Executive Officers

D. Neil McDonnell, MBA
President & CEO

Derek W. Spratt, P.Eng. (EE)
Chairman & Chief Strategist

Chuck Leighton, B.Comm, CA
Chief Financial Officer

David W. Monroe, BA
VP, Worldwide Sales

David B. Manuel, P.Eng.
VP, Engineering

André Viljoen, B.Eng.
VP, Research & Development

Damian Mehers
Chief Architect

Imre Togyi
Director of Marketing

Board of Directors

Derek W. Spratt, P.Eng. (EE)
Vancouver, BC, Canada

D. Neil McDonnell, MBA
North Vancouver, BC, Canada

Ronald P. Erickson, BA, MA, JD
Seattle, Washington, USA

Robert J. Gayton, Ph.D., FCA
West Vancouver, BC, Canada

Morgan P. W. Sturdy, BBA
Vancouver, BC, Canada

William T. C. Yu, B.S.M.E., MBA
Vancouver, BC, Canada

Corporate Office

700 West Pender St
10th floor
Vancouver BC
Canada V6C 1G8
604 801 6461 *Telephone*
604 801 6417 *Facsimile*
invest@intrinsyc.com

Market Information Symbol: ICS:TSE
Web Site: www.intrinsyc.com

Report To Shareholders

March 2002

Dear Shareholder:

During the second quarter of 2002, we continued to execute according to our strategic plan securing more than $6.5 million in new contracts and maintaining strict control over expenses. We are confident that the new customers we're currently working with will deliver value to our shareholders over the next 6 to 12 months.

Revenue increased 66 percent to $3.4 million for the second quarter, up from $2.1 million during the same period in 2001, and increased 9 percent from $3.1 million in the previous quarter. The before tax loss for the quarter was $592,896.

The company's gross margin on sales for the second quarter of 2002 was 59 percent, compared to 64 percent in the previous quarter, and 42 percent in the second quarter of 2001. As of February 28, 2002, the Company had cash and cash equivalents of $23.4 million and working capital of $26.6 million compared to $15.1 million of cash and cash equivalents and $13.9 million of working capital as of August 31, 2001.

The milestones achieved in the quarter include:

- $5 million contract
- $1 million contract win
- Half million-dollar contract with Dalmine Energie S.p.A.
- Support for next-generation products with Intel® and Microsoft®
- $10 million special warrant financing
- J-Integra® licensing agreement with Macromedia®

$5 million contract: A large, North American–based telehealth solutions company signed a contract in excess of $5 million with Intrinsyc, validating Intrinsyc's accelerating market position in the medical device market.

$1 million contract win: A world leading electronics corporation signed a $1 million agreement with Intrinsyc that includes the licensing of Intrinsyc's Cerf™PDA technologies, and ongoing engineering and support services.

Half million-dollar contract with Dalmine Energie S.p.A.: Dalmine Energie signed a half million-dollar agreement with Intrinsyc for an Internet-based data acquisition solution, further expanding Intrinsyc's reach in Europe and in the growing energy management market.

Support for next-generation products with Intel® and Microsoft®: Announced support of the Windows® CE .NET platform, and the newly launched Intel® PXA250 Applications Processor.

$10 million special warrant financing: Completed a $10 million equity financing.

J-Integra® licensing agreement with Macromedia®: Macromedia, Inc., a leading Web development platform provider, licensed J-Integra for incorporation into its Java™-based ColdFusion® product.

Looking ahead, I am confident that Intrinsyc will increase value to its shareholders.

On behalf of the Intrinsyc Board of Directors, we thank our customers and shareholders for their support, and look forward to providing long-term value for years to come.

Neil McDonnell
President & CEO
Intrinsyc Software, Inc.

Management's Discussion & Analysis

This discussion and analysis covers our interim consolidated financial statements for the three and six month periods ended February 28, 2002. It also provides an update to the discussion and analysis contained in our 2001 Annual Report. This discussion and analysis should be read in conjunction with the "Management Discussion and Analysis" section and the annual consolidated financial statements contained in our 2001 Annual Report.

Significant Transactions

On January 29, 2002, we completed a $10 million Special Warrant Financing, which consisted of 4,166,700 Special Warrants at a price of $2.40 per Special Warrant (see note 2 to the consolidated financial statements).

