licensing and supporting systems integration services to handset manufacturers and their partners. The Company's technologies and services make it possible for customers to identify, create and deliver mobile devices and solutions.

These consolidated financial statements have been prepared under the assumption that the Company will continue as a going concern. The eventual profitability of the Company and its ability to continue as a going concern is dependent upon many factors, including the successful development and marketing of its products and services. In addition, the mobile software and services industry is subject to rapid and substantial technological change which could reduce the marketability of the Company's technology and services. The Company's existing cash resources are sufficient, in management's opinion, in conjunction with anticipated revenues to fund operations for the next twelve months. The Company may make future operating expense adjustments in the event that unforeseen circumstances are encountered or the impact attributable to the current global economic crisis is greater than anticipated. The Company may be required to obtain additional sources of financing in the future to fund future product research and development activities, realize returns on its assets and discharge its liabilities in the normal course of business. There can be no assurance that the Company will successfully execute its business plan or the Company will be able to raise any capital through any type of offering or similar financial arrangement.

2. SIGNIFICANT ACCOUNTING POLICIES

The Company applied the same accounting policies in the preparation of the unaudited interim consolidated financial statements as disclosed in its audited annual consolidated financial statements as at and for the year ended December 31, 2009.

Future Accounting Changes

HB Section 1582 - Business Combinations

This section applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The new CICA Handbook Section 1582 will replace Section 1581 "Business Combinations" establishing standards for the accounting for a business combination that will more closely resemble those under International Financial Reporting Standards. Earlier adoption of this section is permitted. Management has not fully determined the impact of adopting this standard.

HB Section 1601 - Consolidated Financial Statements and Section 1602 - Non-Controlling Interests

Effective for interim and annual financial statements for fiscal years beginning on or after January 1, 2011, the new CICA Handbooks Section 1601 and Section 1602 will replace Section 1600 "Consolidated Financial Statements". These sections establish standards for the preparation of consolidated financial statements and accounting for a non-controlling interest in a subsidiary in consolidated financial statements. Earlier adoption of this section is permitted as of the beginning of a fiscal year. Management has not fully determined the impact of adopting this standard.

INTRINSYC SOFTWARE INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

(Unaudited and expressed in U.S. dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

EIC 175 – Multiple Deliverable Revenue Arrangements

In December 2009, the CICA issued EIC 175, *Multiple Deliverable Revenue Arrangements*, replacing EIC 142, *Revenue Arrangements with Multiple Deliverables*. This abstract was amended to (1) exclude from this application of the updated guidance those arrangements that be accounted for in accordance with Financial Accounting Standards Board Statement (FASB) Statement of Position (SOP) 97-2, *Software Revenue Recognition* as amended by Accounting Standards Update (ASU) 2009-14; (2) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (3) require in situations where a vendor does not have vendor-specific objective evidence (“VSOE”) or third-party evidence of selling price, require that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (4) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (5) require expanded qualitative and quantitative disclosures regarding significant judgements made in applying this guidance.

FASB ASU 2009-14 removed from the scope of accounting of software arrangements that is contained in the SOP 97-2 guidance, tangible products containing software components and non-software components that function together to deliver the product’s essential functionality.

The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the abstract is adopted early, in a reporting period that is not the first reporting period in the entity’s fiscal year, it must be applied retroactively from the beginning of the Company’s fiscal period of adoption. Management has not fully determined the impact of adopting this abstract.

Accounting Standards

In February 2008, Canada’s Accounting Standards Board confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be replaced by International Financial Reporting Standards (“IFRS”) for fiscal years beginning on or after January 1, 2011. These companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company’s reporting for the first quarter in the fiscal year ending December 31, 2011 with comparative information also prepared under IFRS.

In 2009, the Company commenced a comprehensive IFRS conversion plan which addressed changes in accounting policies, restatement of comparative periods, organization, internal controls and any required changes to business processes. This conversion plan continued in the first quarter of fiscal 2010. To facilitate this process and ensure that the full impact of the conversion was understood and managed reasonably, the Company has retained consultants to assist with the IFRS conversion project. Through assistance with respect to training and preparation of reconciliations of historical Canadian GAAP financial statements to IFRS, the Company believes that its accounting department has obtained sufficient understanding of IFRS for implementation purposes.

The Company has completed its preliminary assessment of the differences between IFRS and Canadian GAAP that may potentially impact the recognition, measurement and presentation of the Company’s financial statement balances at the transitional date of January 1, 2010. The Company has commenced Phase II of the project to (i) update its findings under Phase I, (ii) quantify the differences identified in Phase I, (iii) record necessary entries to its transitional balance sheet at January 1, 2010 and (iv) prepare the reconciliation tables mandated by IFRS commencing with the Company’s first interim IFRS financial statements (March 31, 2011 with March 31, 2010 comparatives) from Canadian GAAP reported net income and equity to that reported under IFRS

INTRINSYC SOFTWARE INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

(Unaudited and expressed in U.S. dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Intrinsyc is required to apply all of those IFRS standards which are effective for periods ending Dec 31, 2011 and apply them to its opening January 1, 2010 balance sheet (Transition date).

The following sets out the Company's preliminary IFRS policy decisions and significant expected accounting differences based on the Company's preliminary analysis of current IFRS standards. Additional differences between Canadian GAAP and IFRS may be identified as the Company's transition plan is implemented. As a result, these accounting policy choices may change prior to the adoption of IFRS on January 1, 2011. Although management has identified key accounting policy differences, the impact of these differences to the Company's consolidated financial statements has not been determined at this time. Decisions with respect to accounting policy changes, outlined below, may change once management has quantified and thoroughly analyzed the effect of such changes and has presented them for final review and approval by the Audit Committee.

In the year of transition to IFRS, the Company is allowed to elect certain exemptions in order to not apply each IFRS on a retrospective basis. Based on the analysis to date, the Company expects to apply the following optional exemptions under IFRS 1 that may be significant to the Company in preparing its consolidated financial statements under IFRS:

- [a] **Business Combinations** – IFRS 1 requires the relevant IFRS business combination standards be applied on a prospective or retroactive basis. The company intends to elect to apply IFRS 3, *Business Combinations (revised)*, on a prospective basis for all business combinations completed after January 1, 2010. The Company will elect to apply IFRS 3 prospectively with respect to its July 9, 2008 acquisition of Destinator Technologies.
- [b] **Cumulative Translation Adjustments** – IFRS 1 allows cumulative translation adjustments for foreign operations to be recognized in equity on transition. Gains or losses from the subsequent disposal of foreign operations would exclude translation differences arising prior to adopting IFRS. The Company will elect to reset its cumulative translation adjustments, totalling \$2,068,103 at December 31, 2009, to zero at the Transition Date.
- [c] **Equipment** – IFRS provides the choice between measuring equipment at fair value at the date of transition and using those amounts as deemed cost or using the historical cost basis under Canadian GAAP. The Company will elect to use the historical cost carrying values for equipment as determined under Canadian GAAP for transitional purposes.

In addition to the IFRS 1 exemptions, the following are preliminary differences identified between the Company's Canadian GAAP accounting policies and those under IFRS, based on the Company's analysis to date:

- [a] **Impairment of equipment and intangible assets** - Canadian GAAP uses a two step approach to assess impairment, while under IFRS impairment testing is a one-step process. As a result, there is a higher probability that an impairment loss would be recognized under IFRS than under Canadian GAAP. In addition, Canadian GAAP does not allow any impairment losses to be reversed, while under IFRS, if certain criteria are met, reversal is required. The Company is currently reviewing previously reported balances to determine the extent of any transitional adjustment required.
- [b] **Share-based payments** – Canadian GAAP allows each grant to be treated as a single arrangement and compensation expense to be determined at the time of grant and amortized over the vesting period on a straight-line basis. IFRS requires a separate calculation of compensation expense for grants that vest in instalments. Compensation expense recognition will therefore be accelerated under IFRS. The Company is currently reviewing previously reported balances to determine the extent of any transitional adjustment require

INTRINSYC SOFTWARE INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

(Unaudited and expressed in U.S. dollars)

3. RESTRICTED CASH

During 2008, as part of a settlement the Company had with one of its vendors, the Company agreed to pay \$590,667 (CDN \$600,000) cash as well as paying \$196,889 (CDN \$200,000) of the account by issuing the vendor 1,250,000 common shares at a price of \$0.16 (CDN \$0.16) for a total payment of \$761,180 (CDN \$800,000). The shares were issued on November 27, 2008. The shares were subject to a 4-month hold period from date of issue and will require orderly liquidation of the shares on a basis restricted to 25% of the total volume during any 6-month period unless previously approved by the Company. Intrinsic guaranteed that a minimum of \$98,445 (CDN \$100,000) is received from the sale of shares. As such, the Company placed \$98,445 (CDN \$100,000) in trust which will be released to the Company upon liquidation of such shares. In the event that the total proceeds from disposition are lower than \$98,445 (CDN \$100,000), such dispositions will be offset by payment from such funds held in trust. To date, no shares have been liquidated.

4. ACCOUNTS RECEIVABLE

	March 31, 2010	December 31, 2009
Trade and miscellaneous receivables	\$ 2,486,102	\$ 3,590,387
Less: Allowance for doubtful accounts	(678,490)	(655,766)
Unbilled revenue	603,138	466,846
	\$ 2,410,750	\$ 3,401,467

5. INTANGIBLE ASSETS

The following table presents details of movement in the carrying value of the intangible assets as at March 31, 2010:

	Amount
Balance, December 31, 2009	\$ 3,880,481
Amortization	(223,987)
Foreign exchange due to strengthening of Canadian dollar	129,110
Balance, March 31, 2010	\$ 3,785,604

Total amortization of intangible assets for the three months ended March 31, 2010 and 2009 was \$223,987 and \$206,172, respectively. The amount of amortization reclassified from equipment to intangible assets under HB Section 3064 was \$27,840 for three months ended March 31, 2009.

The following table presents a breakdown of intangibles by type:

INTRINSYC SOFTWARE INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

(Unaudited and expressed in U.S. dollars)

5. INTANGIBLE ASSETS (cont'd)

March 31, 2010	Cost	Accumulated depreciation	Net book value
Acquired software technology	\$ 4,266,510	\$ 1,262,857	\$ 3,003,653
Computer software	1,063,221	1,022,108	41,113
Customer relationships	599,078	113,203	485,875
Patent portfolio	334,101	107,965	226,136
Trademarks and brand	60,676	31,849	28,827
	\$ 6,323,586	\$ 2,537,982	\$ 3,785,604

December 31, 2009	Cost	Accumulated depreciation	Net book value
Acquired software technology	\$ 4,123,616	\$ 1,039,462	\$ 3,084,154
Computer software	1,027,611	977,392	50,219
Customer relationships	579,014	101,109	477,905
Patent portfolio	322,911	87,744	235,167
Trademarks and brand	58,644	25,608	33,036
	\$ 6,111,796	\$ 2,231,315	\$ 3,880,481

6. EQUIPMENT

March 31, 2010	Cost	Accumulated depreciation	Net book value
Computers and equipment	\$ 2,092,294	\$ 1,679,278	\$ 413,016
Furniture and fixtures	1,073,831	836,416	237,415
Leasehold improvements	529,996	485,544	44,452
	\$ 3,696,121	\$ 3,001,238	\$ 694,883

December 31, 2009	Cost	Accumulated depreciation	Net book value
Computers and equipment	\$ 2,022,883	\$ 1,591,014	\$ 431,869
Furniture and fixtures	1,037,866	792,008	245,858
Leasehold improvements	512,538	454,458	58,080
	\$ 3,573,287	\$ 2,837,480	\$ 735,807

Total amortization for the three months ended March 31, 2010 and 2009 was \$64,869 and \$113,157, respectively.

