

Interim Management's Discussion and Analysis of Q1 2001 Results

Nature of business

The Company, via Intasys Billing Technologies, is a global provider of wireless, Internet compatible billing and customer information systems. Intasys Corporation also provides strategic investment capital and management assistance to companies in the new media and telecommunications sectors.

In this discussion and analysis, all figures are in US dollars unless otherwise stated.

Overview

The Company is beginning to see progress despite the uncertain economic outlook and market volatility. Overall revenue is increasing while operating expenses are being reduced by aggressive cost cutting measures which reflect in improvements in the bottom line.

Highlights of Results

Revenue for the first quarter ending March 31, 2001 increased to \$3,325,181 compared with \$2,926,068 for the same period last year. The Company's technology investment sector contributed total revenue of \$1,460,208 compared with \$1,850,242 for the same period last year, a decrease of 27%. Revenue from the billing segment, recently renamed Intasys Billing Technologies, increased to \$1,864,973 compared with \$1,075,826 for the same period last year, an increase of 73%.

Intasys reported a loss before amortization of goodwill of \$1,174,299 for first quarter 2001 (\$0.04 per share) compared with \$2,464,646 (\$0.09 per share) for the same period last year. This loss includes two items totalling \$762,713, and is comprised of an unrealized loss on marketable securities of \$405,704, representing the required adjustment to bring down the value of marketable securities to the lower of cost and market value, as well as a share of loss of \$357,009 for companies subject to significant influence. Neither of these two items existed for the same period last year. Aggressive cost cutting throughout the Company and its operating subsidiaries generated positive results. Total operating expenses for the first quarter 2001 were at \$3,889,974 compared with \$5,994,526 for the same period last year, representing a 35% overall reduction. The technology investment segment decreased its operating expenses by \$2,121,412 by reductions in marketing and promotion expenses of approximately \$1,550,000, reductions of general expenses in Mamma.com Inc. of \$150,000 and by a general cost reduction of the parent company of \$422,000. Operating expenses of the billing segment were comparable with same period last year.

The net loss for first quarter 2001 was \$3,056,163 (\$0.11 per share) compared with a \$4,346,509 (\$0.17 per share) net loss in first quarter 2000. The amortization of goodwill is entirely related to the Company's acquisition of Mamma.com Inc. The goodwill will be totally amortized by the end of 2001.

Assets and Liabilities

Cash and cash equivalents held by the Company were invested in premium investment accounts, money market funds and short-term deposits. By the end of the first quarter 2001, cash and cash equivalents were reduced by \$53,912.

Marketable securities consisted of common shares of interWAVE Communications International Ltd. During the first quarter 2001, the Company sold 355,740 common shares, which generated a realized gain of \$42,341. As at March 31, 2001, the Company held 1,014,260 common shares, which were carried at the lower of the cost and market value. Consequently, the Company recorded an unrealized loss on marketable securities of \$405,704 on these outstanding common shares as mentioned in the previous section.

Accounts receivable decreased by \$843,744 during the first quarter due to a reduction of revenue activity of Mamma.com Inc. and an aggressive collection program from Intasys Billing Technologies.

The Company acquired 130,536 preferred shares of LTRIM Technologies Inc. for a cash consideration of approximately \$377,000 and recorded a loss of \$357,009 representing Intasys' share of first quarter 2001 for companies subject to significant influence.

Liquidity and Capital Resources

As reported, as at March 31st, 2001, Intasys Corporation held \$3,721,294 in cash and cash equivalents and marketable securities of \$1,178,571, with no long-term debt. Shareholders equity was at approximately \$13.5 million representing a book value of \$0.50 per share.

Risk Factors

The Company operates internationally and is exposed to market risks, principally from changes in foreign currency rates. The Company does not hold any financial instruments that mitigate this risk.

The Interim Financial Statements includes a going concern note (note 1) comparable with Audited Financial Statements as of December 31, 2000. The note states that, as of March 31, 2001, there still was significant doubt that the Company would be able to continue as a going concern. Management has undertaken to significantly reduce costs through a series of actions including, but not limited to, lowering headcount, reducing operation costs and considering other financing alternatives for its operations. Although there is no assurance that the Company will be successful in these actions, management expects that it will be able to secure the necessary financing and improvement in operations cash flow to enable it to continue as a going concern.