Results of Operations

Our loss for the quarter ended February 28, 2002 was $592,897 ($0.02 per share), compared to $1.26 million ($0.04 per share) for the quarter ended February 28, 2001. The current quarter operating loss was $266,994 greater than the operating loss of $325,903 for the previous quarter ended November 30, 2001 ($0.01 per share).

Revenue for the three months ended February 28, 2002 was $3.43 million compared with $2.06 million during the same period in fiscal 2001, an increase of 66 percent, and an increase of $279,902 or 9 percent from the previous quarter revenue of $3.15 million. During the quarter there were two customers, each of whom accounted for more than 10 percent of revenue recognized in the quarter. Year-to-date revenue for the six months ended February 28, 2002 increased by $2.87 million or 77 percent from the same period ended February 28, 2001.

Licensing revenue comprised 34 percent of the revenue in the period, down from 56 percent in the first quarter of 2002, with services revenue amounting to 46 percent of revenue, up from 32 percent in the first quarter, and sales of products generating 20 percent of revenue, up from 12 percent in the previous quarter. As a result of this mix the gross margin on sales for the quarter decreased to 58.7 percent from 64.3 percent in the first quarter of 2001 but was up substantially from 41.5 percent in the second quarter of fiscal 2001. For the six months ended February 28, 2002 gross margin was 61.4 percent compared to 35.5 percent for the same period ended February 28, 2001.

General administration expenses for the quarter ended February 28, 2002 were $345,564, a decrease of 51 percent or $365,979, over the same period last year. Administration expenses decreased by $71,728 or 17.2 percent compared to the first quarter of 2002. The decrease in costs from the preceding quarter is primarily attributable to a concerted effort to reduce travel, outside services and public relations costs in the quarter to match the post-September 11 slow down in the economy.

Marketing and sales expenses for the quarter ended February 28, 2002 were $1,040,487, an increase of 1.9 percent or $19,709, compared to the same period last year. Expenses increased by 23.4 percent or $197,287 compared to the first quarter of 2002 as the Company increased headcount and opened a branch office in Oakville, Ontario.

Research and development expenses for the quarter ended February 28, 2002 were $909,406, an increase of 50.6 percent or $305,521 compared to the same period last year, and an increase of 0.4 percent or $3,642 from the first quarter of 2002. The increase in expense for research and development is predominantly attributable to increased headcount as compared to this quarter last year.

Interest income earned on cash balances was $76,500 for the quarter, down from $311,728 in the same period last year and down from $99,347 in the first quarter of 2002.

Liquidity and Capital Resources

Cash and cash equivalents increased to $23.37 million as of February 28, 2002, compared to $14.27 million as of November 30, 2001 and working capital increased to $26.59 million as of February 28, 2002 from $14.60 million as of November 30, 2001. The primary reason for the increase is the private placement of 4,166,700 Special Warrants at $2.40 per Special Warrant, for gross proceeds of $10 million.

Revenue allocated to future support activities, the delivery of future services, or future product deliveries is deferred until such time as the customer obligation is met. As of the quarter ended February 28, 2002, $444,302 has been deferred, compared to $575,586 as of November 30, 2001.

The Company continues to have no long-term liabilities or bank debt.

The Company's operating activities resulted in cash outflows of $3.14 million for the three months ended February 28, 2002 compared to $1.73 million during the same period a year ago. Cash of $95,847 in the quarter was used to acquire capital assets, compared to $129,247 during the same period last year. Capital assets purchased in the quarter were primarily computer equipment and software. Financing activities in the quarter generated cash inflows of $12.24 million compared to an inflow of $6.61 million during the same period last year.

CONSOLIDATED FINANCIAL STATEMENTS OF

INTRINSYC SOFTWARE, INC.