INTRINSYC SOFTWARE INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

(Unaudited and expressed in U.S. dollars)

6. EQUIPMENT (cont'd)

During the three months ended March 31, 2010 and 2009, the Company disposed of assets and recorded a gain of \$2,150 and loss of \$20,552, respectively.

7. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

	March 31, 2010	December 31, 2009
Balance – beginning of period	\$ 2,068,103	(\$ 159,400)
Unrealized foreign currency translation gains (losses)	535,236	2,227,503
Balance – end of period	\$ 2,603,339	\$ 2,068,103

8. GOVERNMENT ASSISTANCE

a) Industry Technology Office (“ITO”, formally Technology Partnerships Canada or “TPC”)

Under agreements with the ITO, 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 \$3.6 million (CDN \$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 CDN \$10.0 million until August 31, 2011. To date, the Company has either paid or accrued approximately \$1,513,926 (CDN \$1,537,846) to ITO in royalties.

During the year ended August 31, 2005, the Company determined that it had received an overpayment from ITO of CDN \$22,063 and accordingly recorded a liability for this amount. The Company is currently a party to communications/negotiations with ITO with respect to issues raised by ITO regarding funds received by the Company in prior years (See Note 12[c] – Commitments and Contingencies).

b) Industrial Research Assistance Program (“IRAP”)

Effective June 15, 2009, the Company entered into an agreement with the National Research Council Canada (“NRC”) under its Industrial Research Assistance Program (“IRAP”). Under this agreement, the NRC will reimburse the Company 75% of eligible supported salary costs up to a maximum of CDN \$132,000 to assist in the further development of its telephony software application until March 31, 2010. Any funding received will be recorded as a reduction of the related expense presented under “Research and development.” During the three months ended March 31, 2010, the Company has recorded a reduction of \$38,232 (CDN \$38,836) against “Research and development” (which represents the remaining balance of the CDN \$132,000 that was unused as at December 31, 2009) and received \$25,993 (CDN \$27,035) for funding up to December 31, 2009. Expense reductions totalling \$38,232 (CDN \$38,836 for January, February and March have been accrued. Subsequent to March 31, 2010, a total of \$38,232 (CDN \$38,836) had been received representing funding for January, February and March.

INTRINSYC SOFTWARE INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

(Unaudited and expressed in U.S. dollars)

9. CAPITAL LEASE OBLIGATIONS

The Company is committed to the following obligations under capital leases:

	March 31, 2010	December 31, 2009
Minimum lease payments	\$ 48,761	\$ 54,575
Interest at 3.3% per annum	(1,578)	(2,008)
Lease principal obligation	47,183	52,567
Current portion	(47,183)	(45,179)
Long-term portion	\$ -	\$ 7,388

Future minimum lease repayments required over the term of the leases are as follows:

	Amount
Remainder of 2010	\$ 41,044
2011	7,717
	\$ 48,761

10. SHARE CAPITAL

Authorized

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

	Number of common shares	Amount
Outstanding, December 31, 2009	163,259,070	\$ 108,288,585
No transactions during the quarter	-	-
Outstanding, March 31, 2010	163,259,070	\$ 108,288,585

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. As of March 31, 2010 the number of options reserved under the plan was 16,325,906.

INTRINSYC SOFTWARE INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

(Unaudited and expressed in U.S. dollars)

10. SHARE CAPITAL (cont'd.)

A summary of the Company's share option activity for the three months ended March 31, 2010 is as follows:

	Outstanding options	
	Number of common shares	Weighted average exercise price (in Canadian dollars)
Outstanding, December 31, 2009	8,438,646	\$ 0.34
Options granted	12,250	0.08
Options exercised	-	-
Options forfeited/expired	(1,530,779)	0.51
Outstanding, March 31, 2010	6,920,117	\$ 0.30

Stock-based compensation is recorded evenly over the vesting term, which is usually thirty six (36) months. In the event of an option forfeiture, any expense recognized to date on unvested options is reversed in the period in which the forfeiture occurs.

The following table summarizes the share options outstanding as at March 31, 2010:

Options outstanding			Options exercisable		
Range of exercise price (in Canadian dollars)	# of common shares	Weighted average remaining contractual life	Weighted average exercise price (in Canadian dollars)	# of options exercisable	Weighted average exercise price (in Canadian dollars)
\$ 0.06 – \$ 0.74	5,691,192	3.83	\$ 0.17	3,770,042	\$ 0.19
\$ 0.75 – \$ 0.90	597,625	1.68	\$ 0.79	574,842	\$ 0.79
\$ 0.91 – \$ 1.26	631,300	2.37	\$ 0.99	519,850	\$ 1.00
	6,920,117	3.51	\$ 0.30	4,864,733	\$ 0.35

The weighted average fair value of stock options granted during the three months ended March 31, 2010 was CAD \$0.08 per share [CAD \$0.06 per share for the three months ended March 31, 2009]. The fair value of each option granted was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	Three months ended March 31, 2010	Three months ended March 31, 2009
Expected life (in years)	4.0	4.0
Risk-free interest rate	2.56%	1.91%
Volatility	127.87%	126.20%
Dividend yield	0.00%	0.00%

INTRINSYC SOFTWARE INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

(Unaudited and expressed in U.S. dollars)

10. SHARE CAPITAL (cont'd.)

Warrants and underwriters' options

A summary of the Company's share purchase warrants and underwriters' options as at March 31, 2010 and December 31, 2009 is as follows:

Outstanding warrants and underwriters' compensation options			
	Number of warrants and underwriters' compensation options	Weighted average exercise price (in Canadian dollars)	Amount
Outstanding, December 31, 2009	16,197,275	\$ 0.99	\$ 4,029,953
Compensation options and warrants expired	(13,912,307)	1.05	(3,759,907)
Outstanding, March 31, 2010	2,284,968	\$ 0.62	\$ 270,046

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

	Number of options	Exercise (in Canadian dollars)	Expiry date
Warrants issued October 3, 2005	2,284,968	\$ 0.62	October 3, 2010
Outstanding, March 31, 2010	2,284,968		

11. CONTRIBUTED SURPLUS

	March 31, 2010	December 31, 2009
Balance – beginning of period	\$ 5,230,217	\$ 4,260,625
Transfer to common share capital of issue date fair value for options exercised	-	(201)
Transfer from warrants and underwriters' compensation options for expired compensation options (note 10)	3,759,907	459,555
Stock-based compensation expense	58,045	510,238
Balance – end of period	\$ 9,048,169	\$ 5,230,217

12. COMMITMENTS AND CONTINGENCIES

[a] The Company has lease commitments for office premises until 2015. The aggregate of minimum lease payments as at March 31, 2010 in each of the next six years are approximately as follows:

INTRINSYC SOFTWARE INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

(Unaudited and expressed in U.S. dollars)

12. COMMITMENTS AND CONTINGENCIES (cont'd)

	Amount
Remainder of 2010	\$ 514,382
2011	338,388
2012	330,671
2013	330,671
2014	330,671
2015	303,115
	\$ 2,147,898

[b] The Company has a commitment to pay a royalty of \$15 per \$100 of licenses sold of certain software licenses. In the event the cumulative royalty is less than \$150,000, the Company was required to pay the difference between the cumulative amount paid and the \$150,000 on November 30, 2008. The Company had accrued the remaining balance as at December 31, 2007 as management determined that future sales under this agreement were unlikely. No payment had been made as of March 31, 2010.

[c] 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 CDN \$929,183 in addition to the already recorded CDN \$22,063 (see Note 8[a] – Technology Partnerships Canada).

The Company evaluated the correspondence and the original contribution agreement, and has engaged in ongoing negotiations 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. Any amount the Company pays the ITO in excess of the accrued CDN \$22,063 will result in an additional loss that would be recorded in the period of the determination that the amount is owed.

[d] The Company warrants that its software and hardware products will operate substantially in conformity with product documentation and that the physical media will be free from defect. The specific terms and conditions of the warranties are generally ninety days. The Company accrues for known warranty issues if a loss is probable and can be reasonably estimated, and accrues for estimated incurred but unidentified warranty issues based on historical activity. To date, the Company has had no material warranty claims.

[e] As part of the restructuring initiatives undertaken in fiscal 2008, the Company provided a guarantee regarding an exited facility lease on behalf of a third party tenant. In the event that such tenant forfeits on any lease payment obligations until the expiration of the lease term on November 30, 2010, the Company would be responsible for any current and future lease payments, up to a maximum amount of approximately \$93,034 (CDN \$94,504) (which equals remaining lease payments and has not been accrued) as at March 31, 2010. The new tenant has entered into a lease agreement and has been making payments for this lease facility.

[f] 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)

13. EXPORT DEVELOPMENT CANADA (“EDC”)

On July 31, 2009, the Company entered into an agreement with Export Development Canada (“EDC”) whereby EDC will provide insurance for the Company’s invoiced sales for a premium of anywhere from CDN \$0.32 to CDN \$0.78 per CDN \$100 of monthly invoiced sales (certain customers are excluded from this coverage). The policy period is from July 1, 2009 to June 30, 2010 with an automatic renewal unless the policy is terminated by the Company. The maximum liability coverage at any one time is CDN \$60,000 for domestic sales and CDN \$1,600,000 for sales outside of Canada. During the three months ended March 31, 2010, the Company recorded total premiums of \$9,502 (CDN \$9,883) in sales and marketing [CDN \$nil – three months ended March 31, 2009]. As of March 31, 2010, a total of \$4,559 (CDN \$4,631) in premiums were outstanding and recorded under “Accounts payable and accrued liabilities.”

14. SEGMENTED INFORMATION

Operating segments

The Company operates in two segments:

1. Software Solutions segment including the revenue and operations of the Company’s own software products consisting of Destinator, Soleus® and EIS product lines;
2. Device Development Solutions segment includes the Company’s engineering workforce, which generates revenue by contracting its engineering expertise to third parties;
3. Other which includes revenue generated by the Company’s legacy hardware business and the Company’s unallocated expenses.

A breakdown of revenues, cost of sales and operating expenses for each reportable segment for the three months ended March 31, 2010 and March 31, 2009 is as follows:

Three months ended March 31, 2010	Software Solutions	Device Development Solutions	Other	Total
Revenue	\$ 1,421,651	\$ 1,901,302	\$ 184,044	\$ 3,506,997
Cost of sales	120,477	1,164,703	105,686	1,390,866
Gross margin	1,301,174	736,599	78,358	2,116,131
Operating expenses	840,935	-	2,007,546	2,848,481
Operating profit (loss)	\$ 460,239	\$ 736,599	(\$ 1,929,188)	(\$ 732,350)

INTRINSYC SOFTWARE INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

(Unaudited and expressed in U.S. dollars)

14. SEGMENTED INFORMATION (cont'd.)

Three months ended March 31, 2009	Software Solutions	Device Development Solutions	Other	Total
Revenue	\$ 1,736,417	\$ 2,378,954	\$ 285,436	\$ 4,400,807
Cost of sales	181,833	1,944,430	154,352	2,280,615
Gross margin	1,554,584	434,524	131,084	2,120,192
Operating expenses	1,363,089	-	2,506,828	3,869,917
Operating profit (loss)	\$ 191,495	\$ 434,524	(\$ 2,375,744)	(\$ 1,749,725)

While the Company does report gross margin by the above segments, it does not allocate operating expenses with the exception of R&D expenses, which are attributable to its software business.

