



THE VALUE OF INNOVATION

First Quarter Interim Report—Quarter Ended July 31, 2010



MOSAID Technologies Incorporated

MOSAID Reports Results for First Quarter Fiscal 2011 and Dividend

Quarterly dividend of \$0.25 per share payable on October 8, 2010

OTTAWA, Ontario – August 26, 2010 – MOSAID Technologies Incorporated (TSX:MSD) today announced financial results for the first quarter of fiscal 2011, ended July 31, 2010.

Q1 Fiscal 2011 Results

- Q1 revenues of \$18.5 million, up 14% from \$16.2 million in Q1 fiscal 2010
- Q1 pro forma net income of \$8.6 million, up 29% from \$6.6 million in Q1 fiscal 2010. Pro forma diluted EPS of \$0.73, based on 11.84 million diluted shares, compared to \$0.65 per diluted share in Q1 fiscal 2010, based on 10.25 million diluted shares
- Q1 GAAP net income of \$5.2 million, compared to \$6.4 million in Q1 fiscal 2010. GAAP diluted EPS of \$0.44, compared to \$0.63 per diluted share in Q1 fiscal 2010

“MOSAID delivered a very strong first quarter to begin the new fiscal year,” said John Lindgren, President and CEO. “Revenue growth was healthy and met our expectations. Pro forma net income growth was better than we anticipated, aided partially by lower expenses. During a period of economic uncertainty, our business is robust. Looking ahead, we are on track to meet our targets for fiscal 2011.”

“Operationally, the early renewal of our patent license agreement with Nanya Technology – for a term that is two years longer than the current agreement – testifies to the strength of MOSAID’s semiconductor patent portfolio. We also introduced a prototype Solid State Drive that uses our innovative HLNAND™ interface technology to achieve significantly improved performance. MOSAID’s commitment to R&D is also generating a continuous flow of new patent applications.”

MOSAID had cash and marketable securities of \$103.6 million at the end of the first quarter of fiscal 2011, compared to \$100.8 million at the end of the fourth quarter of fiscal 2010. In Q1 fiscal 2011, MOSAID returned \$2.9 million to shareholders in quarterly dividend payments.

On August 26, 2010, MOSAID declared a quarterly dividend of \$0.25 per share. The dividend, which is an eligible dividend, is payable on October 8, 2010 to shareholders of record as of September 24, 2010.

A reconciliation of pro forma net income to Canadian generally accepted accounting principles (GAAP) net income is included in the pro forma financial statements accompanying this press release.

First Quarter Operational Highlights

Semiconductor memory patent licensing: MOSAID signed a seven-year royalty bearing patent portfolio license agreement with Nanya Technology Corporation of Taiwan. Nanya's new agreement begins on October 1, 2010, following the expiration of its current five-year agreement on September 30, 2010. The new agreement grants Nanya a license under MOSAID's patents for all Dynamic Random Access Memory (DRAM) products sold worldwide under Nanya's brand name. MOSAID has licensed virtually 100% of the companies that make commodity DRAM chips to its semiconductor memory patents. Since 2007, MOSAID has had four opportunities to sign existing term licensees to new licenses: the Company has successfully signed new deals each time.

Innovation: MOSAID introduced a Solid State Drive (SSD) prototype that uses the Company's HyperLink NAND (HLNAND™) Flash architecture and interface. The HLNAND™ SSD, designed by MOSAID and its development partner INDILINX of Korea, demonstrates sustained per-channel input/output bandwidths an order of magnitude higher than SSD based on conventional NAND Flash interfaces. MOSAID inventors have filed 375 Flash patent applications, with 19 now issued as United States patents.

HLNAND™ license: MOSAID granted Scanimetrix Inc. of Alberta, a royalty bearing license to develop, manufacture and market MOSAID's HLNAND™ Flash memory chip and module, alone or designed into Scanimetrix' products.

Patent portfolio development: MOSAID had 2,050 patents and applications at the end of Q1 fiscal 2011, up 15% from 1,788 patents and applications one year ago. In late fiscal 2010, MOSAID purchased from Samsung Electronics Co. a large number of semiconductor patents, which will be added to MOSAID's portfolio when the selection process is completed.

Litigation update: MOSAID served LSI Corporation and Agere Systems, Inc. with a breach of contract complaint. The suit was originally filed on March 9, 2010 in the United States District Court for the District of Delaware, but only served on June 10, 2010.

Subsequent to the quarter-end, Cisco Systems Inc. on August 23, 2010, filed and served MOSAID with a Complaint for Declaratory Judgment in the United States District Court for the District of Delaware. In its complaint, Cisco is seeking a declaration of non-infringement and invalidity with respect to nine U.S. patents and one patent application owned by MOSAID, and which relate generally to Power-over-Ethernet technology.

Q2 and Fiscal 2011 Guidance

Management offers the following guidance for the second quarter of fiscal 2011:

- Q2 revenues of \$18.5 million to \$20.0 million
- Q2 pro forma net income of \$7.0 million to \$7.5 million, or \$0.59 to \$0.63 per diluted share, based on 11.9 million diluted shares

The Company is maintaining its previously announced guidance for fiscal 2011:

- Fiscal 2011 revenues in the range of \$77.0 million to \$80.0 million
- Fiscal 2011 pro forma net income of \$27.8 million to \$29.3 million, or \$2.33 to \$2.45 per diluted share, based on 11.95 million diluted shares

MOSAID's revenues result primarily from intellectual property agreements, which by their nature may actually close on dates other than those projected. MOSAID's priority and focus is on

obtaining the best terms possible under its agreements, rather than on the particular timing of agreement closure. MOSAID's revenues depend upon, among other items, the continued ability of its licensees to pay amounts as they become due. The Company takes steps, including monitoring the creditworthiness of its licensees, in order to manage this risk.

Conference Call and Webcast

*Management will hold a conference call and webcast on **Thursday, August 26, 2010 at 5:00 p.m. ET**. The webcast will be live at www.mosaid.com and may also be accessed by dialing 1-800-272-0419. The webcast will be available on mosaid.com for 90 days following the event.*

About MOSAID

MOSAID Technologies Inc. is one of the world's leading intellectual property companies. MOSAID licenses patented intellectual property in the areas of semiconductors and telecommunications systems and develops semiconductor memory technology. MOSAID counts many of the world's largest technology companies among its licensees. Founded in 1975, MOSAID is based in Ottawa, Ontario, Canada. Please visit www.mosaid.com and InvestorChannel.mosaid.com for more information.

Pro forma net income, a non-GAAP measure, is GAAP net income adjusted for stock-based compensation, patent amortization and imputed interest, foreign exchange gains and losses on "Other long-term liabilities," and any other non-recurring items. The Company uses pro forma measures internally to evaluate and manage operating performance, and to forecast and plan. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers.

Forward Looking Information

This document and certain other public documents incorporated by reference in this document, contain forward-looking statements to the extent they relate to MOSAID or its management, including those identified by the expressions "anticipate," "believe," "could," "estimate," "expect," "foresee," "intend," "may," "plan," "will," "would" and similar expressions. Similarly, statements in this document that describe MOSAID's business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. These forward-looking statements are not historical facts, but rather reflect MOSAID's current expectations regarding future events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results, performance or achievements to differ materially from those in such forward-looking statements. Assumptions made in preparing forward-looking statements and financial guidance include, but are not limited to, the following: MOSAID's continued expansion of its patent portfolio and of its opportunities for future patent licensing revenue as a result of MOSAID's acquisition of patents from third parties and from development of new inventions; semiconductor and telecommunications product vendors continuing to infringe MOSAID's patents; the timing and amount of MOSAID's litigation expenses; MOSAID's ability to sign new patent licensees; current assumptions as to the identification of products that are unlicensed to MOSAID's wireless patents; and the timing and amount of MOSAID's Research & Development expenses.

