

MOSAID TECHNOLOGIES INCORPORATED

(Subject to the Canada Business Corporations Act)

CONSOLIDATED PRO FORMA STATEMENT OF OPERATIONS

(In thousands of Canadian dollars, except per share amounts)

(Unaudited)

	Quarter Ended		Six Months Ended	
	October 31,		October 31,	
	2007	2006	2007	2006
Revenues	\$ 11,526	\$ 14,838	\$ 24,121	\$ 33,947
Operating expenses				
Patent portfolio management	1,356	1,025	2,318	1,916
Patent licensing and litigation	2,711	2,204	5,149	3,707
Research and development	599	255	1,091	515
General and administration	945	1,679	2,158	3,483
Foreign exchange expense (gain)	487	(227)	675	(93)
Special committee	101	1,124	112	1,124
	6,199	6,060	11,503	10,652
Pro forma income from operations	5,327	8,778	12,618	23,295
Net interest income	565	674	963	1,260
Pro forma income before income tax	5,892	9,452	13,581	24,555
Income tax expense	2,096	3,297	4,875	8,565
Pro forma income (Note 6)	\$ 3,796	\$ 6,155	\$ 8,706	\$ 15,990
Pro forma earnings per share				
Basic	\$0.34	\$0.56	\$0.78	\$1.43
Diluted	\$0.34	\$0.55	\$0.76	\$1.41
Weighted average number of shares				
Basic	11,125,423	11,053,768	11,118,138	11,174,697
Diluted	11,125,423	11,240,281	11,489,775	11,380,477

See accompanying Notes to the Consolidated Financial Statements

MOSAID TECHNOLOGIES INCORPORATED
CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS
(In thousands of Canadian dollars, except per share amounts)
(Unaudited)

	Quarter Ended October 31,		Six Months Ended October 31,	
	2007	2006	2007	2006
Revenues	\$ 11,526	\$ 14,838	\$ 24,121	\$ 33,947
Operating expenses				
Patent portfolio management	1,356	1,025	2,318	1,916
Patent licensing and litigation	2,711	2,204	5,149	3,707
Research and development	599	255	1,091	515
General and administration	945	1,679	2,158	3,483
Foreign exchange (gain)	(4,253)	(227)	(5,743)	(93)
Restructuring	-	-	19	-
Special committee	101	1,124	112	1,124
Stock-based compensation	137	169	235	318
Patent amortization and imputed interest	3,436	418	6,836	557
	5,032	6,647	12,175	11,527
Income from operations	6,494	8,191	11,946	22,420
Net interest income (Note 3)	565	674	963	1,260
Income before income tax expense and discontinued operations	7,059	8,865	12,909	23,680
Income tax expense	2,561	3,039	4,676	9,376
Income before discontinued operations	4,498	5,826	8,233	14,304
Discontinued operations income (loss)(net of tax) (Note 5)	236	(1,111)	6,036	(2,932)
Net income	4,734	4,715	14,269	11,372
Dividends	2,779	2,766	5,558	5,597
Normal course issuer bid	2,418	5,399	2,418	6,582
Retained earnings, beginning of period	23,657	12,519	16,901	9,876
Retained earnings, end of period	\$ 23,194	\$ 9,069	\$ 23,194	\$ 9,069
Earnings per share (Note 4)				
Basic - before discontinued operations	\$0.40	\$0.53	\$0.74	\$1.28
Diluted - before discontinued operations	\$0.40	\$0.52	\$0.72	\$1.26
Basic - net earnings	\$0.43	\$0.43	\$1.28	\$1.02
Diluted - net earnings	\$0.43	\$0.42	\$1.24	\$1.00
Weighted average number of shares				
Basic	11,125,423	11,053,768	11,118,138	11,174,697
Diluted	11,125,423	11,240,281	11,489,775	11,380,477

See accompanying Notes to the Consolidated Financial Statements

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

	As at October 31, 2007 (unaudited)	As at April 30, 2007 (audited)
Current Assets		
Cash and cash equivalents	\$ 19,050	\$ 23,396
Marketable securities	37,728	26,876
Accounts receivable	7,457	12,626
Prepaid expenses	620	618
Future income taxes recoverable	10,278	10,278
Other asset	1,215	-
	76,348	73,794
Capital assets		
	1,093	1,067
Acquired intangibles	74,838	76,823
Long-term receivable	1,734	1,734
Goodwill	-	1,786
Long-term assets held for sale	5,284	7,028
Future income taxes recoverable	21,201	24,468
	\$ 180,498	\$ 186,700
Current Liabilities		
Accounts payable and accrued liabilities	\$ 6,966	\$ 16,091
Deferred revenue	896	542
Mortgage payable	4,216	4,346
Current portion of other long-term liabilities	6,230	5,239
	18,308	26,218
Other long-term liabilities	32,518	38,313
	50,826	64,531
Shareholders' Equity (Note 2)		
Share capital	102,119	102,276
Contributed surplus	3,144	2,992
Retained earnings	23,194	16,901
Accumulated other comprehensive income	1,215	-
	129,672	122,169
	\$ 180,498	\$ 186,700