Three months ended February 28, 2002 and 2001 (Unaudited)
Year ended August 31, 2001

Consolidated Balance Sheets

(Unaudited)

	February 28, 2002	August 31, 2001
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 23,370,220	$ 15,065,099
Funds held in trust	561,878	517,700
Accounts receivable	3,662,196	1,559,374
Inventory	326,827	298,245
Prepaid expenses	260,778	270,432
	28,181,899	17,710,850
Funds held in trust	1,022,152	1,035,745
Capital assets	1,114,818	1,103,820
Other assets	3,031,139	3,469,353
	$ 33,350,008	$ 23,319,768
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,132,858	$ 2,633,541
Deferred revenue	444,302	1,108,701
Obligation under capital lease	10,472	38,027
	1,587,632	3,780,269
Shareholders' equity:		
Share capital (note 3)	39,508,767	35,601,782
Share purchase warrants (note 3(d))	140,000	140,000
Special warrants (note 3(e))	9,234,692	-
Deficit	(17,121,083)	(16,202,283)
	31,762,376	19,539,499
	$ 33,350,008	$ 23,319,768

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"Morgan Sturdy" Morgan Sturdy, Director
"Robert Gayton" Robert Gayton, Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(Unaudited)

	Three months ended		Six months ended	
	February 28, 2002	February 28, 2001	February 28 2002	February 28, 2001
Revenues	$ 3,427,571	$ 2,057,701	$ 6,575,240	$ 3,709,590
Cost of sales	1,414,005	1,202,986	2,538,102	2,391,662
	2,013,566	854,715	4,037,138	1,317,928
Expenses:				
Administration	345,564	711,543	762,854	1,409,883
Marketing and sales	1,040,487	1,020,778	1,883,689	1,781,842
Research and development	909,406	603,885	1,815,170	1,122,983
Amortization	339,288	94,620	621,854	136,595
	2,634,745	2,430,826	5,083,567	4,451,303
Loss before interest income	621,179	1,576,111	1,046,429	3,133,375
Interest income	(76,500)	(311,728)	(175,847)	(491,847)
Loss before income taxes	544,679	1,264,383	870,582	2,641,528
Income taxes	48,218	-	48,218	-
Loss for the period	592,897	1,264,383	918,800	2,641,528
Deficit, beginning of period	16,528,186	13,845,261	16,202,283	12,468,118
Deficit, end of period	$ 17,121,083	$15,109,644	$17,121,083	$15,109,646
Loss per share	$ 0.02	$ 0.04	$ 0.03	$ 0.09
Weighted average number of shares outstanding	33,519,710	31,977,383	33,076,404	30,156,060

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(Unaudited)

	Three months ended February 28, 2002	Three months ended February 28, 2001	Six months ended February 28 2002	Six months ended February 28, 2001
Cash provided by (used in):				
Operations:				
Loss for the period	$ (592,897)	$(1,264,384)	$ (918,800)	$(2,641,527)
Items not involving cash:				
Amortization	339,288	143,619	621,854	212,056
Changes in non-cash operating working capital:				
Reallocate funds held in trust	(37,612)	-	(44,178)	-
Accounts receivable	(1,857,720)	(960,395)	(2,102,822)	(1,319,079)
Prepaid expenses	(27,866)	(72,634)	9,654	(142,895)
Inventory	83,213	98,728	(28,582)	(87,735)
Accounts payable	(910,882)	386,665	(1,500,683)	896,030
Deferred revenue	(131,284)	116,309	(664,399)	404,993
Linar opening working capital	-	(179,206)	-	(179,206)
	(3,135,760)	(1,731,298)	(4,627,956)	(2,857,363)
Investments:				
Acquisition of Linar Ltd., net of $466,318 cash acquired	-	(1,793,914)	-	(1,793,914)
Contingent consideration for the acquisition of Linar Ltd.	-	(1,508,600)	-	(1,508,600)
Purchase of capital assets	(95,847)	(129,247)	(194,638)	(382,160)
Reallocate funds held in trust (long term)	89,826	-	13,593	-
	(6,021)	(3,431,761)	(181,045)	(3,684,674)
Financing:				
Issuance of common shares for cash:				
Options	117,510	33,552	310,735	301,377
Warrants	2,906,250	343,750	3,596,250	1,133,746
Special warrants	9,234,692	6,232,818	9,234,692	12,407,509
Repayment of obligation under capital lease	(13,776)	(3,985)	(27,555)	(7,971)
	12,244,676	6,606,135	13,114,122	13,834,661
Increase in cash and cash equivalents	9,102,895	1,443,076	8,305,121	7,292,624
Cash and cash equivalents, beginning of period	14,267,325	13,037,648	15,065,099	7,188,100
Cash and cash equivalents, end of period	$23,370,220	$14,480,724	$23,370,220	$14,480,724

See accompanying notes to consolidated financial statements.

INTRINSYC SOFTWARE, INC.