Geographic information

The Company's equipment is located as follows:

	March 31, 2010	December 31, 2009
United States	\$ -	\$ -
Canada	530,210	547,046
Asia	164,673	188,761
Total	\$ 694,883	\$ 735,807

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

	Three months ended March 31, 2010	Three months ended March 31, 2009
United States	\$ 2,448,168	\$ 2,257,007
Europe	371,894	1,395,977
Asia	148,649	376,505
Canada	38,455	32,136
Other	499,831	339,182
	\$ 3,506,997	\$ 4,400,807

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:

INTRINSYC SOFTWARE INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

(Unaudited and expressed in U.S. dollars)

14. SEGMENTED INFORMATION (cont'd.)

	Three Months ended March 31, 2010	% of Accounts Receivable at March 31, 2010	Three Months ended March 31, 2009	% of Accounts Receivable at March 31, 2009
Customer 1	31%	3%	20%	15%
Customer 2	9%	14%	13%	11%
Customer 3	6%	3%	10%	7%
Total	46%	20%	43%	33%

For the three months ended March 31, 2010, revenues earned from Customer 1 related to Device Development Solutions while revenues earned from Customers 2 and 3 related to Software Solutions. For the three months ended March 31, 2009, revenues earned from Customers 1, 2 and 3 related to Device Development Solutions.

15. RESTRUCTURING

On December 1, 2008, the Company announced restructuring initiatives to reduce operating costs. On February 8, 2010 the Company announced an additional restructuring plan to further reduce its cost structure, and changes in its management, designed to improve operational efficiency and effectiveness.

The following table summarizes the expenses recorded by the Company as at March 31, 2010:

	Employee Related Costs	Loss on Disposal of Equipment	Office Related Costs	Other Costs	Total
Charges	\$ 1,318,428	\$ 430,615	\$ 905,676	\$ 357,228	\$ 3,011,947
Settlements/adjustment	(935,573)	(417,425)	41,763	(357,228)	(1,668,463)
Balance at December 31, 2008	\$ 382,855	\$ 13,190	\$ 947,439	\$ -	\$ 1,343,484
Settlements	(382,855)	(13,190)	(900,181)	-	(1,296,226)
Balance at December 31, 2009	\$ -	\$ -	\$ 47,258	\$ -	\$ 47,258
Charges	485,478	-	-	-	485,478
Settlements/adjustment	(300,590)	-	(11,656)	-	(312,246)
Balance at March 31, 2010	\$ 184,888	\$ -	\$ 35,602	\$ -	\$ 220,490

The balance as at March 31, 2010 includes future employee related payments as well as future lease commitments of office space which are redundant due to the Company's restructuring initiatives in 2008. This balance is included as a future financial commitment (see Note 12(a) – Commitments and Contingencies).

INTRINSYC SOFTWARE INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

(Unaudited and expressed in U.S. dollars)

16. 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 fund capital projects for facilitation of business expansion providing there is sufficient liquidity of capital to enable the internal financing.
- To maintain a 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.

As at March 31, 2010, the shareholders' equity of the Company was \$15,712,403 [December 31, 2009 - \$16,045,119].

17. FINANCIAL INSTRUMENTS

[a] Financial assets and liabilities

Financial assets are cash and cash equivalents and accounts receivable. Financial liabilities include accounts payable and accrued liabilities capital lease obligations.

The Company has classified cash and cash equivalents as held-for-trading financial assets, measured at fair value. Accounts receivable is classified as loans and receivables, measured at amortized cost. Accounts payable and accrued liabilities and capital lease obligations are classified as other liabilities, measured at amortized cost.

The carrying values and fair values of financial assets and liabilities as at March 31, 2010 and December 31, 2009 are summarized as follows:

	<u>March 31, 2010</u>		<u>December 31, 2009</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Held-for-trading	\$ 12,100,348	\$ 12,100,348	\$ 11,710,227	\$ 11,710,227
Loans and receivables	\$ 2,410,750	\$ 2,410,750	\$ 3,401,467	\$ 3,401,867
Other liabilities	\$ 3,260,971	\$ 3,260,971	\$ 3,626,701	\$ 3,626,701

INTRINSYC SOFTWARE INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

(Unaudited and expressed in U.S. dollars)

17. FINANCIAL INSTRUMENTS (cont'd)

[b] 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 due to the short-term maturity of these instruments. The carrying value of capital lease obligations approximate their fair value given that the interest rates inherent in the leases reflect rates currently available for leases with similar terms and maturities.

During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures, was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- 1) Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
- 2) Level 2 – Inputs other than quoted prices that are observable for the asset or liability directly or indirectly and
- 3) Level 3 – Inputs that are not based on observable market data.

At March 31, 2010, the Company's financial instruments which are measured at fair value on a recurring basis were cash and cash equivalents. These financial instruments were classified as "Level 1" financial instruments.

[c] Risk Management

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

[i] Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents, accounts receivable and foreign exchange option contracts. The Company limits its exposure to credit risk with respect to cash and cash equivalents 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.

As at March 31, 2010 and December 31, 2009, the Company's exposure to credit risk for these financial instruments was as follows:

	March 31, 2010	December 31, 2009
Cash and cash equivalents	\$ 12,100,348	\$ 11,710,227
Accounts receivable	2,410,750	3,401,467
	\$ 14,511,098	\$ 15,111,694

INTRINSYC SOFTWARE INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

(Unaudited and expressed in U.S. dollars)

17. FINANCIAL INSTRUMENTS (cont'd)

Accounts receivable was aged as follows as at March 31, 2010 and December 31, 2009:

	March 31, 2010	December 31, 2009
Current	\$ 2,271,825	\$ 3,211,666
31-60 days	31,776	162,947
Over 60 days	107,149	26,854
	\$ 2,410,750	\$ 3,401,467

[ii] 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.

[iii] Foreign Currency Risk

Although substantially all of the Company's revenues are received in U.S. 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 and China. 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 U.S. dollars. A 10% change in the U.S. to Canadian dollar exchange rate on the March 31, 2010 balances would have an approximate \$621,000 impact on net income. A 10% change in the Chinese Renminbi to Canadian dollar exchange rate on the March 31, 2010 balances would have an approximate \$17,000 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 U.S. dollars. The purpose of the Company's hedging activities is to reduce the level of exposure to exchange rate movements. As at March 31, 2010, 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 U.S. dollar would also impact the reporting currency balance sheet values with an offsetting adjustment of approximately \$1.6 million to other comprehensive income.

[iv] Interest Rate Risk

The Company's exposure to interest rate fluctuations is primarily interest earned on its cash and cash equivalents. The Company has performed sensitivity analysis on interest rate risk at March 31, 2010 to determine how a change in interest rates would impact equity and net earnings. During the three months ended March 31, 2010, the Company earned \$6,602 of interest income on its cash and cash equivalents. An increase or decrease of 100 basis points in the average interest rate earned during the period would have increased or decreased net earnings by approximately \$119,000. 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)

18. COMPARATIVE FIGURES

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

INTRINSYC SOFTWARE INTERNATIONAL, INC.

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

For the Three Months ended March 31, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis has been prepared by management as of May 13, 2010 and should be read in conjunction with the unaudited interim consolidated financial statements and related notes thereto of Intrinsic Software International, Inc. ("Intrinsic" or the "Company") as at and for the three months ended March 31, 2010 and with the audited consolidated financial statements and related notes thereto of the Company for the year ended December 31, 2009, which were prepared in accordance with Canadian generally accepted accounting principles. All amounts are presented in United States (U.S.) dollars unless otherwise noted. All referenced materials as well as additional disclosures are available at www.sedar.com.

NOTE ABOUT FORWARD-LOOKING STATEMENTS

The following Management's Discussion and Analysis 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 solutions for mobile device development and navigation/location based services ("LBS") applications that enable and enhance next-generation handheld products, including smart phones, and other mobile and embedded devices. The Company's products include Destinator navigation and LBS application, ToBe™ Gateway Server for delivering content services based on location, and other software and enabling technology for mobile device development. Combined with award winning Device Development Solutions, Intrinsic helps device makers, and silicon vendors deliver compelling mobile products with faster time-to-market and improved innovation and quality. Intrinsic is a Microsoft® Windows Embedded Gold Partner and a winner of Microsoft Windows Embedded Excellence Awards in 2008 and 2009, and is accredited as Symbian and S60 Competence Centers.

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 800, 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1. The Company is listed on the Toronto Stock Exchange ("TSX") under the trading symbol ICS.

CORPORATE SUMMARY

The Company provides proprietary software, hardware, and services for the growing market of mobile handheld products, which includes consumer mobile handsets, personal navigation devices, smart phones, ereaders, and other mobile and embedded devices. Device development software is sold on a licensed basis and software engineering services is sold through time and materials and fixed-fee payment models, with an occasional royalty component. Hardware platforms are sold on a per unit basis. The Company offers navigation and LBS solutions to Original Equipment Manufacturers (OEMs) and mobile application stores on a one-time fee, perpetual license basis, or through a monthly subscription. Some customers purchase licenses prior to the sale of their devices and some customers provide monthly or quarterly reports.

Intrinsyc's solutions for Device Development include the Soleus software platform, and other software, enabling technology, testing tools, hardware reference designs and platforms, and engineering services. These products and services are sold to, original equipment manufacturers ("OEMs"), original device manufacturers ("ODMs"), software and silicon providers and mobile service providers.

The Company's navigation and LBS solutions are sold to original equipment manufacturers ("OEMs"), and original device manufacturers ("ODMs"), who deploy mobile products such as consumer mobile handsets and personal navigation devices ("PNDs") and direct to consumers through application stores.

The Company's products and engineering services generate value for its customers by simplifying complex mobile technology development, thereby allowing increased flexibility and innovation 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 growth in complex mobile devices like smart phones, Mobile Internet Devices (MIDs), tablet devices, ereaders, industrial handhelds, navigation devices, and wireless embedded devices, as well as the strong growth of mobile applications, especially navigation and location based services. Intrinsyc believes these markets will provide increased demand for its products and services.

Intrinsyc markets its products and services on a worldwide basis through an experienced sales and business development team based in Canada and the United States.

In July 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 expanded the Company's mobile software product portfolio with the addition of a navigation software application. Subsequently, the Beijing development center became an asset for cost effective delivery of engineering services, and support of regional customers complementing the Company's Device Development Solutions.

SIGNIFICANT EVENTS FOR FIRST QUARTER 2010

Financial Highlights

- Revenue decrease of 9% from the three months ended December 31, 2009 and decline of 20% from the three months ended March 31, 2009.
- Operating expenses (excluding Amortization, Stock-based compensation, Technology Partnerships Canada Funding Investment, Restructuring and Loss (gain) on disposal of equipment)¹ for the three months ended March 31, 2010 increased by 1% from the three months ended December 31, 2009 but was reduced by 39% from the three months ended March 31, 2009. The decrease in total operating expenses over the three months ended March 31, 2009 was due to decreased costs in all areas of operations, primarily due to a decrease in headcount and increased operating efficiencies throughout 2009.
- Net loss of \$925,997 during the three months ended March 31, 2010 primarily due to non-recurring restructuring expense of \$485,478.
- EBITDA² of \$102,994 for the three months ended March 31, 2010 compared to EBITDA of \$314,938 for the three months ended December 31, 2009 and EBITDA of (\$1.2 million) for the three months ended March 31, 2009.

Customer Highlights

- Selected by Leica Geosystems Agriculture, a pioneer of innovative precision farming tools, to power the turn-by-turn functionality in the new Leica mojoMINI portable guidance solution.
- Additional agreement to provide future Device Development Solutions services to a Fortune 500 customer for future mobile devices through fiscal 2010.
- Signed a software and services agreement with a company in Asia that is expected to provide royalties in future quarters.