Factors that could cause actual results to differ materially from expected results include, but are not limited to, the following: MOSAID's ability to negotiate settlements with licensees; legal rulings and/or regulatory investigations, audits or complaints having an adverse impact on the validity, enforceability, royalty rates, potential royalty rates, and strength or breadth of coverage of MOSAID's essential and/or nonessential patents (including, but not limited to, adverse results from litigation or proceedings in patent offices and government regulatory agencies in various countries around the world); judicial, legislative or regulatory changes that impair the ability of patent holders to earn licensing revenues; worldwide economic conditions and demand for technology products; economic, social, and political conditions both globally and in the countries in which MOSAID or patent licensees operate, including conflict, war and, other security risks, health conditions, possible disruptions in transportation networks and fluctuations in foreign currency exchange rates; non-payment or delays in payment by or insolvency of licensees or other debtors; variability in patent licensees' sales of licensed products; failure to maintain and enforce MOSAID's existing patent portfolio, or failure to obtain valuable patents as a result of R&D activities, or failure to acquire valuable patents from third parties; MOSAID's ability to recruit and retain skilled personnel; change in MOSAID's financial position; consolidation of MOSAID's licensees; natural events, such as severe weather and earthquakes in the locations in which MOSAID or patent licensees operate; and changes in the tax rate applicable to MOSAID as the result of changes in the tax law in the jurisdictions in which profits are determined to be earned and taxed, the outcome of tax audits and the ability to realize deferred tax assets.

Except as may be required by applicable law or stock exchange regulation, we undertake no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. Accordingly, readers should not place undue reliance on forward-looking statements. If we do update one or more forward-looking statements, no inference should be drawn that additional updates will be made with respect to those or other forward-looking statements. Additional information identifying risks and uncertainties affecting MOSAID's business and other factors that could cause MOSAID's financial results to fluctuate are contained in MOSAID's Annual Information Form, under the section entitled "Risk Factors," and in MOSAID's other public filings available online at www.sedar.com.

Investor and Media Inquiries

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FINANCIAL STATEMENTS AND NOTES TO FOLLOW

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

This discussion and analysis is dated August 25, 2010. It should be read in conjunction with the unaudited Consolidated Financial Statements of MOSAID Technologies Incorporated ("MOSAID" or "the Company") for the quarter ended July 31, 2010. It should also be read in conjunction with the audited Consolidated Financial Statements and notes thereto for MOSAID for the year ended April 30, 2010, as well as with Management's Discussion and Analysis (MD&A) included in the Company's most recent Annual Report for the fiscal year ended April 30, 2010. Unless otherwise stated, all amounts are in Canadian dollars.

Management is responsible for establishing appropriate information systems, procedures and controls to ensure that all financial information disclosed externally, including this MD&A, and used internally by management, is complete and reliable. These procedures include the review and approval of the financial statements and associated information, including this MD&A, first by the Disclosure Committee, a committee of the management team, the Audit Committee of the Board of Directors and, subsequently, by the Board.

Forward-looking Information Statements in MD&A

This document and certain other public documents incorporated by reference in this document contain forward-looking statements to the extent they relate to MOSAID or its management, including those identified by the expressions "anticipate," "believe," "could," "estimate," "expect," "foresee," "intend," "may," "plan," "will," "would" and similar expressions. Similarly, statements in this document that describe MOSAID's business strategy, outlook, objectives, plans, intentions or goals are also forward-looking statements. These forward-looking statements are not historical facts, but rather reflect MOSAID's current expectations regarding future events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results, performance or achievements to differ materially from current expectations. Assumptions made in preparing forward-looking statements and financial guidance include, but are not limited to, the following:

- MOSAID's continued expansion of its patent portfolio and of its opportunities for future patent licensing revenue as a result of MOSAID's acquisition of patents from third parties and from development of new inventions;
- semiconductor and telecommunications product vendors continuing to infringe MOSAID's patents;
- the timing and amount of MOSAID's litigation expenses;
- MOSAID's ability to sign new licensees;
- foreign exchange rates;
- current assumptions as to the identification of products that are unlicensed to MOSAID's patents; and
- the timing and amount of MOSAID's research and development (R&D) expenses.

Factors that could cause actual results to differ materially from expected results include, but are not limited to, the following:

- MOSAID's ability to negotiate settlements with licensees;
- legal rulings and/or regulatory investigations, audits or complaints having an adverse impact on the validity, enforceability, royalty rates, potential royalty rates, and strength or breadth of coverage of MOSAID's essential and/or nonessential patents (including, but not limited to, adverse results from litigation or proceedings in patent offices and government regulatory agencies in various countries around the world);
- judicial, legislative or regulatory changes that impair the ability of patent holders to earn licensing revenues;
- worldwide economic conditions and demand for technology products;

- economic, social, and political conditions both globally and in the countries in which MOSAID or patent licensees operate, including conflict, war and, other security risks, health conditions, possible disruptions in transportation networks and fluctuations in foreign currency exchange rates;
- non-payment or delays in payment by or insolvency of licensees or other debtors;
- variability in patent licensees' sales of licensed products;
- failure to maintain and enforce MOSAID's existing patent portfolio, or failure to obtain valuable patents as a result of R&D activities, or failure to acquire valuable patents from third parties;
- MOSAID's ability to recruit and retain skilled personnel;
- change in MOSAID's financial position;
- consolidation of MOSAID's licensees;
- natural events, such as severe weather and earthquakes in the locations in which MOSAID or patent licensees operate; and
- changes in the tax rate applicable to MOSAID as the result of changes in the tax law in the jurisdictions in which profits are determined to be earned and taxed, the outcome of tax audits and the ability to realize deferred tax assets.

In this current volatile and uncertain economic environment, the Company has maintained or instituted practices to assist it in mitigating financial risk. These practices include, but are not limited to, the following:

The Company licenses its patents worldwide, providing geographic diversification for its revenue sources.

The Company has added patent portfolios that address more segments in the semiconductor and telecommunications industries. The addition of these portfolios has provided the Company with a many-fold increase in potential licensees operating in multi-billion dollar markets.

The Company utilizes a variety of payment structures in its licensing activities. Fixed payment term agreements provide the Company with a relatively predictable base of regular cash flows, while running royalty agreements allow for upside revenue potential as market conditions improve. As well, on occasion, the Company will utilize a single payment model.

The Company typically utilizes term-based multi-year arrangements, which provide the Company with known licensing terms and conditions for the duration of its agreements, as well as an opportunity to adjust these terms and conditions as agreements expire and come due for renewal.

While many of the Company's existing and potential licensees are large multinational companies, the Company, nevertheless, monitors their financial position and operational results both prior to and during the term of the licensing agreements.

The Company utilizes credit insurance to protect certain of its assets when deemed appropriate by the Company and when available.

Due to the long-term nature of many of the Company's licensing arrangements, in certain circumstances, the Company may not be able to obtain, at reasonable cost, credit insurance or other forms of credit risk mitigation instruments. A default of the remaining payments by one of the Company's major licensees could have a materially adverse impact on the Company's future revenues, earnings, cash flow and financial position.

