



**Intrinsyc Software  
International, Inc.** 604 801 6461 Telephone  
700 West Pender St. 604 801 6417 Facsimile  
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Vancouver, BC  
Canada V6C 1G8

## INTRINSYC SOFTWARE INTERNATIONAL, INC.

### Consolidated Balance Sheets

	August 31, 2004	August 31, 2003
	(Unaudited)	(Audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,600,460	\$ 6,920,785
Funds held in trust	-	461,438
Restricted cash	-	1,983,661
Accounts receivable	3,381,271	3,332,946
Other receivable	947,374	960,282
Inventory	277,840	629,931
Prepaid expenses	334,780	156,215
	<u>9,541,725</u>	<u>14,445,258</u>
Capital assets	838,268	1,188,418
Goodwill	14,189,478	11,671,498
Intangible assets	1,442,848	1,668,786
	<u>\$ 26,012,319</u>	<u>\$ 28,973,960</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,031,780	\$ 2,287,062
Income taxes payable	94,600	144,600
Deferred revenue	645,820	459,803
Guaranteed loan note	-	1,983,661
Loan note	-	804,271
	<u>2,772,200</u>	<u>5,679,397</u>
Future income taxes	261,433	356,033
Shareholders' equity:		
Share capital	52,328,077	49,512,683
Contributed surplus	163,500	140,000
Shares to be issued	-	399,560
Cumulative translation adjustment	(27,792)	(88,855)
Deficit	<u>(29,485,099)</u>	<u>(27,024,858)</u>
	<u>22,978,686</u>	<u>22,938,530</u>
	<u>\$ 26,012,319</u>	<u>\$ 28,973,960</u>

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## INTRINSYC SOFTWARE INTERNATIONAL, INC.

### Consolidated Statements of Operations and Deficit

	Three months ended		Twelve Months ended	
	August 31,		August 31,	
	2004	2003	2004	2003
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Revenues	\$ 3,835,649	\$ 3,017,967	\$ 15,175,928	\$ 13,879,023
Cost of sales	2,045,503	2,130,108	8,927,120	9,082,426
	1,790,146	887,859	6,248,808	4,796,597
Expenses:				
Administration	514,285	615,263	2,450,740	2,408,045
Marketing and sales	1,148,807	703,503	3,427,404	4,218,864
Research and development, net	290,442	514,627	1,507,017	3,659,959
Amortization	218,143	319,421	1,097,774	1,288,863
Restructuring cost and other costs	323,000	(32,736)	623,000	712,393
Less: Technology Partnerships				
Canada Funding Investment	384,021	(293,250)	(219,053)	(1,327,675)
	2,878,698	1,826,828	8,886,882	10,960,449
Loss before other (income) expense and income taxes	1,088,552	938,969	2,638,074	6,163,852
Other (income) expense:				
Foreign exchange (gain) loss	342,790	62,741	(35,591)	1,158,692
Interest (income) expense	(12,908)	(23,655)	(7,971)	(255,105)
Loss before income taxes	1,418,434	978,055	2,594,512	7,067,439
Income tax (recovery) expense				
Current	1,950	119,794	10,329	194,782
Future	(23,650)	(53,650)	(144,600)	(214,600)
	(21,700)	66,144	(134,271)	(19,818)
Net loss for the period	1,396,734	1,044,199	2,460,241	7,047,621
Deficit, beginning of period	28,088,365	25,980,659	27,024,858	19,977,237
Deficit, end of period	\$ 29,485,099	\$ 27,024,858	\$ 29,485,099	\$ 27,024,858
Net loss per share	\$ 0.03	\$ 0.03	\$ 0.06	\$ 0.18
Weighted average number of common shares outstanding	43,890,916	38,403,770	41,631,629	38,403,770

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## INTRINSYC SOFTWARE INTERNATIONAL, INC.

### Consolidated Statements of Cash Flows

	Three months ended		Twelve months ended	
	August 31,		August 31,	
	2004	2003	2004	2003
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Cash provided by (used in):				
Operating activities:				
Net loss for the period	\$ (1,396,734)	\$ (1,044,199)	\$ (2,460,241)	\$ (7,047,621)
Items not involving cash:				
Amortization	218,143	319,421	1,097,774	1,288,863
Future income taxes	(23,650)	(53,650)	(144,600)	(214,600)
Unrealized foreign exchange (gain) loss on contingent consideration	-	(30,651)	58,679	-
Changes in non-cash operating working capital:				
Funds held in trust (current)	-	(5,727)	461,438	56,262
Restricted cash (current)	-	264,272	-	(2,247,933)
Accounts receivable	(160,176)	(100,852)	(48,325)	1,826,422
Other receivable	(184,287)	(293,250)	12,908	296,136
Inventory	84,141	230,537	352,091	123,224
Prepaid expenses	(181,048)	(69,333)	(178,565)	107,394
Accounts payable and accrued liabilities	474,918	201,586	(201,983)	(1,631,426)
Income taxes payable	(89,243)	-	(53,299)	-
Deferred revenue	(183,174)	136,556	186,017	20,753
	(1,441,070)	(445,290)	(918,106)	(7,422,526)
Investing activities:				
Purchase of capital assets	(108,337)	(34,264)	(165,802)	(288,981)
Acquisition of intangible assets	-	-	(355,884)	-
Acquisition costs related to additional goodwill	-	-	(102,146)	-
Funds held in trust (long-term)	-	-	-	520,461
Loan Note	-	-	(862,950)	-
	(108,337)	(34,264)	(1,486,782)	231,480
Financing activities:				
Issuance of common shares	-	(445,435)	23,500	51,590
Restricted cash	-	63,724	-	5,396,510
Cash guaranteed on Common Shares Issued	-	-	-	(445,435)
	-	(381,711)	23,500	5,002,665
Foreign exchange effect on cash and cash equivalents	(433)	-	61,063	(117,766)
Increase (decrease) in cash and cash equivalents	(1,549,840)	(861,625)	(2,320,325)	(2,306,147)
Cash and cash equivalents, beginning of period	6,150,300	7,782,050	6,920,785	9,226,932
Cash and cash equivalents, end of period	\$ 4,600,460	\$ 6,920,785	\$ 4,600,460	\$ 6,920,785
Supplementary information:				
Interest paid	\$ 1,683	\$ 1,010	\$ 92,367	\$ 2,472
Interest received	7,142	21,342	58,837	270,048
Income taxes paid (recovered)	73,309	6,390	123,277	\$ 56,358
Non-cash investing:				
Additional consideration payable in relation to the acquisition of IEL	-	-	2,392,334	4,724,461
Additional consideration payable in relation to the acquisition of Linar	-	-	-	-

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