Major Management and Director Changes

- Robert Gayton resigned as a director effective February 3, 2010. Mr. Gayton has been a director since 1997. He previously served as Intrinsic's lead independent director and in the past year was a member of the audit committee and corporate governance and nominating committee. Gary Koerper, former Vice President of Engine Systems, Motorola Inc. and currently Senior Vice President of Comcast, replaced Mr. Gayton on the board of directors.

¹ Operating expenses (excluding Amortization, Stock-based compensation, Technology Partnerships Canada Funding Investment, Restructuring and Loss (gain) on disposal of equipment) is a non-generally accepted accounting principle ("GAAP") measure that does not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers. This measure does not have a comparable GAAP measure.

² EBITDA or Earnings before Interest, Taxes, Depreciation and Amortization is a non- 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. EBITDA referenced here also does not include foreign exchange gains or losses, Technology Partnerships Canada ("TPC") funding investment, stock based compensation, gains or losses on disposal of equipment or restructuring charges.

- Announced a restructuring plan to reduce its cost structure, and changes in its management, designed to improve operational efficiency and effectiveness. The staff reductions included the departure of executives, David Manuel, Vice President and General Manager, Device Development Solutions, and Souheil Gallouzi, Vice President and General Manager, Mobile Product Development.
- Announced the appointment of Randy Moore to the position of Vice President, Engineering Operations.

Marketing Highlights

- Announced the expansion of its Windows Mobile and Android applications into the UK, Australia and Western Europe – which are available immediately for download through Destinator NavStore and Android Market.
- Announced that Destinator 9 is immediately available for purchase on the Windows Marketplace for Mobile, the online applications and media portal for Windows phones.
- Demonstrated its latest Android RapidRIL on ZiiLABS' cellular Development Kit at Mobile World Congress, in Barcelona, February 15-18.
- Announced the availability of its Destinator 9 application for the Apple iPhone in North America.

Partner Highlights

- Announced a partnership to integrate GyPSii's award-winning social media and contextual advertising/coupon functionality into the globally acclaimed Destinator navigation application for smart phones. The combination of the two heralds a first for the mobile navigation segment with the full integration of social media features into a mobile turn-by-turn navigation application.
- Announced a partnership with MIPS technology to bring 3.5G functionality to the MIPS architecture. The companies are porting Intrinsic's RapidRIL software to the MIPS architecture in order to accelerate mobile SoC development for MIPS licensees around the globe.

Technological Highlight

- Announced the immediate availability of a commercial-grade, open market Radio Interface Layer (RIL) software for mobile devices utilizing the Android operating system and Sierra Wireless series 8 modems.

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>	March 31, 2010	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008
Cash and cash equivalents	\$12,100	\$11,710	\$11,069	\$10,604	\$10,744	\$12,391	\$19,659	\$30,006
Working capital	\$11,086	\$11,294	\$11,012	\$9,935	\$8,933	\$10,574	\$17,353	\$31,203
Total assets	\$19,417	\$20,198	\$20,784	\$20,183	\$20,924	\$24,841	\$57,757	\$55,164
Other long term financial liabilities	\$-	\$7	\$14	\$21	\$77	\$39	\$107	\$188
Shareholders' equity	\$15,712	\$16,045	\$15,979	\$14,755	\$14,160	\$16,237	\$47,821	\$48,779

Statements of Operations

	Three months ended	Three months ended	Three months ended	Three months ended	Three months ended	Three months ended	Three months ended	Three months ended
(in US\$ '000's, except earnings per share)	March 31, 2010	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008
Revenue	\$3,507	\$3,854	\$4,355	\$4,875	\$4,401	\$5,728	\$7,870	\$5,566
Cost of goods sold	1,391	1,542	1,771	2,145	2,281	2,639	3,093	2,956
Gross margin	2,116	2,312	2,584	2,730	2,120	3,089	4,777	2,610
Expenses								
Sales and marketing	615	707	750	745	1,144	1,181	2,317	1,822
Research and development	841	1,133	939	1,141	1,363	3,437	4,097	2,695
Administration	557	157	623	534	804	1,577	2,466	1,795
Amortization	289	288	306	339	319	698	738	211
Stock-based compensation	58	149	168	109	85	215	280	283
Technology Partnerships Canada								
Funding Investment	5	-	64	143	135	24	117	159
Asset impairment	-	-	-	-	-	19,279	-	-
Restructuring	485	-	-	-	-	3,012	815	-
Loss (gain) on disposal of equipment	(2)	24	(40)	200	21	-	-	-
Total operating expenses	2,848	2,458	2,810	3,211	3,871	29,423	10,830	6,965
Loss before other items and income taxes	(732)	(146)	(226)	(481)	(1,751)	(26,334)	(6,053)	(4,355)
Other items	192	304	126	314	(152)	(1,152)	(438)	(202)
Loss before income taxes	(924)	(450)	(352)	(795)	(1,599)	(25,182)	(5,615)	(4,153)
Income tax expense	2	(69)	(136)	(86)	25	(148)	121	98
Net loss	(\$926)	(\$381)	(\$216)	(\$709)	(\$1,624)	(\$25,034)	(\$5,736)	(\$4,251)
Loss per share	\$0.01	\$0.00	\$0.00	(\$0.01)	(\$0.01)	(\$0.15)	(\$0.04)	(\$0.03)

FINANCIAL RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2010

The following analysis of the results of operations for the three months ended March 31, 2010 includes comparisons to the three months ended December 31, 2009 and March 31, 2009, respectively.

Revenue

Revenues are derived from the provision of services, as well as the licensing of software and the sale of hardware by the following sources:

- Device Development Solutions consisting of software development, modifications, consulting, implementation, training and integration services;
- Software Solutions which includes 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.

Device Development Solutions revenue may be derived from software development, modifications, consulting, implementation, training, customer support and integration services. The services provided to a customer may be bundled, to meet the customer's specific needs. The services provided are typically done on a stand-alone basis, 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 customer support services, or may be for specific consulting and software modification services. Software Solutions revenue is also generated by way of licensing software products, along with providing related customer services.

<i>Revenue by Source</i>	Three months ended March 31, 2010		Three months ended December 31, 2009		Three months ended March 31, 2009	
		%		%		%
Device Development Solutions	\$1,901,302	54%	\$1,622,334	42%	\$2,378,954	54%
Software Solutions	1,421,651	41%	2,003,355	52%	1,736,417	40%
Hardware	184,044	5%	228,617	6%	285,436	6%
Total revenue	\$3,506,997	100%	\$3,854,306	100%	\$4,400,807	100%

Revenue for the three months ended March 31, 2010 decreased by 9% from the three months ended December 31, 2009 with the decrease over the prior quarter attributable to lower software and hardware revenues offset by increased revenues attributable to the Company's Device Development Solutions. Revenue for the three months ended March 31, 2010 represented a decrease of 20% from the three months ended March 31, 2009 due to a decrease in revenues among all three sources. Device Development Solutions continued to account for the majority of the Company's revenue during the three months ended March 31, 2010.

Software Solutions revenue contribution decreased from 52% in the three months ended December 31, 2009 to 41% in the current quarter which is consistent with the three months ended March 31, 2009.

Device Development Solutions revenue for the three months ended March 31, 2010 was \$1.9 million, compared to \$1.6 million for the three months ended December 31, 2009 and \$2.4 million for the three months ended March 31, 2009. The decrease over the same period in the prior year was due primarily to the decline in outsourced development services provided to Symbian, as a result of the decision by Symbian to cease marketing the Symbian OS as a commercial product.

Total revenues attributable to the Company's Software Solutions decreased by 29% during the three months ended March 31, 2010 compared to the three months ended December 31, 2009 and decrease by 18% compared to the three months ended March 31, 2009. These decreases over the prior periods was primarily due to lower sales of the Destinator navigation software.

Total revenues attributable to the Company's software solutions decreased to 41% of total revenues during the three months ended March 31, 2010 compared to 52% for the three months ended December 31, 2009 and were consistent with 40% experienced in the three months ended March 31, 2009. The decrease in software solutions revenue in the three months ended March 31, 2010 compared to March 31, 2009 was primarily due to lower sales of the Destinator navigation software.

Hardware revenue was \$184,044 in the three months ended March 31, 2010 accounting for 5% of total revenue compared to \$228,617 or 6% of total revenue for the three months ended December 31, 2009 and \$285,5436 or 6% of total revenue for the three months ended March 31, 2009.

The Company continues to focus its efforts on developing revenue from its software business and diversifying its customer base, it is expected that in the near-term, revenue generation will continue to be concentrated from a small number of customers. In each respective period, a combination of three of the Company's largest customers accounted for the following percentages of the Company's total revenues:

	Three months ended March 31, 2010	Three months ended December 31, 2009	Three months ended March 31, 2009
Revenue	\$1,627,730	\$1,888,022	\$1,875,138
Percentage of total revenue	46%	49%	43%

The three customers accounting for 46% of the total revenue for the three months ended March 31, 2010 were not the same three customers that accounted for 49% for the three months ended December 31, 2009 and 43% for the three months ended March 31, 2009.

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

	Three months ended March 31, 2010		Three months ended December 31, 2009		Three months ended March 31, 2009	
		%		%		%
United States	\$2,448,168	70%	\$2,614,063	68%	\$2,257,007	51%
Europe	371,894	11%	546,782	14%	1,395,977	32%
Asia	148,649	4%	162,573	4%	376,505	9%
Canada	38,455	1%	67,089	2%	32,136	1%
Other	499,831	14%	463,799	12%	339,182	7%
	\$3,506,997	100%	\$3,854,306	100%	\$4,400,807	100%

The Company has historically generated the majority of its revenue from the United States and European markets but has experienced increasing revenue attributable to other regions, primarily in Asian markets. During the three months ended March 31, 2010, the Company unexpectedly experienced lower revenues from customers based in Asia.

Gross Margin

Gross margins on Software Solutions revenue are generally significantly higher than the gross margins obtained on Device Development Solutions revenue, which are generally in the range of 30% to 40%. As a result, the overall gross margin was a blend of these margins.

	Three months ended March 31, 2010		Three months ended December 31, 2009		Three months ended March 31, 2009	
		%		%		%
Revenues	\$3,506,997	100%	\$3,854,306	100%	\$4,400,807	100%
Cost of sales	1,390,866	40%	1,542,204	40%	2,280,615	52%
Gross margin	\$2,116,131	60%	\$2,312,102	60%	\$2,120,192	48%

Gross margin percentage for the three months ended March 31, 2010 was 60%, which is consistent with the gross margin for three months ended December 31, 2009 but an increase over the gross margin for the three month period ended March 31, 2009 of 48%. The increase over the prior period is due to increased revenues attributable to the Company's Device Development Solutions team providing services at higher gross margins.

Operating Expenses

	Three months ended March 31, 2010	Three months ended December 31, 2009	Three months ended March 31, 2009
Sales and marketing	\$ 615,221	\$ 706,946	\$1,143,915
Research and development	840,935	1,133,457	1,363,089
Administration	556,981	156,761	803,590
Amortization	288,856	287,641	319,329
Stock-based compensation	58,045	148,956	84,508
Technology Partnerships Canada Funding Investment	5,115	-	134,934
Restructuring	485,478	-	-
Loss (gain) on disposal of equipment	(2,150)	23,631	20,552
Total operating expenses	\$2,848,481	\$2,457,392	\$3,869,917
As a percentage of total revenue	81%	64%	88%

Total operating expenses for the Company for the three months ended March 31, 2010 increased by 16% over the three months ended December 31, 2009 primarily due to restructuring charges (comprising of employee separation costs) of approximately \$485,000 offset by operating efficiencies during the three months ended March 31, 2010. Administration expenses were lower during the three months ended December 31, 2009 due to a one time reversal of value added taxes of approximately \$179,000 previously recorded by the China subsidiary prior to the Destinator acquisition in 2008. The Company received confirmation from the local tax authority to support the reversal of the value added taxes.