Subsequent events

Subsequent to receipt of a Staff Determination Letter from The Nasdaq Stock Market Inc., the Company appealed the Staff Determination Letter and, on April 19th, 2001, requested an oral hearing before The Nasdaq Listing Qualifications Panel ("Panel"). This hearing is scheduled for June 7th, 2001. At this time, the Company remains in compliance with all of The Nasdaq's continued listing requirements except for the minimum bid price requirement. The Company will not be notified until the Panel makes a formal decision on or after June 7, 2001. Until then, the Company's shares will continue to trade on The Nasdaq Small Cap Market.

On May 7th, 2001, ESP Media Inc., one of the Company's investments, ceased its operations and made a voluntary assignment of its assets into bankruptcy. Intasys had subscribed to shares of ESP Media for a total of \$2,200,000 (Canadian funds). As at December 31, 2000, the date of the Company's audited financial statements, through equity accounting and a write down, the carrying value in ESP Media was reduced to zero. Therefore ESP Media has no impact on the Company's present and future financial results.

Intasys Corporation

Interim Consolidated Balance Sheets

(expressed in U.S. dollars)

	March 31,	December 31,
	2001	2000
	\$	\$
Assets	(Unaudited)	(Audited)
Current assets		
Cash and cash equivalents	3,721,294	3,775,206
Marketable securities	1,178,571	2,139,940
Accounts receivable	3,333,748	4,177,492
Work in progress	191,138	178,502
Prepaid expenses and other assets	1,022,602	941,007
	9,447,353	11,212,147
Investments	4,614,194	4,585,774
Capital assets	1,610,258	1,644,983
Goodwill	4,318,136	6,200,000
	19,989,941	23,642,904
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	3,212,257	3,356,958
Reserve for restructuring	469,886	584,731
Deferred revenue	1,179,569	1,258,218
Income taxes payable	101,149	113,484
	4,962,861	5,313,391
Non-controlling interest	1,483,667	1,528,942
	6,446,528	6,842,333
Shareholders' equity		
Capital stock		
Authorized		
Unlimited Class "A" subordinate voting shares		
50,000 Class "B" shares Unlimited common shares		
Issued and outstanding - 27,179,599 common shares	63,502,772	63,502,772
Additional paid-in capital	2,180,976	2,180,976
Cumulative translation adjustment	(371,299)	(170,304)
Deficit	(51,769,036)	(48,712,873)
	13,543,413	16,800,571
	19,989,941	23,642,904

The accompanying notes are an integral part of these consolidated financial statements.

Intasys Corporation
Interim Consolidated Statements of Operations

(Unaudited)

(expressed in US dollars)

For the three months ended March, 31

	2001	2000
	\$	\$
Revenue	3,325,181	2,926,068
Expenses		
Cost of goods sold, selling and administrative	3,271,326	5,366,198
Net research and development	458,746	291,681
Amortization of capital assets	159,902	336,647
	3,889,974	5,994,526
Interest expense	(3,375)	(4,647)
Interest revenue	72,176	235,667
Non-controlling interest	42,065	372,792
Share of results of companies subject to significant influence	(357,009)	-
Realized gain on marketable securities	42,341	-
Unrealized (loss) on marketable securities	(405,704)	-
	(609,506)	603,812
Loss for the period before amortization of goodwill and income taxes	(1,174,299)	(2,464,646)
Amortization of goodwill	1,881,864	1,881,863
Loss for the period before income taxes	(3,056,163)	(4,346,509)
Provision for current income taxes	-	-
Net loss for the period	(3,056,163)	(4,346,509)
Loss per share		
Basic and fully diluted loss per share before amortization of goodwill	(0.04)	(0.09)
Basic and fully diluted loss per share	(0.11)	(0.17)
Weighted average number of		
Shares outstanding	27,179,599	26,152,929

The accompanying notes are an integral part of these consolidated financial statements.

Intasys Corporation

Interim Consolidated Statements of Cash Flows

(Unaudited)

(expressed in US dollars)

