

## Consolidated Balance Sheets

(in thousands of Canadian Dollars)

|  | April 30, 2007<br>(audited) | April 30, 2006<br>(audited) |
|--|-----------------------------|-----------------------------|
| <b>Current Assets</b>                          |                             |                             |
| Cash and cash equivalents                      | \$ 23,396                   | \$ 15,542                   |
| Marketable securities                          | 26,876                      | 55,788                      |
| Accounts receivable                            | 12,626                      | 7,113                       |
| Income taxes receivable                        | --                          | 381                         |
| Inventories                                    | --                          | 1,779                       |
| Prepaid expenses                               | 618                         | 1,700                       |
| Future income taxes recoverable                | 10,278                      | 11,910                      |
|  | <b>73,794</b>               | <b>94,213</b>               |
| <b>Capital assets</b>                          |                             |                             |
| Capital assets                                 | 1,067                       | 9,328                       |
| Acquired intangibles                           | 76,823                      | 5,385                       |
| Long-term receivable                           | 1,734                       | --                          |
| Goodwill                                       | 1,786                       | 1,786                       |
| Long-term assets held for sale                 | 7,028                       | --                          |
| Future income taxes recoverable                | 24,468                      | 27,439                      |
|  | <b>\$ 186,700</b>           | <b>\$ 138,151</b>           |
| <b>Current Liabilities</b>                     |                             |                             |
| Accounts payable and accrued liabilities       | \$ 16,091                   | \$ 7,653                    |
| Income taxes payable                           | --                          | 381                         |
| Deferred revenue                               | 542                         | 10,545                      |
| Mortgage payable                               | 4,346                       | 244                         |
| Current portion of other long-term liabilities | 5,239                       | --                          |
|  | <b>26,218</b>               | <b>18,823</b>               |
| Mortgage payable                               | --                          | 4,346                       |
| Other long-term liabilities                    | 38,313                      | --                          |
|  | <b>64,531</b>               | <b>23,169</b>               |
| <b>Shareholders' Equity</b>                    |                             |                             |
| Share capital                                  | 102,276                     | 102,476                     |
| Contributed surplus                            | 2,992                       | 2,630                       |
| Retained earnings                              | 16,901                      | 9,876                       |
|  | <b>122,169</b>              | <b>114,982</b>              |
|  | <b>\$ 186,700</b>           | <b>\$ 138,151</b>           |

See accompanying Notes to the Consolidated Financial Statements.

## Consolidated Statements of Operations and Retained Earnings

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

|  | Quarter ended<br>April 30, 2007<br>(unaudited) | Quarter ended<br>April 30, 2006<br>(unaudited) | Year ended<br>April 30, 2007<br>(audited) | Year ended<br>April 30, 2006<br>(audited) |
|--|--|--|---|---|
| <b>Revenues</b>  | <b>\$ 12,204</b>                               | <b>\$ 9,803</b>                                | <b>\$ 59,981</b>                          | <b>\$ 38,528</b>                          |
| <b>Operating Expenses</b>                                    |  |  |   |   |
| Research and development                                     | 1,549  | 1,201  | 7,335                                     | 4,169                                     |
| Selling and marketing  | 4,190  | 2,382  | 8,928                                     | 6,351                                     |
| General and administration                                   | 1,140  | 1,807  | 6,827                                     | 6,561                                     |
| Restructuring  | 2,764  | --   | 2,764                                     | --  |
| Special Committee  | 848  | --   | 2,812                                     | --  |
|  | <b>10,491</b>                                  | <b>5,390</b>                                   | <b>28,666</b>                             | <b>17,081</b>                             |
| Income from operations                                       | 1,713  | 4,413  | 31,315                                    | 21,447                                    |
| Net interest income (Note 2)                                 | 559  | 421  | 2,399                                     | 1,422                                     |
| Write-down of long-term investment                           | --   | 67   | --  | 67  |
| Income before income tax expense and discontinued operations | 2,272  | 4,767  | 33,714                                    | 22,802                                    |
| Income tax expense   | 1,001  | 1,795  | 13,189                                    | 8,170                                     |
| Income before discontinued operations                        | 1,271  | 2,972  | 20,525                                    | 14,632                                    |
| Discontinued operations (net of tax)                         | 7,772  | 163  | 4,184                                     | 851                                       |
| <b>Net income</b>  | <b>9,043</b>                                   | <b>3,135</b>                                   | <b>24,709</b>                             | <b>15,483</b>                             |
| Dividends  | 2,757  | 2,267  | 11,102                                    | 7,450                                     |
| Normal course issuer bid                                     | --   | 3,379  | 6,582                                     | 6,320                                     |
| Retained earnings, beginning of period                       | 10,615   | 12,387   | 9,876                                     | 8,163                                     |
| <b>Retained earnings, end of period</b>                      | <b>\$ 16,901</b>                               | <b>\$ 9,876</b>                                | <b>\$ 16,901</b>                          | <b>\$ 9,876</b>                           |
| <b>Earnings per share</b>                                    |  |  |   |   |
| Basic – before discontinued operations                       | \$ 0.12  | \$ 0.26  | \$ 1.85                                   | \$ 1.28                                   |
| Diluted – before discontinued operations                     | \$ 0.11  | \$ 0.26  | \$ 1.81                                   | \$ 1.26                                   |
| Basic – net earnings   | \$ 0.82  | \$ 0.28  | \$ 2.23                                   | \$ 1.35                                   |
| Diluted – net earnings                                       | \$ 0.81  | \$ 0.27  | \$ 2.18                                   | \$ 1.34                                   |
| <b>Weighted average number of shares</b>                     |  |  |   |   |
| Basic  | 11,023,860                                     | 11,317,302                                     | 11,103,185                                | 11,441,201                                |
| Diluted  | 11,216,133                                     | 11,508,277                                     | 11,321,298                                | 11,572,706                                |