Total operating expenses for the Company for the three months ended March 31, 2010 decreased by 26% over the three months ended March 31, 2009 primarily operating efficiencies during the three months ended March 31, 2009. In particular, sales and marketing activities decreased by approximately \$529,000, research and development costs decreased by approximately \$522,000 and administration expenses decreased by approximately \$247,000 over the same period in the prior year.

Operating Expenses (excluding Amortization, Stock-based compensation, Technology Partnerships Canada Funding Investment, Restructuring and Loss (gain) on disposal of equipment)

	Three months ended March 31, 2010	Three months ended December 31, 2009	Three months ended March 31, 2009
Sales and marketing	\$ 615,221	\$ 706,946	\$1,143,915
Research and development	840,935	1,133,457	1,363,089
Administration	556,981	156,761	803,590
Total operating expenses	\$2,013,137	\$1,997,164	\$3,310,594
As a percentage of total revenue	57%	52%	75%

Total operating expenses consisting of sales and marketing, research and development and administration increased 1% for the three months ended March 31, 2010 as compared to the three months ended December 31, 2009 and decreased by 39% from the \$3.3 million for the three months ended March 31, 2009. In particular, sales and marketing activities decreased by approximately \$90,000, research and development costs decreased by approximately \$293,000 and administration expenses increased by approximately \$400,000 over the prior quarter that is expressed net of the reversal of the value added tax liability by the China subsidiary. Sales and marketing activities decreased by approximately \$529,000, research and development costs decreased by approximately \$522,000 and administration expenses decreased by approximately \$247,000 over the first quarter of 2009.

Sales and Marketing

	Three months ended March 31, 2010	Three months ended December 31, 2009	Three months ended March 31, 2009
Sales and marketing	\$615,221	\$706,946	\$1,143,915
As a percentage of total revenue	18%	18%	26%

The Company maintains a direct sales force, with staff in the United States and Canada. A centralized sales and marketing department in the United States 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 March 31, 2010 decreased by 13% to \$615,000 from \$707,000 for three months ended December 31, 2009 and decreased by 46% from \$1.1 million for the three months ended March 31, 2009.

The decrease in sales and marketing expense was primarily due to a decrease in employee related costs, commissions, travel and entertainment, advertising and promotion and office costs.

Research and Development

	Three months ended March 31, 2010	Three months ended December 31, 2009	Three months ended March 31, 2009
Research and development	\$840,934	\$1,133,457	\$1,363,089
As a percentage of total revenue	24%	29%	31%

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

Research and development expenses totaled \$841,000 for the three months ended March 31, 2010 which was primarily related to the Company's Destinator product offering. This represents a decrease of 26% from the \$1.1 million for three months ended December 31, 2009. This also represents a decrease of 38% from the \$1.4 million for three months ended March 31, 2009.

The decrease in research and development costs during the three months ended March 31, 2010 over the prior year was attributable largely to a lower headcount. The Company had a total of 54 employees in its research and development department as at March 31, 2010 compared to 61 as at December 31, 2009 and 74 as at March 31, 2009.

Administration

	Three months ended March 31, 2010	Three months ended December 31, 2009	Three months ended March 31, 2009
Administration	\$556,981	\$156,761	\$803,590
As a percentage of total revenue	16%	4%	18%

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.

Administration expenses for the three months ended March 31, 2010 were \$557,000 representing an increase of 255% from the \$157,000 for the three months ended December 31, 2009. The increase in administration expenses for the three months ended March 31, 2010 compared to the three months ended December 31, 2009 was primarily due to a one time reversal of value added taxes of approximately \$179,000 previously recorded by the China subsidiary prior to the Destinator acquisition in 2008 (during the year, the Company received confirmation from the local tax authority to support the reversal of the value added taxes) as well as the reversal of employee related costs during the three months ended December 31, 2009.

Administration expenses for the three months ended March 31, 2010 decreased by 31% over the three months ended March 31, 2009 which was in the prior year was primarily due to a decrease in employee related costs, facility related overhead and a decrease of professional fees.

EBITDA

Earnings before amortization, stock-based compensation, TPC funding investment, restructuring and loss (gain) on disposal of equipment (“EBITDA”) was \$103,000 for the three months ended March 31, 2010 compared to \$315,000 for the three months ended December 31, 2009 and (\$1.2 million) for the three months ended March 31, 2009.

	Three months ended March 31, 2010	Three months ended December 31, 2009	Three months ended March 31, 2009
Loss before other expense (earnings) and income taxes	(\$732,350)	(\$145,290)	(\$1,749,725)
Less: Amortization	288,856	287,641	319,329
Less: Stock-based compensation	58,045	148,956	84,508
Less: TPC Funding Investment	5,115	-	134,934
Less: Restructuring charges	485,478	-	-
Less: Loss (gain) on disposal of equipment	(2,150)	23,631	20,552
EBITDA	\$102,994	\$314,938	(\$1,190,402)

The decrease in EBITDA over the prior quarter was primarily due to decreasing operating expenses all areas of operations due to a decrease in headcount offset by restructuring charges of approximately \$485,000. The improved EBITDA for the three months ended March 31, 2010 compared to March 31, 2009 was primarily due to decreasing operating expenses all areas of operations due to a decrease in headcount.

Other Items

	Three months ended March 31, 2010	Three months ended December 31, 2009	Three months ended March 31, 2009
Foreign exchange loss (gain)	\$198,295	\$164,075	(\$113,183)
Interest expense (income)	(6,602)	(25,515)	(37,829)
Extraordinary expenses (income)	-	166,171	-
Other items	\$191,693	\$304,731	(\$151,012)

Other items for the three months ended March 31, 2010 totalled net other loss of \$191,693 compared to net other income of \$304,731 for the three months ended December 31, 2009 and net other income of \$151,012 for the three months ended March 31, 2009. Net other loss for the three months ended March 31, 2010 was attributable to a foreign exchange loss of \$198,295 offset by interest income of \$6,602. Extraordinary expenses during the three months ended December 31, 2009 relates to a reclassification to income taxes of \$166,171 pertaining to the reversal

during the three months ended September 30, 2009 of withholding taxes previously recorded by the Israel subsidiary prior to the Destinator acquisition in 2008.

LIQUIDITY AND CAPITAL RESOURCES

The Company finances its operations and capital expenditures through cash generated from operations and equity and debt financings. As at March 31, 2010, the Company had cash totaling approximately \$12.1 million, with working capital³ of \$11.1 million, as compared to cash of \$11.7 million and working capital of \$11.3 million as at December 31, 2009 and cash of \$10.7 million and working capital of \$8.9 million as at March 31, 2009.

Three Months ended March 31, 2010

Cash provided by (used in):	Three months ended March 31, 2010	Three months ended December 31, 2009	Three months ended March 31, 2009
Operating activities	(\$ 8,262)	\$435,010	(\$1,172,846)
Investing activities	-	2,741	(22,866)
Financing activities	(7,039)	(6,835)	(42,653)
Effect of exchange rate changes on cash and cash equivalents	405,422	209,987	(408,998)
Increase (decrease) in cash and cash equivalents	\$390,121	\$640,903	(\$1,647,363)

Cash used by operating activities during the three months ended March 31, 2010 was \$8,262 compared to cash provided by operations of \$435,000 during the three months ended December 31, 2009 and cash used in operations of \$1.2 million during the three months ended March 31, 2009.

Cash used in operating activities for all comparable periods was attributable to research and development expenditures incurred for the Company's Destinator and other product offerings in addition to sales and marketing efforts related to the Destinator and Soleus products, and overall corporate administration activities.

There were no investing activities during the three months ended March 31, 2010. Cash provided by investing activities for the three months ended December 31, 2009 was \$2,700 compared with cash used of \$23,000 for the three months ended March 31, 2009. During the three months ended December 31, 2009, cash provided related to the sale of fixed assets while cash used during the three months ended March 31, 2009 was attributable to the purchase of equipment.

During the three months ended March 31, 2010, December 31, 2009 and March 31, 2009, cash used by financing activities was attributable primarily to repayments for capital lease obligations.

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 U.S. dollars. Fluctuations in the exchange rates between these currencies could have a material effect on the business, financial condition and results of operations. As a result of the Canadian dollar strengthening 4% during the three months ended March 31, 2010, cash and cash equivalents increased by approximately \$405,000. The Company maintains the majority of its treasury investments in lower risk investments including Government of Canada treasury bills and investments held with tier one 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 March 31, 2010. 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.

³ Working Capital is a non-generally accepted accounting principle ("GAAP") measure that does not have a standardized meaning and may not be comparable to a similar measure disclosed by other issuers. This measure does not have a comparable GAAP measure. Working capital is defined as current assets less current liabilities.

The Company's existing cash resources are sufficient, in management's opinion, in conjunction with anticipated revenues to fund the business for the next twelve months. 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.

The material decline in the overall global economy in 2009 has significantly impacted the software industry in which the Company operates, resulting in increased potential risk of customer payment issues and vendors demanding more aggressive terms, which may adversely impact the working capital and financial position of the Company. The Company may no longer have access to historical funding sources consisting of credit facilities and public offerings due to the current economic environment, resulting in the Company having to fund future operations with its current working capital and future revenue stream cash flow.

STAFFING LEVELS

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

	As at March 31, 2010	As at December 31, 2009	As at March 31, 2009
Service engineers	51	55	90
Sales and marketing	7	7	18
Research and development	54	61	74
Administration	10	10	24
Total	122	133	206

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, China and the United States. Minimum lease payments as at March 31, 2010 are as follows for the years ending December 31:

Contractual Obligations	Total	F2010	F2011	F2012	F2013	F2014	F2015
Operating lease obligations	\$2,147,898	\$514,382	\$338,388	\$330,671	\$330,671	\$330,671	\$303,115

GOVERNMENT ASSISTANCE

Industry Technology Office ("ITO", formally Technology Partnerships Canada or "TPC")

Under agreements with the ITO, 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 CDN \$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 CDN \$10.0 million until August 31, 2011. To date the Company has paid and accrued approximately \$1,513,926 (CDN \$1,537,846) to ITO in royalties.

During the year ended August 31, 2005, the Company determined that it had received an overpayment from ITO of \$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 CDN \$929,183 in addition to the already recorded CDN \$22,063.

The Company evaluated the correspondence and the original contribution agreement, and has engaged in ongoing negotiations 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.

Any amount the Company pays the ITO in excess of the accrued CDN \$22,063 will result in an additional loss that would be recorded in the period of the determination that the amount is owed.

Industrial Research Assistance Program (“IRAP”)

Effective June 15, 2009, the Company entered into an agreement with the National Research Council Canada (“NRC”) under its Industrial Research Assistance Program (“IRAP”). Under this agreement, the NRC will reimburse the Company 75% of eligible supported salary costs up to a maximum of CDN \$132,000 to assist in the further development of its telephony software application until March 31, 2010. Any funding received will be recorded as a reduction of the related expense presented under “Research and development.” During the three months ended March 31, 2010, the Company has recorded a reduction of \$37,232 (CDN \$38,836) against “Research and development” (which represents the remaining balance of the CDN \$132,000 that was unused as at December 31, 2009) and received \$25,993 (CDN \$27,035) for funding up to December 31, 2009. Expense reductions totalling \$38,232 (CDN \$38,836 for January, February and March) have been accrued. Subsequent to March 31, 2010, a total of \$38,232 (CDN \$38,836) had been received representing funding for January, February and March.