For the three months ended March, 31

	2001	2000
	\$	\$
Cash flows provided by (used in) operating activities		
Net earnings (loss) for the period	(3,056,163)	(4,346,509)
Adjustments for:		
Amortization	2,041,766	2,218,510
Gain on disposal of marketable securities	(42,341)	-
Non controlling interest	(42,065)	(372,792)
Imputed interest and management fees in investments	(8,368)	-
Share of results of companies subject to significant influence	357,009	-
Unrealized loss on marketable securities	405,704	-
Decrease (increase) in assets		
Marketable securities	598,006	-
Accounts receivable	756,885	(641,415)
Work in progress	(12,636)	(127,085)
Prepaid expenses and other assets	(91,853)	1,300,144
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	(85,611)	(112,816)
Income tax payable	(12,335)	-
Deferred revenue	(78,649)	303,709
Reserve for restructuring	(114,845)	(197,372)
	614,504	(1,975,626)
Investing activities		
Investments	(377,061)	(717,208)
Issuance of notes receivable	-	(2,055,365)
Purchase of capital assets	(125,177)	(323,506)
	(502,238)	(3,096,079)
Financing activities		
Issuance (redemption) of equity of a subsidiary	(3,210)	2,525
Issuance of capital stock	-	8,293,849
	(3,210)	8,296,374
Effect of foreign exchange rate changes on cash and cash equivalents	(162,968)	-
Change in cash and cash equivalents	(53,912)	3,224,669
Cash and cash equivalents - Beginning period	3,775,206	11,123,554
Cash and cash equivalents - End of period	3,721,294	14,348,223
Cash and cash equivalents comprise:		
Cash	2,755,065	1,541,100
Short term deposits	966,229	12,807,123
Supplemental disclosure of cash flow information		
- Cash paid for interest	3,375	11,792
- Cash paid for income taxes		

The accompanying notes are an integral part of these consolidated financial statements.

Intasys Corporation
Interim Consolidated Statements of Shareholders' Equity

(Unaudited)
(expressed in US dollars)

	Common Shares #	Common Shares \$	Paid-in Capital \$	Equity Component \$	Cumulative translation \$	Deficit \$
Balance, December 31, 2000	27,179,599	63,502,772	2,180,976	-	(170,304)	(48,712,873)
Translation adjustment for the period	-	-	-	-	(200,995)	-
Loss for the period	-	-	-	-	-	(3,056,163)
Balance, March 31, 2001	27,179,599	63,502,772	2,180,976	-	(371,299)	(51,769,036)

The accompanying notes are an integral part of these consolidated financial statements.

Intasys Corporation- **Notes to Interim Consolidated Financial Statements**

(Unaudited)
(expressed in US dollars)

1 Going concern

The accompanying financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern. The use of such principles may not be appropriate because, as of March 31, 2001, there was significant doubt that the Company would be able to continue as a going concern.

For the period ended March 31, 2001, the Company had a loss of \$3,056,163, working capital of 4,484,492 and an accumulated deficit of \$51,769,036. In addition, the Company is committed to invest \$211,533 into LTRIM, one of its investments by the end of May 2001.

Management has undertaken to significantly reduce costs through a series of actions including, but not limited to, lowering headcount, reducing operation costs and considering other financing alternatives for its operations.

Although there is no assurance that the Company will be successful in these actions, management is confident that it will be able to secure the necessary financing and improvement in operating cash flow to enable it to continue as a going concern. Accordingly, these financial statements do not reflect adjustments to the carrying value of assets and liabilities, the reported revenue and expenses and balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

2 Nature of the Business

The Company, via Intasys Billing Technologies, is a global provider of wireless, Internet compatible billing and customer information systems with customers located mainly in the United States, Canada, the United Kingdom, Australia, the Middle East and South East Asia.

The Company is also a strategic technology entity investing in the new media and telecommunications sectors. Existing investments are located in the United States and Canada.

3 Significant accounting policies

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its controlled subsidiaries.

b) Goodwill

Goodwill is stated at cost less accumulated amortization, which is calculated on a straight-line basis over the estimated useful life. In 1999, the Company acquired Mamma.com Inc., which resulted in recording a \$22,582,366 goodwill. In 2000, the management reassessed the

carrying value of goodwill at the estimated net recoverable amount of \$6,200,000 with a remaining estimated useful life of one year.

The estimated net recoverable amount will be fully amortized by the end of 2001.

c) Earnings per share

During the first quarter of fiscal 2001, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to the calculation of earnings per share. These new recommendations do not result in any changes to the way in which basic net earnings per share is calculated. However, the new recommendations do affect the calculation of diluted net earnings per share.

Diluted net earnings per share is now calculated based on the weighted average number of common shares outstanding during the period, plus the effects of dilutive potential common shares, such as options and warrants, outstanding during the period. This method requires that diluted net earnings per share be calculated using the treasury stock method, as if all dilutive potential common shares had been exercised at the later of the beginning of the reporting period or date of issuance, and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of the common shares during the period.

This change, which has been applied retroactively, did not result in any change in diluted net earnings per share for the three months ended March 31, 2000.

4 Marketable securities

Marketable securities are carried at the lower of cost and market value.