See accompanying Notes to the Consolidated Financial Statements.

## Consolidated Statements of Cash Flows

(in thousands of Canadian Dollars)

|   | Quarter ended<br>April 30, 2007<br>(unaudited) | Quarter ended<br>April 30, 2006<br>(unaudited) | Year ended<br>April 30, 2007<br>(audited) | Year ended<br>April 30, 2006<br>(audited) |
|---|--|--|---|---|
| <b>Operating</b>  |  |  |   |   |
| Income before discontinued operations                               | \$ 1,271                                       | \$ 2,972                                       | \$ 20,525                                 | \$ 14,632                                 |
| Items not affecting cash  |  |  |   |   |
| Amortization  | 1,772  | 89   | 3,025                                     | 372                                       |
| Stock-based compensation  | 765  | 396  | 1,831                                     | 1,347                                     |
| Writedown of capital assets   | 1,652  | 61   | 1,794                                     | 85  |
| Future income tax recoverable                                       | 474  | (1,270)  | 4,603                                     | 764                                       |
| Write-down of investments   | --   | 67   | --  | 67  |
|   | <b>5,934</b>                                   | <b>2,315</b>                                   | <b>31,778</b>                             | <b>17,267</b>                             |
| Change in non-cash working capital items from continuing operations | <b>13,433</b>                                  | <b>10,571</b>                                  | <b>(1,837)</b>                            | <b>8,867</b>                              |
|   | <b>19,367</b>                                  | <b>12,886</b>                                  | <b>29,941</b>                             | <b>26,134</b>                             |
| <b>Investing</b>  |  |  |   |   |
| Acquisition of capital assets and acquired intangibles              | (30,654)                                       | (10)   | (36,175)                                  | (153)                                     |
| Acquisition of marketable securities                                | (10,656)                                       | (20,094)                                       | (88,638)                                  | (192,508)                                 |
| Proceeds on maturity/disposal of marketable securities              | 35,876   | 23,457   | 117,550                                   | 195,434                                   |
|   | <b>(5,434)</b>                                 | <b>3,353</b>                                   | <b>(7,263)</b>                            | <b>2,773</b>                              |
| <b>Financing</b>  |  |  |   |   |
| Repayment of mortgage   | (61)   | (57)   | (244)                                     | (225)                                     |
| Repurchase of shares  | --   | (5,031)  | (9,996)                                   | (9,997)                                   |
| Dividends   | (2,757)  | (2,267)  | (11,102)                                  | (7,450)                                   |
| Issue of common shares  | 575  | 1,893  | 1,745                                     | 3,259                                     |
|   | <b>(2,243)</b>                                 | <b>(5,462)</b>                                 | <b>(19,597)</b>                           | <b>(14,413)</b>                           |
| Net cash inflow from continuing operations                          | <b>11,690</b>                                  | <b>10,777</b>                                  | <b>3,081</b>                              | <b>14,494</b>                             |
| Net cash inflow (outflow) from discontinued operations              | <b>235</b>                                     | <b>(2,152)</b>                                 | <b>4,773</b>                              | <b>(6,035)</b>                            |
| <b>Net cash inflow</b>  | <b>11,925</b>                                  | <b>8,625</b>                                   | <b>7,854</b>                              | <b>8,459</b>                              |
| <b>Cash and cash equivalents, beginning of period</b>               | <b>11,471</b>                                  | <b>6,917</b>                                   | <b>15,542</b>                             | <b>7,083</b>                              |
| <b>Cash and cash equivalents, end of period</b>                     | <b>\$ 23,396</b>                               | <b>\$ 15,542</b>                               | <b>\$ 23,396</b>                          | <b>\$ 15,542</b>                          |