Export Development Canada (“EDC”)

On July 31, 2009, the Company entered into an agreement with Export Development Canada (“EDC”) whereby EDC will provide insurance for the Company’s invoiced sales for a premium of anywhere from CDN \$0.32 to CDN \$0.78 per CDN \$100 of monthly invoiced sales (certain customers are excluded from this coverage). The policy period is from July 1, 2009 to June 30, 2010 with an automatic renewal unless the policy is terminated by the Company. The maximum liability coverage at any one time is CDN \$60,000 for domestic sales and CDN \$1,600,000 for sales outside of Canada. During the three months ended March 31, 2010, the Company recorded total premiums of \$9,502 (CDN \$9,883) in sales and marketing [CDN \$nil – three months ended March 31, 2009]. As of March 31, 2010, a total of \$4,559 (CDN \$4,631) in premiums were outstanding and recorded under “Accounts payable and accrued liabilities.”

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 intangible assets may become impaired. The recorded balance of intangible assets is \$3,785,604 as at March 31, 2010. Through the Destinator acquisition in July 2008, the Company identified \$13,698,000 in intangible assets. The Company completed an impairment analysis as at December 31, 2009 of its intangible assets and determined that no further impairment existed.

OFF-BALANCE SHEET ARRANGEMENTS

None.

TRANSACTIONS WITH RELATED PARTIES

None.

PROPOSED TRANSACTIONS

None.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Intrinsyc prepares its financial statements in accordance with Canadian generally accepted accounting principles (“GAAP”). The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are based upon historical experience and various other assumptions that are believed to be reasonable under the circumstances. These estimates are evaluated on an on-going basis and form the basis for making judgments regarding the carrying values of assets and liabilities and the reported amount of revenues and expenses. Actual results may differ from these estimates under different assumptions. 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 significant accounting policies are described in Note 2 to the December 31, 2009 consolidated financial statements as at and for the twelve-month period then ended.

Revenue Recognition

Revenues from Solutions Engineering Services consist of revenues from software modification, consulting, implementation, training and integration services. These services are set forth separately in the contractual arrangements such that the total price of the customer arrangement is expected to vary as a result of the inclusion or exclusion of these services. For those contracts where the services are not essential to the functionality of any other element of the transaction, the Company determines vendor-specific objective evidence (“VSOE”) of fair value for these services based upon normal pricing and discounting practices for these services when sold separately. These services contracts are primarily time and material based contracts. Revenue from these services is recognized at the time such services are rendered by the Company so long as persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured.

The Company also enters into contracts that are primarily fixed fee arrangements to render specific consulting and software modification services. The percentage of completion method is applied to these more complex contracts that involve the provision of services relating to the design or building of complex systems, because these services are essential to the functionality of other elements in the arrangement. Under this method, revenue is recognized using the percentage of completion method and is calculated based on actual hours incurred compared to the estimated total hours for the services under the arrangement, so long as persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured. If the Company does not have a sufficient basis to measure progress towards completion, revenue is recognized when final acceptance is received by the Company from the customer.

The Company recognizes revenue from the sale of software licenses (Software Solutions) upon the transfer of title to the customer, so long as persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured. The Company uses the residual method to recognize revenue on delivered elements when a license agreement includes one or more elements to be delivered at a future date if evidence of the fair value of all undelivered elements exists. If an undelivered element for the arrangement exists under the license arrangement, revenue related to the undelivered element is deferred based on VSOE of the fair value of the undelivered element. If VSOE of fair value does not exist for all undelivered elements, all revenue is deferred until sufficient evidence exists or as elements are delivered.

The Company’s multiple-element sales arrangements include arrangements where software licenses and the associated post contract customer support (“PCS”) are sold together. The Company has established VSOE of the fair value of the undelivered PCS element based on the contracted price for renewal PCS included in the original multiple-element sales arrangement, as substantiated by contractual terms. The Company’s multiple-element sales arrangements generally include rights for the customer to renew PCS after the bundled term ends. These rights are irrevocable to the customer’s benefit, are for specified prices, are consistent with the initial price in the original multiple-element sales arrangement, and the customer is not subject to any economic or other penalty for failure to renew. Further, the renewal PCS options are for services comparable to the bundled PCS and cover similar terms.

PCS revenue associated with software licenses is recognized rateably over the term of the PCS period, which typically is one year. Any unrecognized revenue is recorded in deferred revenue. PCS revenue includes software license updates that provide customers with rights to unspecified software product upgrades, maintenance releases and patches released during the term of the PCS period.

The Company recognizes revenue from the sales of hardware products upon the later of transfer of title or upon shipment of the hardware product to the customer so long as persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured.

The Company has entered into contracts with some of its customers to bundle and resell Intrinsyc's products with their own products for a per unit royalty fee. Royalty revenue is recognized as the Company's products are resold.

Allowance for Doubtful Accounts

The Company records an allowance for doubtful accounts based on specific accounts past due. The allowance is based on the Company's knowledge of the financial condition of its customers, the aging of the receivables, current business environment and historical experience. A change to these factors could impact the estimated allowance and the provision for bad debts.

Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary differences). Changes in the net future tax asset or liability are included in income. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled.

The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period that includes the substantive enactment date. Future income tax assets are evaluated and if realization is not considered "more likely than not", a valuation allowance is provided.

Intangible assets

Intangible assets acquired either individually or with a group of other assets are initially recognized and measured at cost. The cost of a group of intangible assets acquired in a transaction, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair values.

Intangible assets with finite useful lives are amortized over their estimated useful lives. The amortization methods and estimated useful lives of intangible assets are reviewed annually. Intangible assets are tested for impairment by comparing their carry values to the sum of the undiscounted cash flows expected to result from their use or eventual disposition. If not recoverable, the impairment charge is the difference between the carrying value and fair value.

Intangible assets are recorded at cost. Amortization is subsequently provided on a straight line basis over the following periods:

Acquired software technology	6 years
Computer software	3 years
Customer relationships	6 years
Patent portfolio	6 years
Trademark and brand	4 years

Based on anticipated revenues to fund the future estimated cash flows to be generated from such intangible assets the Company had assessed that there was no impairment of such intangible assets for the twelve months ended December 31, 2009.

Recent Accounting Pronouncements Issued and Not Yet Adopted

HB Section 1582 - Business Combinations

This section applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The new CICA Handbook Section 1582 will replace Section 1581 “Business Combinations” establishing standards for the accounting for a business combination that will more closely resemble those under International Financial Reporting Standards. Earlier adoption of this section is permitted. Management has not fully determined the impact of adopting this standard.

HB Section 1601 - Consolidated Financial Statements and Section 1602 - Non-Controlling Interests

Effective for interim and annual financial statements for fiscal years beginning on or after January 1, 2011, the new CICA Handbooks Section 1601 and Section 1602 will replace Section 1600 “Consolidated Financial Statements”. These sections establish standards for the preparation of consolidated financial statements and accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Earlier adoption of this section is permitted as of the beginning of a fiscal year. Management has not fully determined the impact of adopting this standard.

EIC 175 – Multiple Deliverable Revenue Arrangements

In December 2009, the CICA issued EIC 175, *Multiple Deliverable Revenue Arrangements*, replacing EIC 142, *Revenue Arrangements with Multiple Deliverables*. This abstract was amended to (1) exclude from this application of the updated guidance those arrangements that be accounted for in accordance with Financial Accounting Standards Board Statement (FASB) Statement of Position (SOP) 97-2, *Software Revenue Recognition* as amended by Accounting Standards Update (ASU) 2009-14; (2) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (3) require in situations where a vendor does not have vendor-specific objective evidence (“VSOE”) or third-party evidence of selling price, require that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (4) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (5) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance.

FASB ASU 2009-14 removed from the scope of accounting of software arrangements that is contained in the SOP 97-2 guidance, tangible products containing software components and non-software components that function together to deliver the product’s essential functionality.

The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the abstract is adopted early, in a reporting period that is not the first reporting period in the entity’s fiscal year, it must be applied retroactively from the beginning of the Company’s fiscal period of adoption.

Management has not fully determined the impact of adopting this abstract.

Accounting Standards

In late 2009, the Company commenced a comprehensive International Financial Reporting Standards (“IFRS”) conversion plan which addressed changes in accounting policies, restatement of comparative periods, organization, internal controls and any required changes to business processes. To facilitate this process and ensure that the full impact of the conversion was understood and managed reasonably, the Company has retained consultants to assist with the IFRS conversion project. Through assistance with respect to training and preparation of reconciliations of historical Canadian GAAP financial statements to IFRS, the Company believes that its accounting department is obtaining sufficient understanding of IFRS for implementation purposes.

The Company’s IFRS implementation project consists of three primary phases which will be completed by a combination of in-house resources and external consultants:

- Initial diagnostic phase – Involves preparing a preliminary impact assessment to identify key areas that may be impacted by the transition to IFRS. Each potential impact identified during this phase is ranked as having a high, moderate or low impact the Company’s reporting and the overall difficulty of the conversion effort. During the first quarter of fiscal 2010, Management reviewed its preliminary impact assessment with Audit Committee.
- Impact analysis, evaluation and solution development phase – Involves the selection of IFRS accounting policies by senior management and the review by the Audit Committee, the quantification of the impact of changes on the Company’s existing accounting policies on the opening IFRS balance sheet and the development of draft IFRS financial statements. During the first quarter of fiscal 2010, Management reviewed the transitional policy choices available under IFRS 1 and commenced quantifying the impact of IFRS adoption in order to prepare a preliminary IFRS opening balance sheet as at January 1, 2010. The Company expects its review of transitional policy choices to be completed in the second quarter of fiscal 2010.
- Implementation and review phase – Involves training key finance and other personnel and implementation of the required changes to our information systems and business policies and procedures. It will enable the Company to collect the financial information necessary to prepare IFRS financial statements and obtain audit committee approval of IFRS financial statements.

IFRS Transition Plan

The Company has established a comprehensive IFRS transition Plan and engaged third party advisers to assist with the planning and implementation of its transition to IFRS. The following summarizes the Company’s progress and expectations with respect to its IFRS plan:

Initial scoping and analysis of key areas for which accounting policies may be impacted by the transition to IFRS.	Complete.
Detailed evaluation of potential changes required to accounting policies, information systems and business processes, including the application of IFRS First Time Adoption of International Financial Reporting Standards.	Complete.
Final determination of changes to accounting policies and choices to be made with respect to first time adoption alternatives.	In progress, completion expected during Q3 2010.
Resolution of the accounting policy change implications on information technology, business processes and contractual arrangements.	In progress, completion expected during Q4 2010.
Quantification of the financial statement impact of changes in accounting policies.	Throughout 2010.
Management and employee education and training.	Throughout the transition process.

As part of its analysis of potential changes to significant accounting policies, the Company is assessing what changes may be required to its accounting systems and business processes. The Company believes that the changes identified to date are minimal and the systems and processes can accommodate the necessary changes.

To date, the Company has not identified any contractual arrangements that may be affected by potential changes to significant accounting policies.

The Company’s staff and advisers involved in the preparation of the financial statements are being trained on the relevant aspects of IFRS and the anticipated changes to accounting policies. Employees of the Company who will be affected by a change to business processes as a result of the conversion to IFRS will also be trained as necessary.

Financial reporting expertise and communication to stakeholders

The Company has retained external consultants to assist in establishing appropriate IFRS financial reporting at all levels of the business. Key finance and operational staff will be trained in IFRS starting in the second quarter of 2010. Educational information regarding IFRS implications will be issued to external constituents during the third quarter of 2010.