The Company cautiously invests its surplus cash with the primary objective of protecting the capital. The Company does not invest in asset-based commercial paper and only invests in highly rated investment grade securities with maturities of 12 months or less, in order to reduce credit and interest rate risk.

When the Company acquires large dollar assets, primarily acquired intangibles, it often attempts to negotiate payment terms spanning several years in order to better match the assets' expected cash inflows with the payments.

In some instances, the Company will not acquire the actual ownership of the intangible asset but will acquire most of the benefits of ownership through an exclusive licensing arrangement. These types of arrangements require relatively little cash outflow by the Company at the time of entering the arrangement. Further, the cost of sharing revenues with the owner of the patents occurs only at the time of monetization by the Company. This allows the Company to better match the inflows and outflows and reduces the Company's need for financing.

As many of the Company's revenues and expenses are denominated in currencies other than its reporting currency, for both economic and reporting purposes, the Company utilizes forward exchange contracts with highly credit worthy counter-parties, to help mitigate its foreign exchange risk. The Company does not use such instruments for speculative purposes.

Management believes the Company is sufficiently capitalized and that, if required, could obtain access to additional financing.

Except as may be required by applicable law or stock exchange regulation, the Company undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. Accordingly, readers should not place undue reliance on forward-looking statements. If the Company updates one or more forward-looking statements, no inference should be drawn that additional updates will be made with respect to those or other forward-looking statements. Additional information identifying risks and uncertainties affecting MOSAID's business and other factors that could cause MOSAID's financial results to fluctuate are contained in MOSAID's Annual Information Form, under the section entitled "Risk Factors," and in MOSAID's other public filings available online at www.sedar.com.

Pro forma net income, which is not a generally accepted accounting principle (GAAP) measure, is GAAP net income adjusted for stock-based compensation, patent amortization and imputed interest, foreign exchange gains and losses on "other long-term liabilities," and non-recurring items as reconciled below. The Company uses pro forma measures internally to evaluate and manage operating performance as well as to forecast and plan. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers.

It should also be noted that the Certification by MOSAID's CEO and CFO of Interim Filings, as prescribed by Form 52-109F2, is required in conjunction with the reporting of these interim results and is filed accordingly with SEDAR.

Results of Operations

The following table shows the Company's GAAP consolidated statements of income for the fiscal quarters indicated.

(Dollar amounts in thousands) (Unaudited)	Quarter ended July 31, 2010 \$	Quarter ended July 31, 2009 \$
Revenue	18,488	16,223
Operating Expenses		
Patent portfolio management	2,186	1,711
Patent licensing and litigation	2,553	1,944
Research and development	536	811
General and administration	1,348	1,549
Foreign exchange loss (gain)	544	(2,469)
Stock-based compensation	398	238
Patent amortization and imputed interest	4,126	3,868
	11,691	7,652
Income from operations	6,797	8,571
Interest income	342	119
Income before income tax expense and discontinued operations	7,139	8,690
Income tax expense	1,997	2,472
Income before discontinued operations	5,142	6,218
Discontinued operations income (net of tax)	66	236
Net income	5,208	6,454
Dividends	2,943	2,561
Retained earnings, beginning of period	22,702	11,607
Retained earnings, end of period	24,967	15,500
Earnings per share		
Basic – before discontinued operations	\$0.44	\$0.61
Diluted – before discontinued operations	\$0.43	\$0.61
Basic – net earnings	\$0.44	\$0.63
Diluted – net earnings	\$0.44	\$0.63
Weighted average number of shares		
Basic	11,767,954	10,215,130
Diluted	11,840,308	10,249,535

The following table shows the percentage of revenues represented by certain items in the Company's GAAP consolidated statement of income for the fiscal quarters indicated.

	Quarter ended July 31, 2010	Quarter ended July 31, 2009
	%	%
Revenues	100	100
Expenses		
Patent portfolio management	12	11
Patent licensing and litigation	14	12
Research and development	3	5
General and administration	7	9
Foreign exchange loss (gain)	3	(15)
Stock-based compensation	2	1
Patent amortization and imputed interest	22	24
Operating expenses	63	47
Income from operations	37	53
Interest income	2	1
Income tax expense	11	15
Income before discontinued operations	28	39
Discontinued operations (net of tax)	-	1
Net income	28	40

The following table shows the Company's pro forma consolidated statements of income for the fiscal quarters indicated.

(Dollar amounts in thousands) (Unaudited)	Quarter ended July 31, 2010	Quarter ended July 31, 2009
	\$	\$
Revenue	18,488	16,223
Operating Expenses		
Patent portfolio management	2,186	1,711
Patent licensing and litigation	2,553	1,944
Research and development	536	811
General and administration	1,348	1,549
Foreign exchange (gain) loss	(74)	409
	6,549	6,424
Pro forma income from operations	11,939	9,799
Interest income	342	119
Pro forma income before income tax	12,281	9,918
Income tax expense	3,684	3,273
Pro forma net income	8,597	6,645
Pro forma earnings per share		
Basic	\$0.73	\$0.65
Diluted	\$0.73	\$0.65
Weighted average number of shares		
Basic	11,767,954	10,215,130
Diluted	11,840,308	10,249,535

The following table shows the percentage of revenues represented by certain items in the Company's pro forma consolidated statement of income for the fiscal quarters indicated.

	Quarter ended July 31, 2010	Quarter ended July 31, 2009
	%	%
Revenues	100	100
Expenses		
Patent portfolio management	12	11
Patent licensing and litigation	14	12
Research and development	3	5
General and administration	7	9
Foreign exchange (gain) loss	-	3
Operating expenses	36	40
Pro forma income from operations	64	60
Interest income	2	1
Income tax expense	20	20
Pro forma net income	46	41

Pro forma net income is reconciled to GAAP net income as follows:

(Dollar amounts in thousands)	Quarter ended July 31, 2010	Quarter ended July 31, 2009
	\$	\$
GAAP net income	5,208	6,454
Add (deduct):		
Stock-based compensation	398	238
Patent amortization and imputed interest	4,126	3,868
Foreign exchange loss (gain)	618	(2,877)
Income tax expense – for the above items	(1,487)	(802)
Future income tax revaluation	(200)	-
Discontinued operations (net of tax)	(66)	(236)
Pro forma net income	8,597	6,645

Pro forma foreign exchange (gain) loss is reconciled to GAAP foreign exchange (gain) loss as follows:

(Dollar amounts in thousands)	Quarter ended July 31, 2010	Quarter ended July 31, 2009
	\$	\$
GAAP foreign exchange loss (gain)	544	(2,469)
Less: foreign exchange loss (gain) on long-term debt	618	(2,878)
Pro forma foreign exchange (gain) loss	(74)	409

MOSAID operates through one segment and division, the Intellectual Property Division.

REVENUES

(Dollar amounts in thousands)

	Quarter ended July 31, 2010	Quarter ended July 31, 2009
Revenues	\$18,488	\$16,223

Revenues during Q1 fiscal 2011 increased by 14%, as compared to the same period in the prior year. The increase in revenues for the fiscal quarter reflects an increase in both fixed payment amounts and running royalty amounts.

Revenues can vary significantly from quarter to quarter depending upon contractually determined timing of royalty reporting by licensees, the cyclical nature of the semiconductor and telecommunications industry, and foreign currency fluctuations.

The average remaining life of the Company's license contracts is 4.3 years as at July 31, 2010 (2009- 4.3). It should be noted that the average is not weighted and may not be reflective of the actual remaining life and value of all contracts.

