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Intrinsic Achieves Record Third Quarter

Quarterly revenue tops \$1 million; customer base doubled in three months

Vancouver, Canada, July 5, 2000 - Intrinsic (ICS.CDNX), a North American leader in the emerging Information Appliance and Internet Device market, reported record operating results for the third quarter of fiscal 2000, ended May 31, 2000. Revenue for the third fiscal quarter was \$1,011,672, which marks the first time the company has reported quarterly revenue in excess of \$1 million, a 98% increase over the previous quarter and a 25% increase over Q3 1999. Loss per share was 0.03 cents, versus 0.02 cents for Q3 1999.

“This is a milestone quarter,” said Derek Spratt, President and Chief Executive Officer of Intrinsic. “Intrinsic is clearly establishing itself as a leader in the growing embedded software market and is benefiting from rapid growth in post-PC technology. We achieved strong third-quarter results, with higher-than-expected revenue, and have been recognized for our innovative product development, with the widespread acceptance of our diversified technologies, such as CerfBoard for Linux.”

“Intrinsic has exceeded several of its key business objectives this quarter,” confirmed Rod Campbell, Chief Financial Officer and Executive Vice President, Strategic Business Development. “We grew our revenues by nearly 100%, doubled our customer base and sold a record number of development kits this quarter. We have entered new verticals, such as the burgeoning PDA market and the evolving telecommunications sector, and continue to grow our profile in the industrial automation space. A number of our new clients are Fortune 500 companies and recognized world-leaders who trust Intrinsic to deliver.”

Third Quarter Highlights

- **Growing Revenues and Diversifying Customer Base:** Revenue for the third fiscal quarter was \$1,011,672, which marks the first time the company has reported quarterly revenue in excess of \$1 million, a 98% increase over the previous quarter and a 25% increase over Q3 1999. Intrinsic’s total number of new, revenue-generating customers increased from 9 in the second quarter to 28 in the third quarter, bringing the total number of revenue-generating customers to 35. Development kit sales increased to 36 during the third quarter, from a total of 21 during the second quarter and 8 during the first quarter. Development kits represent an important first engagement with customers that leads to future engineering services contracts and licensing agreements.
- **Adding Operational Expertise:** In May, Intrinsic appointed Morgan Sturdy to the company’s Board of Directors. Mr. Sturdy’s proven expertise and ideal mix of operational and board level experience are strong assets during this period of high growth for Intrinsic.
- **Moving Towards Operating System Independence:** In response to customer demand, Intrinsic released a Linux-based CerfBoard hardware reference platform, giving its customers a head-start in developing Linux-based Internet Devices or Information Appliances. CerfBoard for Linux represents the first step in Intrinsic’s multi-OS strategy to provide common enterprise connectivity and remote management solutions. Intrinsic’s Linux-based CerfBoard has been featured at several trade shows, including the Applied Computing Conference in San Jose, CA, in May.

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- **Establishing Strategic Alliances:** As a means of increasing its distribution capacity, Intrinsic has forged an alliance with Embedded Planet, the leader in providing Motorola Embedded PowerPC platforms to the embedded market. The alliance creates new growth, development and distribution opportunities for both Intrinsic and Embedded Planet by expanding their mutual base of customers who are building smart Internet-ready products and Information Appliances.
- **Aggressive Profile Building:** Customer growth is in part due to profile-building activities at industry trade shows. Intrinsic continued to promote the company to potential customers and partners through a number of high-profile industry conference trade shows. Intrinsic attended 5 leading trade shows and conferences and furthered its strategic relationships by appearing in the marketing booths of both Microsoft and Embedded Planet.
- **Growing Recognition:** Intrinsic has been the focus of a number of business-related stories in the media, including Canadian Business, The National Post, The Vancouver Province, Linuxdevices.com, TechnologyCanada.com, Vancouver Magazine, CBC Newsworld and BCTV News. Intrinsic was also named to Profit magazine's Profit 100 List of the Fastest Growing Companies in Canada, 2000, after having achieved revenue growth over the past five years of 1,558%.

Detailed financials are attached below. There will also be a conference call on **Thursday, July 6 at 2:00 p.m. Pacific** to discuss the results. Analysts, investment professionals, shareholders, members of the media and other interested parties wishing to participate may call **1-877-415-4901 (toll-free) five minutes prior to the scheduled time.** For those unable to participate live, the call will be recorded and may be accessed on Intrinsic's website for a period of one year following the broadcast. A third quarter report will be posted on Intrinsic's website – www.intrinsic.com – following the call.