The Company also held an IFRS information session with the Audit Committee members, as part of the meeting to approve the 2009 annual financial statements. During this session, management and external consultants provided a review of the timeline for implementation, the implications of IFRS standards to the Company's business and an overview of the impact to the financial statements. As a result of the information session, the Audit Committee members will review the Audit Committee Charter and make any necessary changes to reflect the requirements for IFRS financial expertise. The Audit Committee will continue to receive quarterly presentations and project status updates from management. The Company will also ensure that its key stakeholders are informed about the anticipated effects of the IFRS transition. During the third quarter of 2010, the Company will present IFRS information as part of its investor education presentations to highlight such anticipated effects on the Company.

The Company has completed the initial diagnostic phase and will continue to update its disclosures throughout 2010 to reflect specific actions taken to facilitate the adoption of IFRS, effective January 1, 2011. The differences as identified in the initial diagnostic phase and the Company's proposed actions for fiscal 2010 are summarized below.

B) Impact on Financial Statement Presentation, Classification, and Disclosure

i) Financial Statement Presentation

The Company's financial statements will have a different format upon transition to IFRS. The components of a complete set of IFRS financial statements are: statement of financial position (balance sheet), statement of comprehensive income, statement of changes in equity, statement of cash flows, and notes including accounting policies. The income statement will be presented as a component of the statement of comprehensive income. The statement of financial position may be presented in ascending or descending order of liquidity. The income statement is classified by each major functional area – marketing, sales, research & development, administration, etc. In addition, IFRS requires more detailed note disclosures than those required by Canadian GAAP.

Impact on the Company: *The Company will reformat its financial statements in compliance with IAS 1 and elect to retain its existing presentation, (i.e., descending order of liquidity).*

ii) Deferred taxes

IFRS: IAS 12 requires presentation of all deferred tax balances as non-current. **Canadian GAAP:** Current balances are presented separately.

Impact on the Company: *The Company will reclassify deferred tax balances, if any, as non-current pursuant to IAS 12. The Company is currently in a net deferred tax asset position with a full valuation allowance provision. As a result, the Company does not expect any significant classification change upon the adoption of IAS 12.*

iii) Provisions

IFRS: a provision is a liability of uncertain timing or amount. Provisions are disclosed separately from liabilities and accrued liabilities and require additional disclosure. Provisions are also classified as current or non-current as appropriate (IAS 37 - Provisions and other liabilities). **Canadian GAAP:** Accounts payable, accrued liabilities and provisions are disclosed on the statement of financial position as a single line item.

Impact on the Company: *Provisions will be separately disclosed as required and any additional disclosures will be provided pursuant to IAS 37.*

C) IFRS-1 Transitional Policy Choices and Exceptions for Retrospective Application

IFRS-1 contains the following policy choices with respect to first-time adoption that are applicable to the Company:

i) Business combinations:

During 2008, the Company completed the acquisition of certain assets and operations of Destinator Technologies with an aggregate purchase price of \$14.4 million inclusive of acquisition costs of \$2.1 million. IFRS 3, *Business Combinations* may be applied retrospectively or prospectively with respect to business combinations completed prior to January 1, 2010. The Company will elect not to apply IFRS 3 retrospectively to the acquisition of Destinator Technologies.

Impact on the Company: *The Company will elect to early adopt CICA Handbook section 1582 Business Combinations (converged with IFRS 3) with respect to business combinations consummated on or after January 1, 2010, if any. The individual asset and liability balances originally recognized under Canadian GAAP are therefore subject to the transition provisions of specific IFRS standards applicable to those areas.*

ii) Equipment:

IFRS 1 provides a choice between measuring equipment at its fair value at the date of transition and using those amounts as deemed cost or using the historical cost basis under Canadian GAAP.

Impact on the Company: *The Company will elect to use the historical cost carrying values for equipment as determined under Canadian GAAP for transitional purposes*

iii) Cumulative translation adjustment

Included under Accumulated Other Comprehensive Income is a cumulative translation adjustment (CTA) balance relating to the unrealized translation gains and losses from converting the Company's integrated foreign subsidiaries from the Company's functional currency to the Company's reporting currency. Retrospective application of IFRS would require the Company to determine cumulative currency translation differences in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, from the date a subsidiary or associate was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at the Transition Date.

Impact on the Company: *The Company will elect to reset cumulative translation gains and losses to zero at January 1, 2010.*

iv) Designation of previously recognized financial instruments:

IFRS: IAS 39 restricts the circumstances in which the option to measure a financial instrument at fair value through profit or loss is available. **Canadian GAAP:** Contains no similar restriction.

Impact on the Company: *The Company does not expect a material impact upon transition as the Company believes that its classification of financial instruments under Canadian GAAP has been largely consistent with the principles set out in IAS 39.*

D) Mandatorily Applicable Standards with Retrospective Application (i.e., Not Specifically Exempt Under IFRS - 1)

i) Equipment - cost

IFRS: IAS 16 contains more extensive guidance with respect to components within equipment. When an item of equipment comprises individual components for which different depreciation methods or rates are appropriate, each component is accounted for separately (component accounting). **Canadian GAAP:** Section 3061 essentially contains similar guidance but is less extensive.

Impact on the Company: The Company has applied the straight line or declining balance amortization method to all of its assets that are used directly for operations. The Company believes that the “components” approach is primarily intended to apply to major inspection or overhaul cost that is embedded in the cost of an item of equipment. The Company has not identified any major inspection or overhaul cost with respect to its equipment. Accordingly, the Company does not expect that this will have a material impact upon transition.

ii) Intangible assets – impairment

The Company has significant balances relating to *Intangible assets*

IFRS: Under IAS 36 an asset is impaired if the recoverable amount is lower than the asset’s carrying amount. Assets are evaluated either individually or grouped in a cash generating unit (CGU) for impairment-testing purposes. A CGU is the smallest group of assets that generates independent cash inflows and may be smaller than an asset group or a reporting unit under Canadian GAAP. Assets are tested, and any resulting impairment charges are measured using a one-step test that compares an asset or CGU’s carrying value to its recoverable amount. The recoverable amount is the higher of the fair value less cost to sell (a market-based model) and the value in use (an entity-specific discounted cash flow model). Since discounting is factored in when assessing impairment and impairment often is evaluated in smaller ‘asset groups’, entities are more likely to have impairments under IFRS. **Canadian GAAP:** A two-step approach is used to measure impairment. In step 1, a recoverability test is performed by comparing the expected undiscounted future cash flows to be derived from the asset with its carrying amount. If the asset fails the recoverability test, step 2 is triggered, and the entity must record an impairment loss calculated as the excess of the asset’s carrying amount over its fair value.

Impact on the Company: The discounted present values of the Company’s intangible assets, as determined under CICA Handbook Section 3861, were in excess of the carrying values as at December 31, 2009. During Phase II the Company will recalculate the recoverable amounts of its intangible assets using the IAS 36 methodology to determine whether an impairment must be recognized at January 1, 2010 and at December 31, 2010 and for the year then ended, if any.

iii) Impairment provision reversals

During 2008 the Company recorded an impairment loss of approximately \$6.5 million relating to certain intangible assets.

IFRS: IAS 28 and 36 require reversal of impairment loss for assets other than goodwill if certain criteria are met. **Canadian GAAP:** Reversal of impairment is not permitted.

Impact on the Company: During Phase II the Company will determine the amount of previously recognized impairment that may no longer be appropriate and reverse that amount (up to the original cost less depreciation) at date of transition.

iv) Share based compensation

IFRS: Under IFRS 2, graded vesting awards must be accounted for as though each instalment is a separate award. IFRS does not provide for an election to treat the instruments as a pool and recognize the expense on a straight line basis. **Canadian GAAP:** Straight line basis is permissible under Canadian GAAP.

Impact on the Company: The Company has recognized share based compensation expense on a straight line basis and expects to record transitional entries for options unvested at January 1, 2010. The effect of this is expected to be an increase to deficit and decrease to contributed surplus. For options granted on or after January 1, 2010 the Company will calculate the aggregate fair value as though each instalment is a separate award and will amortize the value on a graded basis.

v) Revenue recognition

Multiple element arrangements:

The Company's service revenues from software modification, consulting, implementation, training and integration services are accounted for as multiple element arrangements by reference to VSOE of fair value for these services. There is relatively little guidance under IFRS in respect of multiple element arrangements, other than the requirement to consider whether the components of a contract should be accounted for separately or as a single transaction.

Impact on the Company: *The Company believes that its existing policy will be acceptable under IFRS but will re-evaluate the application of the specific criteria under Canadian GAAP to determine whether they give rise to differences for the purpose of transition to IFRS.*

Service arrangements:

The Company also enters into contracts that are primarily fixed fee arrangements to render specific consulting and software modification services. The percentage of completion method is applied to these more complex contracts that involve the provision of services relating to the design or building of complex systems, because these services are essential to the functionality of other elements in the arrangement. If the Company does not have a sufficient basis to measure progress towards completion, revenue is recognized when final acceptance is received by the Company from the customer. Under IAS 18 *Revenues* when the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue should be recognized only to the extent of the expenses recognized that are recoverable.

Impact on the Company: *The Company believes that its existing policy will be acceptable under IFRS but will re-evaluate the application of the specific criteria under Canadian to determine whether they give rise to differences for the purpose of transition to IFRS.*

vi) Functional currency

Although the Company reports its financial statements in US dollars, the Company uses the Canadian dollar as its functional currency. IAS 21 contains a more comprehensive framework for the determination of functional currency.

Impact on the Company: *In connection with the finalization of the Company's Canadian GAAP financial statements for the year ended December 31, 2009, the Company reviewed the Canadian GAAP criteria for determining an entity's functional currency and reconfirmed that the functional currency is the Canadian dollar for historical periods ending December 31, 2009. During Phase II the Company will review the IAS 21 criteria to determine whether there is an impact upon transition at January 1, 2010 or at December 31, 2010 and for the interim periods and the year then ended. At the present time the Company does not expect a material impact, as the Company expects that its functional currency under both Canadian GAAP and IFRS at January 1, 2010 is the Canadian dollar.*

vii) Change in reporting currency

Effective January 1, 2008 the Company changed its reporting currency from Canadian Dollar to U.S. Dollar.

IFRS: When the presentation currency differs from the entity's functional currency, IAS 21 requires comparative amounts to be translated in a manner consistent to that required for current period amounts. For an entity whose functional currency is not the currency of a hyperinflationary economy, the statement of comprehensive income is translated at exchange rates at the dates of the transactions (the previous year's comparative financial statements are translated at last year's average rate) and the assets and liabilities at the previous year's closing rate. **Canadian GAAP:** "Translation Method When the Reporting Currency Differs from the Measurement Currency or There is a Change in the Reporting Currency," EIC-130, requires that comparative amounts for a previous period be restated. The income statement and the cash flow statement items for each year (or period) are translated into the reporting currency using the rates in effect at the date of the transactions, and assets and liabilities are translated using the exchange rate in effect at the end of that period.

Impact on the Company: *During Phase II the Company will review the previously reported balances to determine whether any transitional adjustment is required; however, the Company does not expect that there will be any significant transitional impact as the periods affected are fiscal 2007 and prior years. The Company will also apply the methodology described in IAS 21 with respect to its 2010 comparative IFRS financial statements and does not expect a significant difference.*

E) Impact on Systems and Processes

The Company does not expect that adoption of IFRS will have a pervasive impact on its present systems and processes. The Company expects to implement certain minor changes to the general ledger account descriptions as well as the calculation methodologies currently in use for certain specific financial statement areas such as asset impairment, share based compensation. As the accounting policies are selected, appropriate changes to ensure the integrity of internal control over financial reporting and disclosure controls and procedures will be made. For example, any changes in accounting policies could result in additional controls or procedures being required to address reporting of first time adoption as well as ongoing IFRS reporting requirements.