5 Investments

During the quarter, the Company acquired 130,536 preferred shares of LTRIM Technologies Inc. for a cash consideration of US \$.377 million representing an additional 8.5% of LTRIM.

6 Interim financial information

The financial information as at March 31, 2000 and 2001 and for the three months ended March 31, 2000 and 2001 is unaudited. In the opinion of management, all adjustments necessary to present fairly the results of these periods have been included. The adjustments made were of a normal-recurring nature. The results of operations for the three months ended March 31, 2001 are not necessarily indicative of the operating results anticipated for the full year.

The disclosures in these interim financial statements do not conform in all respects to the requirements of generally accepted accounting principles for annual financial statements; therefore, these interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2000. These interim financial statements follow the same accounting policies and methods of their application as the annual financial statements for the year ended December 31, 2000, except for the change in accounting policy with respect to earnings per share, as described in note 3.

7 Segment Information

The Company has two reportable segments: billing systems and investment management (which includes Mamma.com Inc. and the other strategic technology entities). The Company evaluates operating segment performance based on operating revenue from external customers, operating income (loss) before amortization and interest, and identifiable long-lived assets.

A reconciliation of the totals reported for the operating segments to the applicable line items in the consolidated financial statements for the period ended March 31, 2001 and 2000 is as follows:

	2001			2000		
	Investment management	Billing systems	Total	Investment management	Billing systems	Total
Revenue	1,460,208	1,864,973	3,325,181	1,850,242	1,075,826	2,926,068
Cost of goods sold, selling and administrative	1,592,500	1,678,826	3,271,326	3,601,072	1,765,126	5,366,198
Net research and development	229,837	228,909	458,746	139,078	152,603	291,681
Amortization of capital assets	62,470	97,432	159,902	266,069	70,578	336,647
	1,884,807	2,005,167	3,889,974	4,006,219	1,988,307	5,994,526
Interest expense	(1,408)	(1,967)	(3,375)	-	(4,647)	(4,647)
Interest revenue	65,942	6,234	72,176	225,792	9,875	235,667
Non-controlling interest	42,065	-	42,065	372,792	-	372,792
Share of results of companies subject to significant influence	(357,009)	-	(357,009)	-	-	-
Realized gain on marketable securities	42,341	-	42,341	-	-	-
Unrealized (loss) on marketable securities	(405,704)	-	(405,704)	-	-	-
	(613,773)	4,267	(609,506)	598,584	5,228	603,812
Loss for the period before amortization of goodwill and income taxes	(1,038,372)	(135,927)	(1,174,299)	(1,557,393)	(907,253)	(2,464,646)
Amortization of goodwill	1,881,864	-	1,881,864	1,881,863	-	1,881,863
Loss for the period before income taxes	(2,920,236)	(135,927)	(3,056,163)	(3,439,256)	(907,253)	(4,346,509)
Provision for current income taxes	-	-	-	-	-	-
loss for the year	(2,920,236)	(135,927)	(3,056,163)	(3,439,256)	(907,253)	(4,346,509)
<i>- Investments</i>						
Canada	4,614,194	-	4,614,194	4,585,774	-	4,585,774
United States	-	-	-	-	-	-
Europe	-	-	-	-	-	-
Australia	-	-	-	-	-	-
	4,614,194	-	4,614,194	4,585,774	-	4,585,774
<i>- Capital assets</i>						
Canada	783,503	90,039	873,542	797,992	93,253	891,245
United States	-	823	823	-	868	868
Europe	-	332,604	332,604	-	350,688	350,688
Australia	-	403,289	403,289	-	402,182	402,182
	783,503	826,755	1,610,258	797,992	846,991	1,644,983
<i>- Goodwill</i>						
Canada	4,318,136	-	4,318,136	6,200,000	-	6,200,000
United States	-	-	-	-	-	-
Europe	-	-	-	-	-	-
Australia	-	-	-	-	-	-
	4,318,136	-	4,318,136	6,200,000	-	6,200,000
Revenue:						
Canada	1,460,208	79,214	1,539,422	1,850,242	67,534	1,917,776
United States	-	-	-	-	-	-
Europe	-	1,107,776	1,107,776	-	577,962	577,962
Australia	-	677,983	677,983	-	430,330	430,330
	1,460,208	1,864,973	3,325,181	1,850,242	1,075,826	2,926,068
Major customers:						
Canada	-	1	1	-	-	-
United States	-	-	-	-	-	-
Europe	-	-	-	-	-	-
Australia	-	1	1	-	-	-
	-	2	2	-	-	-