About Intrinsic

Intrinsic provides highly engineered products and solutions that help its clients develop smart, Internet-ready products. The company is a leader in the emerging Information Appliance and Internet Device market that specializes in the embedded computers controlling common products such as home security systems, vending machines and factory floor controllers. Intrinsic sells its Internet-enabled technologies to leading Fortune 500 companies in growing global markets such as mobile computing, industrial automation, and point-of-sale. These customers use Intrinsic's unique expertise to create Internet Devices or Information Appliances, link these devices to other levels of a company's business systems, and remotely manage large networks of devices.

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INTRINSYC SOFTWARE, INC.

Balance Sheet

Un-audited (Prepared by Management)

As at	31-May-00	31-May-99
Assets		
Current assets:		
Cash	\$ 4,943,963	\$ 378,228
Funds held in trust	2,757,500	-
Accounts receivable	580,925	828,083
Inventory	167,376	46,246
Prepaid expenses	69,456	71,890
	<hr/>	<hr/>
	8,519,220	1,324,447
Capital assets		
Technology rights and licenses	427,606	259,052
	-	79,069
	<hr/>	<hr/>
	\$ 8,946,826	\$ 1,662,568
Liabilities and Shareholders' Equity		
Current liabilities:		
Deferred revenue	140,767	-
Obligation under capital lease	15,943	-
	<hr/>	<hr/>
	719,195	699,856
Obligation under capital lease	3,986	-
Shareholders' equity:		
Share capital	14,386,890	9,390,772
Special warrants	5,481,636	-
Deficit	(11,644,881)	(8,428,060)
	<hr/>	<hr/>
	8,223,644	962,712
	<hr/>	<hr/>
	\$ 8,946,826	\$ 1,662,568

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INTRINSYC SOFTWARE, INC.
Statement of Operations and Deficit
Un-audited (Prepared by Management)

	Three months ended		Nine months ended	
	31-May-00	31-May-99	31-May-00	31-May-99
Revenues	\$ 1,011,672	\$ 806,182	\$ 1,845,478	\$ 1,406,882
Expenses:				
Administration	527,075	346,318	1,430,783	793,682
Marketing and sales	647,134	341,103	1,571,615	649,512
Research and development	571,151	550,011	1,418,121	1,289,621
Costs relating to the failed merger with Annabooks Software,LLC	-	-	-	82,855
	<u>1,745,360</u>	<u>1,237,432</u>	<u>4,420,519</u>	<u>2,815,670</u>
Net loss	\$ (733,688)	\$ (431,250)	\$ (2,575,041)	\$ (1,408,788)
Deficit, beginning of the period	(10,911,193)	(7,996,810)	(9,069,840)	(7,019,272)
Deficit, end of the period	<u>\$ (11,644,881)</u>	<u>(8,428,060)</u>	<u>\$ (11,644,881)</u>	<u>\$ (8,428,060)</u>
Loss per share	\$ (0.03)	\$ (0.02)	\$ (0.11)	\$ (0.07)

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INTRINSYC SOFTWARE, INC.
 Statement of Cash Flows
 Un-audited (Prepared by Management)

	Three months ended		Nine months ended	
	31-May-00	31-May-99	31-May-00	31-May-99
Cash provided by (used in):				
Cash flows from operating activities:				
Net loss	\$ (733,688)	\$ (431,250)	\$ (2,575,041)	\$ (1,408,788)
Items not involving cash:				
Depreciation and amortization	28,867	65,560	79,292	189,592
Expenses settled with the issuance of common shares:				
For services rendered	-	146,619	294,711	453,329
For compensation expense	-	-	46,238	-
Changes in non-cash operating working capital	(137,883)	(91,278)	112,739	(496,745)
	(842,704)	(310,349)	(2,042,061)	(1,262,612)
Cash flows from financing activities:				
Proceeds from the issuance of share capital:				
Issuance of common stock:				
Private placements	-	-	900,000	750,000
Options	1,171,137	119,771	1,995,186	142,470
Warrants	323,127	3,850	1,346,368	3,850
Proceeds from the issuance of special warrants	(41,106)	-	2,724,137	-
Repayment of obligation under capital lease	(3,986)	-	(11,957)	-
	1,449,172	123,621	6,953,734	896,320
Cash flows from investing activities:				
Purchase of capital assets	(95,923)	(76,835)	(169,490)	(90,099)
Increase (decrease) in cash	510,545	(263,563)	4,742,183	(456,391)
Cash, beginning of the period	4,433,418	641,791	201,780	834,619
Cash, end of the period	\$4,943,963	\$ 378,228	\$ 4,943,963	\$ 378,228
Supplementary information:				
Interest paid	\$ 2,589	\$ 281	\$ 4,824	\$ 1,979
Income taxes paid	-	-	-	-
Supplementary disclosure of non-cash financing and investing activities:				
Stock issued for services	\$ -	\$ 146,619	\$ 294,711	\$ 453,329
Stock issued for compensation	-	-	46,238	-
Acquisition of capital asset by capital lease	-	-	31,886	-

-END-

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