At this point, the Company has not determined its final accounting policy choices. The certifying officers plan to complete the design, and initially evaluate the effectiveness of, any significant changes to controls in the third quarter of 2010 to prepare for certification under IFRS in 2011.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company has classified cash and cash equivalents and restricted cash as held-for-trading financial assets, measured at fair value. Accounts receivable is classified as loans and receivables, measured at amortized cost. Accounts payable and accrued liabilities and capital lease obligations are classified as other liabilities, measured at amortized cost.

Cash equivalents include short-term deposits, which are all deposits rated R1, term deposits, savings investment deposits, guaranteed investment certificate deposits or banker's acceptances, with a term to maturity of three months or less when acquired and are carried at fair value.

The carrying values and fair values of financial assets and liabilities as at March 31, 2010 and December 31, 2009 are summarized as follows:

	<u>March 31, 2010</u>		<u>December 31, 2009</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Held-for-trading	\$ 12,100,348	\$ 12,100,348	\$ 11,710,227	\$ 11,710,227
Loans and receivables	\$ 2,410,750	\$ 2,410,750	\$ 3,401,467	\$ 3,401,867
Other liabilities	\$ 3,260,971	\$ 3,260,971	\$ 3,626,701	\$ 3,626,701

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

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents, accounts receivable and foreign exchange option contracts. The Company limits its exposure to credit risk with respect to cash and cash equivalents 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.

As at March 31, 2010 and December 31, 2009, the Company's exposure to credit risk for these financial instruments was as follows:

	March 31, 2010	December 31, 2009
Cash and cash equivalents	\$ 12,100,348	\$ 11,710,227
Accounts receivable	2,410,750	3,401,467
	\$ 14,511,098	\$ 15,111,694

Accounts receivable was aged as follows as at March 31, 2010 and December 31, 2009:

	March 31, 2010	December 31, 2009
Current	\$ 2,271,825	\$ 3,211,666
31-60 days	31,776	162,947
Over 60 days	107,149	26,854
	\$ 2,410,750	\$ 3,401,467

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.

Foreign Currency Risk

Although substantially all of the Company's revenues are received in U.S. 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 and China. 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 U.S. dollars. A 10% change in the U.S. to Canadian dollar exchange rate on the March 31, 2010 balances would have an approximate \$621,000 impact on net income. A 10% change in the Chinese Renminbi to Canadian dollar exchange rate on the March 31, 2010 balances would have an approximate \$17,000 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 U.S. dollars. The purpose of the Company's hedging activities is to reduce the level of exposure to exchange rate movements. As at March 31, 2010, 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 U.S. dollar would also impact the reporting currency balance sheet values with an offsetting adjustment of approximately \$1.6 million to other comprehensive income.

Interest Rate Risk

The Company's exposure to interest rate fluctuations is primarily interest earned on its cash and cash equivalents. The Company has performed sensitivity analysis on interest rate risk at March 31, 2010 to determine how a change in interest rates would impact equity and net earnings. During the three months ended March 31, 2010, the Company earned \$6,602 of interest income on its cash and cash equivalents. An increase or decrease of 100 basis points in the average interest rate earned during the year would have increased or decreased net earnings by approximately \$119,000. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

DISCLOSURE OF OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares, without par value and an unlimited number of preference shares without par value. As of May 13, 2010, the Company has 163,259,070 common shares outstanding and no preference shares outstanding.

The Company has instituted a rolling incentive stock option plan whereby shares reserved for issuance under the plan shall reflect the lesser of (i) 10% less 1 share of the issued and outstanding common shares of the Company from time to time; and (ii) 30,000,000 common shares of the Company. As of May 13, 2010, the Company is entitled to grant incentive stock options for 16,325,906 common shares under the Company's stock option plan. Presently, a total of 7,001,242 options are issued and outstanding (including 150,000 which have been reserved but not yet granted). Also, 2,284,968 common shares are reserved for issuance pursuant to outstanding warrants.

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.

The following are some of the risks that are associated with the Company's business and operations and should be carefully considered by any potential investor in the Company's shares.

Worsened General Economic Conditions

The decline in the global economic environment in 2009 and ongoing economic instability in certain parts of the world result in increasing uncertainty regarding future revenue and customer commitments, both in terms of timing and magnitude for such future sales. The economic crisis has adversely impacted the software industry which the Company services. If the global economic climate does not recover, the Company may not generate the sales activity required to support its operations resulting in requirement for additional restructurings and erosion of its existing capital resources which may hinder the future viability of the Company.

Additional Financing

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

Research and Development

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

Major Industry Software Vendor Partners May Become Competitors

The Company relies on software developed by several vendors in order to develop and market its products and services. As the developer of Windows Mobile, Windows CE, Microsoft.NET, Android and Symbian-based software technologies, all of which the Company is reliant upon. The vendors of these technologies could add features to their operating systems and application product offerings that directly compete with the software products and services the Company provides. The ability of the Company's customers or potential customers to obtain software products and services directly from the vendors that compete with the Company's software products and services could harm the Company's business.

History of Losses

The Company has a history of losses, and there can be no assurance that the Company's losses will not continue in the future. As at March 31, 2010, the Company had an accumulated deficit of approximately \$104.5 million. The Company's prospects must be considered in the context of its stage of development, the risks and uncertainties it faces, and the inability of the Company to accurately predict its operating results in the results of product development and sales and marketing initiatives. There can be no assurances that implementation of the Company's strategies will result in the Company becoming profitable.

Stock Price Volatility

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

Product Development and Technological Change

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

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

Sales and Marketing and Strategic Alliances

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

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

Dependence on a Small Number of Customers

The Company's revenue is dependent, in large part, on significant contracts from a limited number of customers. During the three month period ended March 31, 2010, approximately 46% of the Company's consolidated revenue was attributable to its largest three customers. Management believes that revenue derived from current and future large customers will continue to represent a significant portion of total revenue. The inability to continue to secure and maintain a sufficient number of large contracts would have a material adverse effect on the business, financial condition, operating results and cash flows of the Company. Moreover, the success of the Company will depend in part upon its ability to obtain orders from new customers, as well as the financial condition and success of its customers and general economic conditions.

Length of Sales Cycle

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

Intellectual Property Protection

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

Competition

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

International Business Operations

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

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

The Company is dependent upon the broad acceptance by business and consumers of mobile devices, particularly mobile phones utilizing high level operating systems, as well as supporting applications, which will depend on many factors, including:

- The development of content and applications for mobile devices;
- The willingness of large numbers of consumers and businesses to use mobile devices such as feature phones, smart phones, PNDs, wireless gaming consoles, and other such specialized mobile devices such as set top boxes, handheld medical devices and industrial data collectors to perform functions currently carried out manually, by traditional PCs or by other electronic devices, including entertainment, personal communication, location-based services, inputting and sharing data and connecting to the Internet; and
- The evolution of industry standards that facilitate the distribution of content over the Internet to these devices via wired and wireless telecommunications systems, satellite or cable.

Foreign Exchange Risk

A substantial portion of the Company's sales are denominated in U.S. dollars and are made to U.S.-based customers. Because the Company's operations are based in Canada, United States, Taiwan and China, the Company is exposed to risks associated with fluctuations in the exchange rate between the U.S. dollar, Chinese Renminbi, New Taiwan dollar and Canadian dollar. If the Canadian dollar, New Taiwan dollar or Chinese Renminbi, rise relative to the United States dollar, the Company's operating results may be adversely impacted.

Potential Fluctuations in Quarterly Results

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

Dependence on Key Personnel

The Company's future success depends largely on its ability to attract and retain talented employees. The Company's future results of operations will depend in part on the ability of its officers, management and other key employees to implement and expand operational, customer support and financial control systems and to expand, train and manage its employee base. The Company's future performance will also depend to a significant extent on its ability to identify, attract, train and retain highly skilled sales, technical, marketing and management personnel. If the Company were to lose the services of any key personnel, the Company may encounter difficulties finding qualified replacement personnel.

Acquisitions

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

Product Liability

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

Future Share Sales

If the Company's shareholders sell substantial amounts of the Company's common shares, the market price of the Company's common shares could decrease.

Shareholder Rights Plan

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

Non-recurring Costs

From time to time the Corporation may incur significant non-recurring charges as a result of business segment shut-down or corporate restructuring. These charges could have an adverse effect on the business, financial condition, operating results or cash flow of the Corporation.

Management of Growth

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

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

The Chief Executive Officer and Chief Financial Officer have designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to them by others within the Company. The Chief Executive Officer and Chief Financial Officer have also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements in accordance with Canadian generally accepted accounting principles.

The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures and assessed the design of the Company's internal controls over financial reporting. This evaluation identified no instances in which internal controls did not operate in an effective manner. Nonetheless, the Company has further strengthened its internal control processes to mitigate future potential material financial statement misstatements and other internal control violations. No additional changes were made in the Company's internal control over financial reporting during the three month period ended March 31, 2010 and the most recent interim period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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. As the Company has a limited number of personnel, management

has concluded that a weakness exists in the design of internal controls over financial reporting caused by a lack of adequate segregation of duties. This weakness has the potential to result in material misstatements in the Company's financial statements and should also be considered a weakness in its disclosure controls and procedures. Management has concluded that taking into account the present stage of the Company's development and the best interests of its shareholders, the Company does not have sufficient size and scale to warrant the hiring of additional personnel to correct this weakness at this time. To help mitigate the impact of this weakness and to ensure quality financial reporting, supervisory controls are exercised by management and the Audit Committee is vigilant in its' oversight.

The Chief Executive Officer and Chief Financial Officer of the Company conducted an evaluation of the disclosure controls and procedures as required by Multilateral Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings" issued by the Canadian Securities Administrators. They concluded that as at March 31, 2010, 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, Tracy Rees, Chief Executive Officer of Intrinsic Software International, Inc., certify the following:

1. **Review:** I have reviewed the interim financial statements and interim MD&A (together, the “interim filings”) of Intrinsic Software International, Inc. (the “issuer”) for the interim period ended March 31, 2010.

2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual 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, for the period covered by the annual filings.

3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

4. **Responsibility:** The issuer’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*, for the issuer.

5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the financial year end

a. designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

i. material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and

ii. information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

b. designed ICFR, 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.

5.1 **Control framework:** The control framework the issuer’s other certifying officers and I used to design the issuer’s ICFR is the COSO internal framework (Committee of Sponsoring Organizations of the Treadway Commission).

5.2 **ICFR – material weakness relating to design:** N/A

5.3 **Limitation on scope of design:** N/A.

6. **Reporting changes in ICFR:** The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on January 1, 2009 and ended on September 30, 2009 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Date: May 13, 2010

“Tracy Rees”

Tracy Rees

Chief Executive Officer

FORM 52-109F2
CERTIFICATION OF INTERIM FILINGS

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

1. **Review:** I have reviewed the interim financial statements and interim MD&A (together, the “interim filings”) of Intrinsic Software International, Inc. (the “issuer”) for the interim period ended March 31, 2010.

2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual 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, for the period covered by the annual filings.

3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

4. **Responsibility:** The issuer’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*, for the issuer.

5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the financial year end

a. designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

- i. material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
- ii. information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

b. designed ICFR, 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.

5.1 **Control framework:** The control framework the issuer’s other certifying officers and I used to design the issuer’s ICFR is the COSO internal framework (Committee of Sponsoring Organizations of the Treadway Commission).

5.2 **ICFR – material weakness relating to design:** N/A

5.3 **Limitation on scope of design:** N/A.

6. **Reporting changes in ICFR:** The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on January 1, 2009 and ended on September 30, 2009 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Date: May 13, 2010

“George Reznik”
George Reznik
Chief Financial Officer