Notes to Consolidated Financial Statements (Unaudited)

Six months ended February 28, 2002 and 2001.

1. Basis of presentation:

The accompanying unaudited consolidated financial statements do not include all information and footnote disclosures required for an annual set of financial statements under Canadian generally accepted accounting principles. In the opinion of management, all adjustments (consisting solely of normal recurring accruals) considered necessary for a fair presentation of the financial position, results of operations and cash flows as at February 28, 2002 and for all periods presented, have been included. Interim results for the three-month period ended February 28, 2002 are not necessarily indicative of the results that may be expected for the fiscal year as a whole.

The unaudited consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Intrinsyc Software (USA) Inc., Intrinsyc Inc., and Linar Ltd. The Company has eliminated all significant intercompany balances and transactions. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information.

These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report for the fiscal year ended August 31, 2001.

2. Significant accounting policies:

These interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements.

3. Share capital:

(a) Authorized:
100,000,000 common shares without par value
10,000,000 preference shares without par value

(b) Issued:

	Number of shares	Amount
Outstanding, August 31, 2001	32,333,599	$ 35,601,782
Shares issued for cash on:		
Exercise of options	153,500	193,225
Exercise of warrants	300,000	690,000
Outstanding, November 30, 2001	32,787,099	36,485,007
Shares issued for cash on:		
Exercise of options	1,162,500	2,906,250
Exercise of warrants	97,666	117,509
Outstanding, February 28, 2002	34,047,265	$ 39,508,766

3. Share capital (continued):

(c) Share option plan:

A summary of the Company's share option activity for the quarter ended November 30, 2001 is as follows:

	Outstanding options	
	Number of shares	Weighted average exercise price
Outstanding, August 31, 2001	3,797,691	$ 2.44
Options granted	739,325	1.85
Options exercised	(153,500)	1.26
Options cancelled	(49,501)	2.72
Outstanding, November 30, 2001	4,334,015	2.38
Options granted	221,500	3.21
Options exercised	(97,666)	1.20
Options cancelled	(86,068)	3.15
Outstanding, February 28, 2002	4,371,781	$ 2.44

The following table summarizes the share options outstanding at February 28, 2002:

Options outstanding			
Range of exercise price	Number of shares	Weighted average remaining contractual life	Weighted average exercise price
$ 0.77 - $ 1.21	890,078	1.61 years	$ 1.15
$ 1.26 - $ 2.97	1,777,657	3.46 years	$ 1.82
$ 3.01 - $5.30	1,704,046	3.57 years	$ 3.74
	4,371,781	3.13 years	$ 2.44

Options exercisable	
Number exercisable	Weighted average exercise price
732,061	$ 1.15
870,946	$ 1.63
793,073	$ 3.83
2,396,080	$ 2.21

3. Share capital (continued):

(d) Share purchase warrants:

A summary of the Company's share purchase warrants for the quarter ended February 28, 2002 is as follows:

	Outstanding warrants	
	Number of warrants	Weighted average warrant price
Outstanding, August 31, 2001	3,375,000	$ 4.17
Warrants granted	150,000	2.50
Warrants exercised	(300,000)	2.30
Outstanding, November 30, 2001	3,225,000	4.24
Warrants granted (note 3(e))	291,699	2.65
Warrants exercised	(1,162,500)	2.50
Warrants cancelled	(162,500)	2.50
Outstanding, February 28, 2002	2,191,699	$ 5.12

(e) Special Warrents:

During the three months ended February 28, 2002, the Company completed a private placement of 4,166,700 special warrants at $2.40 per special warrant, for gross proceeds of $10,000,080, net of share issue costs of $765,388. Each special warrant entitles the holder to acquire, without payment of any additional consideration, into one common share of the Company. The special warrants will be automatically exercised into common shares at the earlier of (i) the fifth business day after a receipt has been issued for any short form prospectus filed by the Company qualifying the distribution of the common shares issuable upon exercise of the special warrants; or (ii) June 3, 2002. The Company has also granted to the agent an agent's warrant to acquire, without additional consideration, an agent's compensation option. The option entitles the agent to purchase 291,669 special warrants at $2.65 per special warrant until July 29, 2003 (note 3(c)).

4. Comparative figures:

Certain comparative figures have been reclassified to conform to the basis of presentation adopted in the current year.