



Intrinsyc Software International, Inc. 604 801 6461 Telephone
 700 West Pender St. 604 801 6417 Facsimile
 10th floor www.intrinsyc.com
 Vancouver, BC
 Canada V6C 1G8

INTRINSYC SOFTWARE INTERNATIONAL, INC.

Consolidated Statements of Operations and Deficit
 (Unaudited)

	Three months ended		Six months ended	
	<u>February 29,</u>	<u>February 28,</u>	<u>February 29,</u>	<u>February 28,</u>
	2004	2003	2004	2003
Revenues	\$ 3,810,346	\$ 2,718,107	\$ 7,349,582	\$ 7,194,717
Cost of sales	2,303,908	2,195,539	4,711,020	4,823,951
	1,506,438	522,568	2,638,562	2,370,766
Expenses:				
Administration	705,912	606,879	1,247,723	1,261,579
Marketing and sales	702,442	1,121,117	1,432,798	2,472,323
Research and development	648,752	944,728	1,110,155	2,253,603
Amortization	312,827	319,145	656,922	647,493
Less: Technology Partnerships				
Canada Funding Investment	(357,000)	(290,675)	(518,074)	(800,675)
	2,012,933	2,701,194	3,929,524	5,834,323
Loss before other (income) expense and income taxes	506,495	2,178,626	1,290,962	3,463,557
Other (income) expense:				
Foreign exchange (gain) loss	(361,997)	560,402	(259,136)	470,818
Interest income	(48,545)	(140,158)	(70,498)	(189,334)
Loss before income taxes	95,953	2,598,870	961,328	3,745,041
Income tax (recovery) expense				
Current	(2,874)	(49,582)	2,049	23,159
Future	(43,650)	(53,650)	(97,300)	(107,300)
	(46,524)	(103,232)	(95,251)	(84,141)
Net loss for the period	49,429	2,495,638	866,077	3,660,900
Deficit, beginning of period	27,841,506	21,142,499	27,024,858	19,977,237
Deficit, end of period	\$ 27,890,935	\$ 23,638,137	\$ 27,890,935	\$ 23,638,137
Net loss per share	\$ 0.001	\$ 0.07	\$ 0.02	\$ 0.10
Weighted average number of shares outstanding	40,856,248	38,283,965	40,856,248	38,283,965

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INTRINSYC SOFTWARE INTERNATIONAL, INC.

Consolidated Balance Sheets
(Unaudited)

	February 29, 2004	August 31, 2003
	(Unaudited)	(Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,951,181	\$ 6,920,785
Funds held in trust	-	461,438
Restricted cash	2,195,023	1,983,661
Accounts receivable	4,165,129	3,353,732
Other receivable	678,127	960,282
Inventory	444,101	609,145
Prepaid expenses	135,911	156,215
	<u>13,569,472</u>	<u>14,445,258</u>
Capital assets	1,002,261	1,188,418
Goodwill	13,746,765	11,671,498
Intangible assets	1,568,618	1,668,786
	<u>\$ 29,887,116</u>	<u>\$ 28,973,960</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,210,552	\$ 2,036,949
Income taxes payable	240,452	250,113
Deferred revenue	810,000	459,803
Future income taxes	94,600	144,600
Guaranteed loan note	2,195,023	1,983,661
Loan note	1,308,103	804,271
	<u>5,858,730</u>	<u>5,679,397</u>
Future income taxes	308,733	356,033
Shareholders' equity:		
Share capital	49,512,683	49,512,683
Contributed surplus	163,500	140,000
Shares to be issued	1,960,406	399,560
Cumulative translation adjustment	(26,001)	(88,855)
Deficit	<u>(27,890,935)</u>	<u>(27,024,858)</u>
	<u>23,719,653</u>	<u>22,938,530</u>
	<u>\$ 29,887,116</u>	<u>\$ 28,973,960</u>

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INTRINSYC SOFTWARE INTERNATIONAL, INC.

Consolidated Statements of Cash Flows (Unaudited)

	Three months ended		Six months ended	
	February 29, 2004	February 28, 2003	February 29, 2004	February 28, 2003
Cash provided by (used in):				
Operating activities:				
Net loss for the period	\$ (49,429)	\$ (2,495,638)	\$ (866,077)	\$ (3,660,900)
Items not involving cash:				
Amortization	312,827	319,145	656,922	647,493
Future income taxes	(43,650)	(53,650)	(97,300)	(107,300)
Unrealized foreign exchange loss on contingent consideration	119,893	-	115,057	-
Changes in non-cash operating working capital:				
Funds held in trust (current)	432,600	25,587	461,438	23,528
Accounts receivable	(633,986)	1,485,329	(811,397)	2,054,916
Other receivable	(76,060)	(27,494)	282,155	490,271
Inventory	165,903	(49,943)	165,044	(311,694)
Prepaid expenses	38,101	55,810	20,304	79,900
Accounts payable and accrued liabilities	(483,535)	(1,458,242)	(810,168)	(1,735,482)
Income taxes payable	(14,860)	(50,126)	(9,661)	8,381
Deferred revenue	216,967	(104,248)	350,197	(40,647)
	(15,229)	(2,353,470)	(543,486)	(2,551,534)
Investing activities:				
Purchase of capital assets	(20,880)	(75,274)	(96,517)	(235,614)
Acquisition of intangible assets	-	-	(274,080)	-
Acquisition costs related to additional Goodwill	-	-	(118,375)	-
Funds held in trust (long-term)	-	522,531	-	520,461
	(20,880)	447,257	(488,972)	284,847
Financing activities:				
Issuance of common shares	-	-	-	51,590
Restricted cash	-	185,243	-	110,509
	-	185,243	-	162,099
Foreign exchange effect on cash and cash equivalents	44,060	(43,868)	62,854	(31,595)
Increase (decrease) in cash and cash equivalents	7,951	(1,764,838)	(969,604)	(2,136,183)
Cash and cash equivalents, beginning of period	5,943,230	8,855,587	6,920,785	9,226,932
Cash and cash equivalents, end of period	\$ 5,951,181	\$ 7,090,749	\$ 5,951,181	\$ 7,090,749
Supplementary information:				
Interest paid	\$ -	\$ 727	\$ 155	\$ 1,389
Interest received	30,248	-	49,373	-
Income taxes paid	1,641	30,000	6,564	30,000
Non-cash investing:				
Additional consideration payable in relation to the acquisition of IEL	802,885	1,714,624	1,949,621	2,765,168
Additional consideration payable in relation to the acquisition of Linar	-	445,345	7,271	445,345

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