See accompanying Notes to the Consolidated Financial Statements.

## Discontinued Operations

(in thousands of Canadian Dollars)

|                                      | Quarter Ended                   |                                 | Year Ended                    |                               |
|--------------------------------------|---------------------------------|---------------------------------|-------------------------------|-------------------------------|
|                                      | April 30<br>2007<br>(unaudited) | April 30<br>2006<br>(unaudited) | April 30<br>2007<br>(audited) | April 30<br>2006<br>(audited) |
| <b>Revenues</b>                      | <b>\$ 8,553</b>                 | \$7,070                         | <b>\$ 22,084</b>              | \$25,371                      |
| <b>Expenses</b>                      |                                 |                                 |                               |                               |
| Labour and materials                 | <b>2,073</b>                    | 1,963                           | <b>5,736</b>                  | 7,571                         |
| Research and development             | <b>5,849</b>                    | 4,076                           | <b>16,240</b>                 | 10,824                        |
| Selling and marketing                | <b>2,868</b>                    | 1,727                           | <b>7,899</b>                  | 6,624                         |
| Bad debt                             | --                              | --                              | <b>88</b>                     | (446)                         |
| Restructuring                        | <b>7,991</b>                    | --                              | <b>7,991</b>                  | --                            |
|                                      | <b>18,781</b>                   | 7,766                           | <b>37,954</b>                 | 24,573                        |
| Earnings (loss) from operations      | <b>(10,228)</b>                 | (696)                           | <b>(15,870)</b>               | 798                           |
| Gain on sale of assets               | <b>17,806</b>                   | --                              | <b>17,806</b>                 | --                            |
| Earnings before tax                  | <b>7,578</b>                    | (696)                           | <b>1,936</b>                  | 798                           |
| Tax (recovery)                       | <b>(194)</b>                    | (859)                           | <b>(2,248)</b>                | (53)                          |
| Discontinued operations (net of tax) | <b>\$ 7,772</b>                 | \$ 163                          | <b>\$ 4,184</b>               | \$ 851                        |

**MOSAID TECHNOLOGIES INCORPORATED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Quarter ended April 30, 2007**

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

1. Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for annual financial statements.

In the opinion of management, all adjustments consisting of normal recurring adjustments, considered necessary for a fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the interim period presented are not necessarily indicative of the results to be expected for any subsequent quarter or for the full fiscal year ending April 30, 2007.

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

2. Net Interest Income

Net interest income comprises the following:

|                  | <b>Quarter ended<br/>April 30, 2007</b> | Quarter ended<br>April 30, 2006 | <b>Year ended<br/>April 30, 2007</b> | Year ended<br>April 30, 2006 |
|------------------|---|---------------------------------|--------------------------------------|------------------------------|
| Interest income  | <b>\$647</b>                            | \$546                           | <b>\$2,760</b>                       | \$1,835                      |
| Interest expense | <b>88</b>                               | 125                             | <b>361</b>                           | 413                          |
|                  | <b>\$559</b>                            | \$421                           | <b>\$2,399</b>                       | \$1,422                      |

3. Stock-based Compensation

The Company has an Employee Stock Purchase Plan (ESPP) whereby employees may elect to designate up to 5% of their annual salary to purchase common shares of the Company (Shares). For two six month periods commencing on the second business day after the Company's second quarter or fiscal year end financial results are publicly announced (each an "Offering Period"), eligible employees are given an opportunity to request that a percentage of their salary be deducted each pay period for the purpose of acquiring Shares. The purchase price under the ESPP is the lesser of 90% of the fair market value of the Shares, as determined by calculating the weighted average sale price for board lots as posted on the TSX the ten trading days immediately preceding (i) the first day of the Offering Period in which the purchase date falls or (ii) the purchase date. The Shares are not considered to be issued by the Company until the end of the six month period.