Revenue is comprised as follows:

	Quarter ended July 31, 2010	Quarter ended July 31, 2009
	%	%
Revenue from fixed payments	86	93
Revenue from running royalty agreements	14	7
Total	100	100

The approximate geographic breakdown of operating revenues is as follows:

	Quarter ended July 31, 2010	Quarter ended July 31, 2009
	%	%
Asia Pacific	83	62
North America	12	13
Europe	5	25
Total	100	100

The Company licenses its technology globally. Due to the nature of the patent licenses, the geographic distribution of revenues can significantly vary from quarter to quarter.

The Company is economically dependent upon relatively few licensees. In Q1 fiscal 2011, one licensee accounted for 48% of revenues; other licensees accounted for 20% and 11% respectively. In Q1 fiscal 2010, one licensee accounted for 28% of revenues; other licensees accounted for 25%, 17% and 13% respectively.

In the next 12 months, the Company has material contracts expiring with two licensees. One of the licensees has already re-signed with the Company.

EXPENSES

Patent portfolio management

(Dollar amounts in thousands)	Quarter ended July 31, 2010	Quarter ended July 31, 2009
Patent portfolio management	\$2,186	\$1,711
As a percentage of total revenues	12%	11%
Increase from same period last year	28%	

Patent portfolio management expense represents the cost of patent administration, including filing and maintaining patents and patent applications worldwide, identifying and assessing potential patents for acquisition, and assessment of partnership opportunities with third party patent holders.

The increase in patent portfolio management expenses in absolute dollar terms and as percentage of revenues for the quarter, as compared to the same period last year, is due primarily to increased costs as a result of a higher number of patents and patent applications.

At the end of Q1 fiscal 2011, the Company had 1,172 patents (2010 – 1,011), the average remaining life of which is approximately 9.3 years (2010 – 9.5). In addition, the Company had, at the end of Q1 fiscal 2011, 878 patent applications (2010 – 777).

The current portfolio of patents and patent applications includes a total of 57 patents and applications acquired or newly filed during Q1 fiscal 2011 and eight patents and applications that have been either abandoned, expired or sold during the quarter.

Patent licensing and litigation

(Dollar amounts in thousands)	Quarter ended July 31, 2010	Quarter ended July 31, 2009
Patent licensing and litigation	\$2,553	\$1,944
As a percentage of total revenues	14%	12%
Increase from same period last year	31%	

Patent licensing and litigation expense represents the cost of managing and conducting litigation actions, infringement analysis-based reverse engineering costs undertaken by or on behalf of the Company to support licensing activities, revenue sharing costs associated with patent portfolios or patent rights acquired by the Company, and the cost of conducting licensing negotiations.

The increase in patent licensing and litigation expense in both absolute dollar terms and as a percentage of revenue for Q1 fiscal 2011, as compared to the prior year, is due primarily to increased litigation costs.

The Company expects patent licensing and litigation costs to increase in the near term as it continues the litigation against IBM, as announced on July 13, 2009. In addition, the Company could become involved in additional litigation initiated either by the Company or by existing or potential licensees.

Research and Development (R&D)

(Dollar amounts in thousands)	Quarter ended July 31, 2010	Quarter ended July 31, 2009
Research and development	\$536	\$811
As a percentage of total revenues	3%	5%
(Decrease) from same period last year	(34%)	

R&D expense represents the cost, net of investment tax credits, of developing and promoting new technology or improving existing technology related to the business of the Company.

R&D, as a percentage of revenues and in absolute dollar terms, for Q1 fiscal 2011, as compared to the same period in the prior year, decreased primarily due to the timing of subcontract expenses related to the development of its Flash memory technology.

The Company expects R&D expense in fiscal 2011 to be in the \$3.0 to \$3.5 million range.

General and Administration (G&A)

(Dollar amounts in thousands)	Quarter ended July 31, 2010	Quarter ended July 31, 2009
General and administration	\$1,348	\$1,549
As a percentage of total revenues	7%	9%
(Decrease) from same period last year	(13%)	

G&A expense represents the cost of corporate services, including executive management, finance, corporate legal, human resources, office administration, communications, public company cost and information technology.

The decrease in G&A expense in absolute dollars and as a percentage of revenue in Q1 fiscal 2011, as compared to the same period in the prior year, is due primarily to headcount related costs and a decrease in capital tax costs, as this form of tax was eliminated on July 1, 2010.

The Company expects G&A to be in the range of 6% - 7% of revenues for fiscal 2011.

Foreign exchange (gain) loss (FX)

(Dollar amounts in thousands)	Quarter ended July 31, 2010	Quarter ended July 31, 2009
FX loss (gain)	\$544	\$(2,469)
As a percentage of total revenues	3%	(15%)
Increase from same period last year	nm	

FX expense represents the cost, realized and unrealized, of unhedged transactions denominated in currencies other than the Company's reporting currency.

The FX loss under GAAP of \$544,000 during Q1 fiscal 2011 and gain of \$2.5 million during Q1 fiscal 2010 were due primarily to the unrealized revaluation of the Company's U.S. dollar denominated other long-term liabilities related to acquired patents and exclusive licensing rights. Without this revaluation, the Company incurred an FX gain of \$74,000, an immaterial percentage of revenues, for Q1 fiscal 2011, as compared to a loss of \$409,000 or 3% of revenues for the same period in the prior year.

A one cent strengthening (weakening) of the U.S. dollar against the Canadian dollar, would have decreased (increased) other comprehensive income by approximately \$272,000 for the quarter ended July 31, 2010; pro forma income would have increased (decreased) by approximately \$19,000.

Patent amortization and imputed interest

(Dollar amounts in thousands)	Quarter ended July 31, 2010	Quarter ended July 31, 2009
Patent amortization and imputed interest	\$4,126	\$3,868
As a percentage of total revenues	22%	24%
Increase from same period last year	7%	

Patent amortization and imputed interest expense represents the amortization charge related to acquired patents or patents to which the Company has exclusive licensing rights as a result of partnerships or similar business models with third parties, and the cost of imputed interest expense which results from discounting, for the time value of money, liabilities incurred for the purpose of acquiring patents, either outright or through partnership models.

The increase in patent amortization and imputed interest cost for Q1 fiscal 2011, as compared to Q1 fiscal 2010, in absolute dollar terms, is due primarily to the acquisition of patents during fiscal 2010.

Income Taxes

GAAP income tax expense of \$1.9 million was recorded for Q1 fiscal 2011, compared to an income tax expense of \$2.5 million for Q1 fiscal 2010. Of the Q1 fiscal 2011 tax expense, a \$200,000 tax recovery was recorded as a change in estimate of prior years' tax expense. Excluding this recovery, the GAAP effective tax rate in Q1 fiscal 2011 was 31% as compared to 28% in Q1 fiscal 2010. The GAAP effective tax rate can vary significantly from period to period primarily due to the tax treatment of the foreign exchange gains or losses associated with the other long-term liabilities.

The Company expects the effective pro forma tax rate to be approximately 30% for the remainder of fiscal 2011.

Liquidity and Capital Resources

In Q1 fiscal 2011, the Company generated a positive cashflow from operations of \$9.7 million, as compared to a positive cashflow of \$6.7 million in Q1 fiscal 2010. Changes in non-cash working capital decreased cashflow by \$4.8 million in Q1 fiscal 2011, as compared to a increase to cashflow of \$4.7 million in Q1 of fiscal 2010. In Q1 fiscal 2011 and Q1 fiscal 2010, the Company declared and paid a dividend of \$0.25 per common share or \$2.9 million and \$2.6 million respectively.

In terms of other cashflow items:

Cash and marketable securities

At the end of Q1 fiscal 2011, the Company had cash and marketable securities of \$103.6 million, compared to \$100.8 million at the end of fiscal 2010. Working capital increased to \$103.0 million at the end of Q1 fiscal 2011 from \$97.8 million at the end of fiscal 2010. Management believes that the Company is well capitalized with sufficient working capital to fund current ongoing operations.

The Company continues to have a \$10.0 million bank credit facility available to cover the fluctuations in cash requirements. The Company had no borrowings against this facility throughout the quarter. The available operating line within this credit facility is calculated using a formula based on accounts receivable.

Accounts receivable

Accounts receivable increased by \$0.9 million during Q1 fiscal 2011, from \$4.9 million at the end of fiscal 2010 to \$5.7 million at the end of Q1 fiscal 2011, mainly due to the timing of receipt of receivables.

Acquired intangible assets

The net book value of acquired intangibles decreased by \$3.3 million during Q1 fiscal 2011. The decrease is due to patent amortization of \$3.4 million, partially offset by acquisitions in Q1 fiscal 2011 of \$49,000.

Future income tax assets and Investment tax credits receivable

At the end of Q1 fiscal 2011, the balance for future income taxes short-term and long-term and investment tax credits receivable was \$20.6 million, compared with \$20.5 million at the end of fiscal 2010. The change in balance during Q1 fiscal 2011 was due to \$46,000 of investment tax credits recorded as an offset to R&D expense, \$1.7 million of withholding taxes on foreign royalty income, a \$200,000 adjustment of the assets based on the filing of the fiscal year 2010 corporate income tax return and \$300,000 of deferred tax related to foreign exchange contracts. These amounts were partially offset by Canadian tax expense during Q1 fiscal 2011 of \$2.2 million.

Other long-term liabilities

As a result of the purchase of patents from Infineon Technologies AG (Infineon), Agere Systems Inc. (Agere) and Samsung Electronics Co. (Samsung), the Company has recorded a liability of \$42.9 million, representing the discounted value of the anticipated future cash outflows. Of this amount, \$9.5 million is due within 12 months. The debts are denominated in U.S. dollars and can vary significantly from quarter to quarter due to fluctuations in foreign exchange markets.

Summary of Quarterly Results

(in thousands of dollars, except per share amounts)

	Q111	Q410	Q310	Q210	Q110	Q409	Q309	Q209
Revenues	\$18,488	\$19,886	\$17,688	\$17,313	\$16,223	\$18,036	\$18,055	\$ 13,795
Earnings (loss) before discontinued operations	\$ 5,142	\$ 7,904	\$ 2,028	\$ 4,823	\$ 6,218	\$ 5,475	\$ 2,145	\$(3,996)
Per share	\$0.44	\$0.69	\$0.20	\$0.47	\$0.61	\$0.54	\$0.21	\$(0.39)
Per diluted share	\$0.43	\$0.68	\$0.20	\$0.47	\$0.61	\$0.54	\$0.21	\$(0.39)
Net earnings (loss)	\$ 5,208	\$ 8,051	\$ 2,224	\$ 5,021	\$ 6,454	\$ 5,621	\$ 2,291	\$(3,427)
Per share	\$0.44	\$0.70	\$0.22	\$0.49	\$0.63	\$0.55	\$0.23	\$(0.33)
Per diluted share	\$0.44	\$0.69	\$0.21	\$0.49	\$0.63	\$0.55	\$0.23	\$(0.33)

NI 51-102 (Continuous Disclosure Obligations) prescribes that the following chart be incorporated into the MD&A presentation, concerning the contractual obligations to which the Company is bound over the following five years:

Payments Due by Period
(in thousands of dollars)

Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operation lease	\$ 1,137	\$ 248	\$ 496	\$ 393	\$ -
Other long-term obligations	\$53,509	\$10,805	\$11,834	\$25,725	\$5,145
Total contractual obligations	\$54,646	\$11,053	\$12,330	\$26,118	\$5,145

The other long-term obligations represent the undiscounted amounts due to Infineon, Agere and Samsung, as a result of patent purchases by the Company. The operation lease represents a lease for office space. The lease expires in March 2015.

Off Balance Sheet Arrangements

Off balance sheet arrangements are described in the notes to the annual financial statements. Note 18 to the annual financial statements disclose the Company's guarantees and contingencies.

Critical Accounting Estimates

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles, which require management estimates and assumptions that affect the amounts reported in the Company's consolidated financial statements. The policies described in the Company's fiscal 2010 annual MD&A are considered critical to the Company's business operations and the understanding of its results of operations. The application of these and other accounting policies are described in Note 2 to the annual consolidated financial statements. The preparation of these financial statements requires estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the statements, and the reported amounts of revenue and expenses during the reporting period. There can be no assurance that actual results will not differ from those estimates.

Critical Accounting Policies

The accounting policies used in preparing these interim financial statements are consistent with those used in preparing the fiscal 2010 annual financial statements.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares. At the end of Q1 fiscal 2011, there were 11,774,699 common shares issued and outstanding. At July 31, 2010, the Company may grant up to 1,172,505 options, under the Employee and Director Stock Option Plan, of which 634,520 have been granted and are outstanding.

International Financial Reporting Standards

The Canadian Accounting Standards Board has confirmed that International Financial Reporting Standards (IFRS) will replace current Canadian GAAP for publicly accountable enterprises, effective for fiscal years beginning on or after January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures.

Accordingly, the Company's transition date was May 1, 2010 and the changeover date will be May 1, 2011. The Company will report interim and annual financial statements, with comparatives, in accordance with IFRS beginning with the quarter ending July 31, 2011. The transition date of May 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2011, and of the amounts reported on their opening IFRS balance sheets as at May 1, 2010. To accomplish this, in fiscal year 2011, two parallel books of accounts will be maintained.

A summary of the implementation process is included under the "Future Accounting Pronouncements" section of the Company's 2010 Annual MD&A dated July 7, 2010. There have been no significant changes during the quarter.

Updated Guidance

Updated guidance provided by Management may be found in the Company's press release entitled "MOSAID Reports Results for First Quarter for Fiscal 2011 and Dividend" dated August 26, 2010.

The following information contained in the document is considered material forward-looking information:

- Revenues can vary significantly from quarter to quarter depending upon contractually determined timing of royalty reporting by licensees, the cyclical nature of the semiconductor and telecommunications industry, and foreign currency fluctuations.
- The Company expects patent licensing and litigation costs to increase in the near term as it continues the litigation against IBM, as announced on July 13, 2009. In addition, the Company could become involved in additional litigation initiated either by the Company or by existing or potential licensees.
- The Company expects R&D expense in fiscal 2011 to be in the \$3.0 to \$3.5 million range.
- The Company expects G&A to be in the range of 6% - 7% of revenues for fiscal 2011.
- The Company expects the effective pro forma tax rate to be approximately 30% for the remainder of fiscal 2011.

Other MD&A Requirements

Additional information relating to the Company, including its Annual Information Form, is filed with SEDAR (available for review at www.sedar.com).

Business Risks and Uncertainties

As described in the "Risk Factors" section included in the Company's annual MD&A for the year ended April 30, 2010, numerous factors could cause the Company's results to differ materially from those in forward-looking statements. These factors did not change significantly in the first quarter of fiscal 2011.