Also, the Company has an Employee and Director Stock Option Plan. The exercise price is no lower than the market price on the date of grant. Options granted under the Plan expire within a period of six years of granting, with vesting periods determined by the Human Resource Committee.

The Company employs a fair value method of accounting for all options issued to employees or 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:

|                         | <b>Quarter ended<br/>April 30, 2007</b> | Quarter ended<br>April 30, 2006 |
|-------------------------|---|---------------------------------|
| Risk free interest rate | <b>4.1 %</b>                            | 4.1 %                           |
| Expected life in years  | <b>5.5</b>                              | 5.5                             |
| Expected dividend yield | <b>3.6 %</b>                            | 3.1 %                           |
| Volatility              | <b>57.49 %</b>                          | 78.69 %                         |

#### 4. Business Segment Information

Based upon the Company's internal reporting structure, the following operating segments have been assigned:

*Intellectual Property (IP):* A developer and licensor of semiconductor intellectual property.

*Systems:* A supplier of engineering memory test and analysis systems.

The significant accounting policies of the above segments are the same as those described in Note 1. Intersegment sales are recorded at cost.

## Segment information

(in thousands of Canadian Dollars)

| Year ended April 30, 2007<br>(audited)             | IP<br>Division | Discontinued<br>Operations and<br>Held for Sale | Totals    |
|--|----------------|---|-----------|
| Revenues from external customers                   | \$ 59,981      | \$ 22,084                                       | \$ 82,065 |
| Segment profit                                     | \$ 20,525      | \$ 4,184  | \$ 24,709 |
| Segment assets *                                   | \$ 77,890      | \$ 7,028  | \$ 84,918 |
| Expenditure on segment assets *                    | \$ 79,727      | \$ 798  | \$ 80,525 |
| Amortization and write-down of<br>segment assets * | \$ 3,170       | \$ 7,150  | \$ 10,320 |
| Goodwill   | \$ --          | \$ 1,786  | \$ 1,786  |

| Year ended April 30, 2006<br>(audited)             | IP<br>Division | Discontinued<br>Operations | Totals    |
|--|----------------|----------------------------|-----------|
| Revenues from external customers                   | \$ 38,528      | \$ 25,371                  | \$ 63,899 |
| Segment profit                                     | \$ 14,632      | \$ 851                     | \$ 15,483 |
| Segment assets *                                   | \$ 1,333       | \$ 13,380                  | \$ 14,713 |
| Expenditure on segment assets *                    | \$ 219         | \$ 7,557                   | \$ 7,776  |
| Amortization and write-down of<br>segment assets * | \$ 457         | \$ 2,024                   | \$ 2,481  |
| Goodwill   | \$ --          | \$ 1,786                   | \$ 1,786  |

| Quarter ended April 30, 2007<br>(unaudited)        | IP<br>Division | Discontinued<br>Operations | Totals    |
|--|----------------|----------------------------|-----------|
| Revenues from external customers                   | \$ 12,204      | \$ 8,553                   | \$ 20,757 |
| Segment profit                                     | \$ 1,271       | \$ 7,772                   | \$ 9,043  |
| Segment assets *                                   | \$ 77,890      | \$ 7,028                   | \$ 84,918 |
| Expenditure on segment assets *                    | \$ 62,528      | \$ 14                      | \$ 62,542 |
| Amortization and write-down of<br>segment assets * | \$ 1,817       | \$ 5,276                   | \$ 7,093  |
| Goodwill   | \$ --          | \$ 1,786                   | \$ 1,786  |

| Quarter ended April 30, 2006<br>(unaudited)        | IP<br>Division | Discontinued<br>Operations | Totals    |
|--|----------------|----------------------------|-----------|
| Revenues from external customers                   | \$ 9,803       | \$ 7,070                   | \$ 16,873 |
| Segment profit                                     | \$ 14,632      | \$ 851                     | \$ 15,483 |
| Segment assets *                                   | \$ 1,333       | \$ 13,380                  | \$ 14,713 |
| Expenditure on segment assets *                    | \$ 10          | \$ 575                     | \$ 585    |
| Amortization and write-down of<br>segment assets * | \$ 150         | \$ 653                     | \$ 803    |
| Goodwill   | \$ --          | \$ 1,786                   | \$ 1,786  |

\* Segment assets includes acquired intangibles but not goodwill