Subsequent Event

Subsequent to the quarter-end, Cisco Systems Inc. (“Cisco”) filed and served a Complaint for Declaratory Judgment in the United States District Court for the District of Delaware. In its complaint, Cisco is seeking a declaration of non-infringement and invalidity with respect to nine U.S. patents and one patent application owned by MOSAID, and which relate generally to Power-over-Ethernet technology.

Dated this 25th day of August, 2010.

MOSAID Technologies Incorporated
Unaudited Pro Forma Consolidated Financial Statements
For the Quarter Ended July 31, 2010

The attached consolidated financial statements have been prepared by Management of MOSAID Technologies Incorporated and have not been reviewed by an auditor.

MOSAID TECHNOLOGIES INCORPORATED
 (Subject to the Canada Business Corporations Act)
CONSOLIDATED PRO FORMA STATEMENTS OF INCOME
 (In thousands of Canadian Dollars, except per share amounts)
 (Unaudited)

	Quarter ended July 31, 2010	Quarter ended July 31, 2009
Revenues	\$18,488	\$16,223
Operating expenses		
Patent portfolio management	2,186	1,711
Patent licensing and litigation	2,553	1,944
Research and development	536	811
General and administration	1,348	1,549
Foreign exchange (gain) loss	(74)	409
	6,549	6,424
Pro forma income from operations	11,939	9,799
Interest income	342	119
Pro forma income before income tax expense	12,281	9,918
Income tax expense	3,684	3,273
Pro forma net income	\$ 8,597	\$ 6,645
Pro forma earnings per share		
Basic	\$0.73	\$0.65
Diluted	\$0.73	\$0.65
Weighted average number of shares		
Basic	11,767,954	10,215,130
Diluted	11,840,308	10,249,535

Pro forma net income is reconciled to GAAP net income as follows:

(Dollar amounts in thousands)

	Quarter ended July 31, 2010	Quarter ended July 31, 2009
GAAP net income	\$5,208	\$6,454
Add (deduct):		
Stock-based compensation	398	238
Patent amortization and imputed interest	4,126	3,868
Foreign exchange loss (gain)	618	(2,877)
Income tax expense – for the above items	(1,487)	(802)
Future income tax revaluation	(200)	-
Discontinued operations (net of tax)	(66)	(236)
Pro forma net income	\$8,597	\$6,645

Pro forma foreign exchange (gain) loss is reconciled to GAAP foreign exchange loss (gain) as follows:

(Dollar amounts in thousands)

	Quarter ended July 31, 2010	Quarter ended July 31, 2009
GAAP foreign exchange loss (gain)	\$ 544	\$(2,469)
Less: foreign exchange loss (gain) on long-term debt	618	(2,878)
Pro forma foreign exchange (gain) loss	\$(74)	\$ 409

MOSAID Technologies Incorporated
Unaudited Consolidated Financial Statements
For the Quarter Ended July 31, 2010

The attached consolidated financial statements have been prepared by Management of MOSAID Technologies Incorporated and have not been reviewed by an auditor.

MOSAID TECHNOLOGIES INCORPORATED
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
(In thousands of Canadian Dollars, except per share amounts)
(Unaudited)

	Quarter ended July 31, 2010	Quarter ended July 31, 2009
Revenues	\$18,488	\$16,223
Operating expenses		
Patent portfolio management	2,186	1,711
Patent licensing and litigation	2,553	1,944
Research and development	536	811
General and administration	1,348	1,549
Foreign exchange loss (gain)	544	(2,469)
Stock-based compensation	398	238
Patent amortization and imputed interest	4,126	3,868
	11,691	7,652
Income from operations	6,797	8,571
Interest income	342	119
Income before income tax expense and discontinued operations	7,139	8,690
Income tax expense	1,997	2,472
Income before discontinued operations	5,142	6,218
Discontinued operations income (net of tax) (Note 5)	66	236
Net income	5,208	6,454
Dividends	2,943	2,561
Retained earnings, beginning of period	22,702	11,607
Retained earnings, end of period	\$24,967	\$15,500
Earnings per share (Note 4)		
Basic – before discontinued operations	\$0.44	\$0.61
Diluted – before discontinued operations	\$0.43	\$0.61
Basic – net earnings	\$0.44	\$0.63
Diluted – net earnings	\$0.44	\$0.63
Weighted average number of shares		
Basic	11,767,954	10,215,130
Diluted	11,840,308	10,249,535

See accompanying Notes to the Consolidated Financial Statements

MOSAID TECHNOLOGIES INCORPORATED
CONSOLIDATED BALANCE SHEETS
(In thousands of Canadian Dollars)

	As at July 31, 2010 (unaudited)	As at April 30, 2010 (audited)
Current Assets		
Cash and cash equivalents	\$ 74,099	\$ 70,732
Marketable securities	29,513	30,096
Accounts receivable	5,737	4,880
Prepaid expenses	594	698
Other asset	910	2,053
Future income tax asset	10,835	10,930
	121,688	119,389
Property and equipment	226	257
Acquired intangible assets	77,379	80,685
Investment tax credits receivable	15,748	15,748
	\$215,041	\$216,079
Current Liabilities		
Accounts payable and accrued liabilities	\$ 6,850	\$ 7,734
Deferred revenue	1,414	4,611
Other liability	932	992
Current portion of other long-term liabilities	9,469	8,294
	18,665	21,631
Deferred gain on sale-leaseback	775	828
Other long-term liabilities	33,409	33,132
Future income tax liability	5,983	6,147
	58,832	61,738
Shareholders' Equity		
Share capital (Note 3)	126,694	126,573
Contributed surplus	3,807	3,452
Retained earnings	24,967	22,702
Accumulated other comprehensive income	741	1,614
	156,209	154,341
	\$215,041	\$216,079

See accompanying Notes to the Consolidated Financial Statements

MOSAID TECHNOLOGIES INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of Canadian Dollars)
(Unaudited)

	Quarter ended July 31, 2010	Quarter ended July 31, 2009
Operating		
Income before discontinued operations	\$ 5,142	\$ 6,218
Items not affecting cash		
Amortization	3,411	3,014
Stock-based compensation	398	238
Unrealized foreign exchange loss (gain) on other long-term liabilities	618	(2,877)
Future income taxes and investment tax credits	228	57
	9,797	6,650
Change in non-cash working capital items from continuing operations	(4,840)	4,739
	4,957	11,389
Investing		
Acquisition of property and equipment and acquired intangibles	(74)	(112)
Acquisition of marketable securities	(9,909)	(316)
Proceeds on disposal and maturity of marketable securities	10,492	18,496
	509	18,068
Financing		
Increase (decrease) in other long-term liabilities	747	(8,356)
Dividends paid	(2,943)	(2,561)
Issue of common shares	78	503
	(2,118)	(10,414)
Net cash inflow from continuing operations	3,348	19,043
Net cash inflow (outflow) from discontinued operations	19	(240)
Net cash inflow	3,367	18,803
Cash and cash equivalents, beginning of period	70,732	32,899
Cash and cash equivalents, end of period	\$74,099	\$51,702
Supplementary Information:		
Cash on hand and bank balances	\$74,099	\$ 9,966
Short-term investments	-	41,736
Total cash and cash equivalents	\$74,099	\$51,702

See accompanying Notes to the Consolidated Financial Statements

MOSAID TECHNOLOGIES INCORPORATED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands of Canadian Dollars)
(Unaudited)

	Quarter ended July 31, 2010	Quarter ended July 31, 2009
Net income	\$5,208	\$6,454
Other comprehensive income, net of tax:		
Gains (losses) on derivatives designated as cash flow hedges	(367)	1,248
Gains (losses) on derivatives designated as cash flow hedges in prior periods transferred to earnings in the current period	(506)	(386)
Other comprehensive (loss) income	(873)	862
Comprehensive income	\$4,335	\$7,316

See accompanying Notes to the Consolidated Financial Statements

MOSAID TECHNOLOGIES INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Quarters ended July 31, 2010 and 2009

(tabular dollar amounts in thousands of Canadian Dollars, except per share amounts)
(unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for interim financial information. Accordingly, they do not include all of the information and note disclosure required by GAAP for annual financial statements. These financial statements are based upon accounting principles consistent with those used in the annual consolidated financial statements with the exception of new accounting policies described in Note 3. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto for the year ended April 30, 2010.

The preparation of these unaudited interim consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. In the opinion of management, these unaudited interim consolidated financial statements reflect all adjustments necessary to state fairly the results for the periods presented. Actual results could differ materially from these estimates and the operating results for the interim periods presented are not necessarily indicative of the results to be expected for any subsequent quarter or for the full fiscal year ending April 30, 2011.

2. Recently Issued Accounting Standards

International Financial Reporting Standards

The Accounting Standards Board of Canada (AcSB) plans to converge Canadian GAAP for publicly accountable enterprises with International Financial Reporting Standards (IFRS) over a transition period that will end effective January 1, 2011 with the adoption of IFRS. The AcSB announced on February 13, 2008 that IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Starting with the first quarter of fiscal 2012, the Company will provide unaudited consolidated financial information in accordance with IFRS, including comparative figures for fiscal 2011.

The Company has completed a preliminary assessment of the accounting and reporting differences under IFRS as compared to Canadian GAAP. However, management has not yet finalized its determination of the impact of these differences on the consolidated financial statements. As this assessment is finalized, the Company intends to disclose such impacts in its future consolidated financial statements.

In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable standards at the conversion date are known.

Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations, replacing Section 1581, Business Combinations. This new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier application is permitted. The Section establishes standards for the accounting for a business combination. The Company does not anticipate that the adoption of the new standard will have a significant impact on the consolidated financial statements of the Company.

Consolidated Financial Statements

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and Section 1602, Non-Controlling Interests, which together replace Section 1600, Consolidated Financial Statements. These new Sections will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company is currently evaluating the impact of the adoption of these new Sections on the consolidated financial statements.

3. Shareholders' equity and other comprehensive income

The following are the changes in shareholders' equity for the quarter ended July 31, 2010 and for the year ended April 30, 2010:

	Common Shares (Number)	Common Shares (\$)	Contributed Surplus (\$)	Retained Earnings (\$)	Accumulated Other Comprehensive Income (\$)	Total (\$)
Balance at April 30, 2010	11,763,626	\$126,573	\$3,452	\$22,702	\$1,614	\$154,341
Net income	-	-	-	5,208	-	5,208
Dividends	-	-	-	(2,943)	-	(2,943)
Employee and Director Stock Option Plan	4,625	90	(21)	-	-	69
Employee and Director Stock Purchase Program	6,448	31	(22)	-	-	9
Stock-based compensation	-	-	398	-	-	398
Other comprehensive income	-	-	-	-	(873)	(873)
Balance at July 31, 2010	11,774,699	\$126,694	\$3,807	\$24,967	\$741	\$156,209

	Common Shares (Number)	Common Shares (\$)	Contributed Surplus (\$)	Retained Earnings (\$)	Accumulated Other Comprehensive Income (\$)	Total (\$)
Balance at April 30, 2009	10,184,323	\$ 94,741	\$3,753	\$11,607	\$ 446	\$110,547
Net income	-	-	-	21,750	-	21,750
Dividends	-	-	-	(10,655)	-	(10,655)
Employee and Director Stock Option Plan	119,475	2,144	(882)	-	-	1,262
Employee and Director Stock Purchase Program	22,328	496	(337)	-	-	159
Restricted share unit plan	-	(601)	(271)	-	-	(872)
Stock-based compensation	-	-	1,189	-	-	1,189
Equity financing	1,437,500	29,793	-	-	-	29,793
Other comprehensive income	-	-	-	-	1,168	1,168
Balance at April 30, 2010	11,763,626	\$126,573	\$3,452	\$22,702	\$1,614	\$154,341

4. Earnings per Share

The following is a reconciliation of the numerator and denominator of the basic and diluted per share computations:

	Quarter ended July 31, 2010	Quarter ended July 31, 2009
Income before discontinued operations	\$5,142	\$6,218
Discontinued operations (net of tax)	66	236
Net income	\$5,208	\$6,454
Weighted average number of common shares outstanding	11,767,954	10,215,130
Net effect of stock options	72,354	34,405
Weighted average diluted number of common shares outstanding	11,840,308	10,249,535
Earnings per share		
Basic – before discontinued operations	\$0.44	\$0.61
Diluted – before discontinued operations	\$0.43	\$0.61
Basic - net income	\$0.44	\$0.63
Diluted - net income	\$0.44	\$0.63

For the quarters ended July 31, 2010 and July 31, 2009, 78,328 and 259,606 options, respectively, were excluded from the calculation of diluted earnings per share, as the exercise price of these options exceeded the average market price of the Company's common stock during this period and were therefore anti-dilutive. There were 634,520 and 519,645 options issued and outstanding as at July 31, 2010 and July 31, 2009, respectively.

5. Discontinued operations

	Quarter ended July 31, 2010	Quarter ended July 31, 2009
Revenues	\$38	\$ 18
Expenses	-	-
Gain from operations	38	18
Gain on sale of assets	53	333
Earnings before tax	91	351
Income tax expense	25	115
Discontinued operations (net of tax)	\$66	\$236

6. Stock-based Compensation

The Company has an Employee and Director Stock Purchase Plan ("ESPP") whereby employees may elect to designate up to 5% of their annual salary to purchase shares of the Company at a 10% discount from the fair market value. The purchase price is deducted over a six month period via payroll. Directors are also eligible to participate in the ESPP.

Also, the Company has an Employee and Director Stock Option Plan ("ESOP"). The exercise price is no lower than the closing market price on the trading day immediately preceding the date of grant. Options granted under the ESOP expire within a period of six years of granting, with vesting periods determined by the Human Resources Committee.

The Company employs a fair value method of accounting for all options issued to employees and directors on or after April 27, 2002. The fair value of options issued in the quarter was calculated using the Black-Scholes option pricing model and the following assumptions:

	Quarter ended July 31, 2010	Quarter ended July 31, 2009
Risk free interest rate	2.7%	0.36%
Expected life in years	4.9	5.5
Expected dividend yield	4.64%	6.97%
Volatility	37.07%	40.62%

For the quarter ended July 31, 2010, the Company did not issue Deferred Share Units ("DSUs") in lieu of options to directors and officers of the Company under its DSU Plan. DSUs vest evenly over a four year period. DSUs do not have an exercise price and can only be settled using cash consideration.

For the quarter ended July 31, 2010, the Company did not issue Restricted Share Units (RSUs). The RSUs vest over three years. Under the RSU Plan, units are settled using common shares of the Company. The Company will fund an independent trustee to purchase the required shares. The Company recognizes compensation expense equal to the stock price on the grant date, over the vesting period.

7. Financial Instruments

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk.

Credit Risk

Credit risk is the risk of financial loss to the Company if a licensee or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable and its foreign exchange contracts.

The Company provides extended payment terms to some licensees in the normal course of its operations. The Company's credit risk review includes performing periodic credit evaluations of its most significant licensees. In certain circumstances, the Company may utilize letters of guarantee or credit insurance to mitigate certain credit risks. Many of the Company's licensees are large national and international public companies. Due to the nature of the Company's operations, provisions for doubtful accounts are made on a licensee-by-licensee basis, based upon on-going review of licensee financial status.

Many of the Company's current licensees' operations are focused in the semiconductor industry. The semiconductor industry, particularly the DRAM and Flash memory segment, tends to be cyclical and, from time to time, suffers from economic difficulties due to pricing pressure as a result of an oversupply of memory devices.

Due to the long-term nature of many of the Company's licensing arrangements, in certain circumstances, the Company may not be able to obtain, at reasonable cost, credit insurance or other forms of credit risk mitigation instruments. A default of the remaining payments by one of the Company's licensees could have a materially adverse impact on the Company's future revenues, earnings, cash flow and financial position.

The Company limits its exposure to credit risk from counter-parties to derivative instruments by dealing only with major financial institutions. Management does not expect any counter-parties to fail to meet their obligations.

The Company invests its excess cash in investment grade securities, each with a maturity date not exceeding 12 months. The Company relies upon the credit rating of the counter-party to limit its credit risk. The Company does not invest in asset-backed commercial paper.

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure to credit risk at the reporting date was:

	<u>July 31, 2010</u>	<u>April 30, 2010</u>
Cash and cash equivalents	\$ 74,099	\$ 70,732
Marketable securities	29,513	30,096
Accounts receivable	5,737	4,880
Other asset	910	2,053
Other liability	(932)	(992)
	<u>\$109,327</u>	<u>\$106,769</u>

The aging of accounts receivable at the reporting date was:

	<u>July 31, 2010</u>	<u>April 30, 2010</u>
Current	\$1,322	\$1,367
Past due	4,415	3,513
	<u>\$5,737</u>	<u>\$4,880</u>

Of the amount past due, a portion has been recognized as revenue as the Company expects to collect the amount under a credit insurance policy, and a portion has been recorded as deferred revenue as there is uncertainty regarding ultimate collection.

Marketable securities comprise the following:

	<u>July 31, 2010</u>	<u>April 30, 2010</u>
Bonds & debentures	\$17,301	\$27,087
Discount notes	12,212	3,009
	<u>\$29,513</u>	<u>\$30,096</u>

Carrying values of bonds and debentures and discount notes include accrued interest and approximate market value. Investments in bonds and debentures and discount notes represent holdings in corporate and government short-term marketable securities as at July 31, 2010 and have a maturity date of one year or less.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holding of financial instruments.

Foreign Exchange Risk

The Company's revenues are denominated primarily in U.S. dollars, giving rise to exposure to market risks from changes in foreign exchange rates. The Company is exposed to foreign currency fluctuations on its accounts receivable and future cash flows related to licensing arrangements denominated in U.S. dollars, as well as certain operating expenses and its other long-term liabilities obligations.

The Company's foreign exchange risk management includes the use of foreign exchange forward contracts to fix the exchange rates on certain foreign currency exposures. The Company's objective is to manage and control exposures and secure the Company's profitability on existing contracts and anticipated future cash flows. The Company does not utilize derivative instruments for trading or speculative purposes. The Company formally documents all relationships between derivative instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific firm contractually related commitments or anticipated transactions.

The Company also formally assesses, both at the inception and on an on-going basis, whether the derivatives that are used in hedging transactions are highly effective in off-setting changes in fair values or cash flows of hedged items. Hedge ineffectiveness is insignificant.

The forward foreign exchange contracts primarily require the Company to sell U.S. dollars for Canadian dollars at contractual rates. The Company had the following forward exchange contracts.

(In thousands of dollars)					July 31, 2010	
Type	Notional	Currency	Maturity	Equivalent to CDN dollars	Fair Value	
Sell	\$ 10,625	USD	< 3 months	\$ 11,370	\$ 439	
Sell	\$ 17,975	USD	3-12 months	\$ 19,007	\$ 471	
					\$ 910	
Buy	\$(5,000)	USD	3-12 months	\$(6,093)	\$(932)	

(In thousands of dollars)					April 30, 2010	
Type	Notional	Currency	Maturity	Equivalent to CDN dollars	Fair Value	
Sell	\$ 12,875	USD	< 3 months	\$13,836	\$ 759	
Sell	\$ 21,225	USD	3-12 months	\$22,890	\$1,294	
					\$2,053	
Buy	\$(5,000)	USD	3-12 months	\$(6,093)	\$(992)	

A one cent strengthening (weakening) of the U.S. dollar against the Canadian dollar would have decreased (increased) other comprehensive income by approximately \$272,000 for Q1 fiscal 2011.

Interest Rate Risk

The Company is exposed to interest rate risk due to its holdings of interest-bearing marketable securities. It is the Company's policy to invest in securities with a maturity date of 12 months or less and Company practice to hold such securities, when possible, until maturity. A 1% increase (decrease) to the interest rate would result in an approximate \$140,000 decrease (increase) in the fair value of the investments held as at the reporting date.

The Company is also exposed to interest rate risk due to its imputed interest on other long-term liabilities.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. At July 31, 2010, the Company had \$103.6 million of cash and marketable securities and had a secured bank credit facility of \$10.0 million, less off balance sheet arrangements, as described in Note 18 to the fiscal 2010 Consolidated Financial Statements, to meet liabilities when due. The credit facility is collateralized by a general security agreement and contains no covenants.

All of the Company's financial liabilities, except for its "other long-term liabilities" and operating lease for its premises, have contractual maturities of less than 30 days.

The following chart indicates the contractual obligations to which the Company is bound over the following five years.

Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operating leases	\$ 1,137	\$ 248	\$ 496	\$ 393	-
Other long-term obligations	\$53,509	\$10,805	\$11,834	\$25,725	\$5,145
Total contractual obligations	\$54,646	\$11,053	\$12,330	\$26,118	\$5,145

Fair Value

The fair values of cash, marketable securities, accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity. The recorded amounts of long-term monetary liabilities approximate fair value, estimated by discounting expected cash flows at rates currently offered to the Company for debts of the same remaining maturities and conditions.

Fair value of the forward exchange contracts reflects the cash flow due to or from the Company if settlement had taken place on the reporting date.

The fair value of employee and director deferred stock units is determined using the market price of the Company's common stock on the reporting date.

8. Capital Management

The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management defines capital as the Company's shareholders' equity excluding accumulated other comprehensive income.

The Company has certain credit facilities with a Canadian chartered bank, which consist of an operating line, a foreign exchange forward contract facility and standby letters of credit. The Board of Directors does not

establish quantitative return on capital criteria for management, but rather promotes year over year sustainable profitable growth. The Board of Directors also reviews on a quarterly basis the level of dividends paid to the Company's shareholders and monitors the share repurchase program activities. There were no changes in the Company's approach to capital management during the period. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

9. Business Segment Information

The Company operates in one operating segment licensing patented intellectual property in the areas of semiconductors and telecommunications systems and developing semiconductor memory technology.

10. Subsequent Event

Subsequent to the quarter-end, Cisco Systems Inc. filed and served a Complaint for Declaratory Judgment in the United States District Court for the District of Delaware. In its complaint, Cisco is seeking a declaration of non-infringement and invalidity with respect to nine U.S. patents and one patent application owned by MOSAID, and which relate generally to Power-over-Ethernet technology.