See accompanying Notes to the Consolidated Financial Statements

MOSAID TECHNOLOGIES INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands of Canadian dollars)
(Unaudited)

	Quarter Ended		Six Months Ended	
	October 31,		October 31,	
	2007	2006	2007	2006
Operating				
Income before discontinued operations	\$ 4,498	\$ 5,826	\$ 8,233	\$ 14,304
Items not affecting cash				
Amortization	2,431	507	4,750	726
Stock option expense	137	343	235	679
Future income tax recoverable	1,366	995	3,267	4,641
	8,432	7,671	16,485	20,350
Change in non-cash working capital items from continuing operations	(1,823)	(1,184)	(6,018)	(7,112)
	6,609	6,487	10,467	13,238
Investing				
Acquisition of capital assets and acquired intangibles	(3)	(16)	(2,667)	(13,550)
Acquisition of short-term marketable securities	(34,506)	(12,081)	(81,407)	(46,150)
Proceeds on disposal/maturity of short-term marketable securities	34,108	22,885	70,555	62,749
	(401)	10,788	(13,519)	3,049
Financing				
Repayment of mortgage	(65)	(61)	(130)	(120)
Long-term liabilities	(4,491)	2,667	(4,804)	12,233
Repurchase of shares	(4,501)	(8,084)	(4,501)	(9,997)
Dividends	(2,779)	(2,766)	(5,558)	(5,597)
Issue of common shares	176	327	1,926	791
	(11,660)	(7,917)	(13,067)	(2,690)
Net cash (outflow) inflow from continuing operations	(5,452)	9,358	(16,119)	13,597
Net cash inflow (outflow) from discontinued operations	(662)	(19)	11,773	(1,120)
Net cash (outflow) inflow	(6,114)	9,339	(4,346)	12,477
Cash and cash equivalents , beginning of period	25,164	18,680	23,396	15,542
Cash and cash equivalents , end of period	\$ 19,050	\$ 28,019	\$ 19,050	\$ 28,019

See accompanying Notes to the Consolidated Financial Statements

MOSAID TECHNOLOGIES INCORPORATED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(In thousands of Canadian dollars)
(Unaudited)

	Quarter Ended		Six Months Ended	
	October 31,		October 31,	
	2007	2006	2007	2006
Net income	\$ 4,734	\$ 4,715	\$ 14,269	\$ 11,372
Other Comprehensive Income, net of tax:				
Gains and losses on derivatives designated as cash flow hedges	871	-	1,657	-
Gains and losses on derivatives designated as cash flow hedges in prior periods transferred to net income in the current period	(276)	-	(442)	-
Change in gains and losses on derivatives as cash flow hedges	595	-	1,215	-
Comprehensive income	\$ 5,329	\$ 4,715	\$ 15,484	\$ 11,372

See accompanying Notes to the Consolidated Financial Statements

MOSAID TECHNOLOGIES INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Quarter ended October 31, 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 accounting principles (GAAP) for interim financial information. Accordingly, they do not include all of the information and notes required by GAAP 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, 2008.

The accounting policies used in preparing these interim financial statements are consistent with those used in preparing the annual financial statements, except as follows:

Comprehensive Income

The CICA issued section 1530 of the CICA Handbook, *Comprehensive Income*. The section is effective for fiscal years beginning on or after October 1, 2006. It describes how to report and disclose comprehensive income and its components.

Comprehensive income is the change in a company's net assets that results from transactions, events and circumstances from sources other than the company's shareholders. It includes items that would not normally be included in net earnings, such as:

- Changes in the currency translation adjustment relating to self-sustaining foreign operations; and
- Unrealized gains or losses on available-for-sale investments.

The CICA also made changes to section 3250 of the CICA Handbook, Surplus, and reissued it as section 3251, Equity. The section is also effective for fiscal years beginning on or after October 1, 2006. The changes in how to report and disclose equity and changes in equity are consistent with the new requirements of section 1530, *Comprehensive Income*.

Financial Instruments – Recognition and Measurement

The CICA issued section 3855 of the CICA Handbook, *Financial Instruments – Recognition and Measurement*. The section is effective for fiscal years beginning on or after October 1, 2006. It describes the standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. This section requires that:

- All financial assets be measured at fair value, with some exceptions such as loans and investments that are classified as held to maturity;
- All financial liabilities be measured at fair value if they are derivatives or classified as held for trading purposes. Other financial liabilities are measured at their carrying value; and
- All derivative financial instruments be measured at fair value, even when they are part of a hedging relationship.

The CICA has also reissued section 3860 of the CICA Handbook as section 3861, *Financial Instruments – Disclosure and Presentation*, which establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. These revisions come into effect for fiscal years beginning on or after October 1, 2006.

Hedges

The CICA issued section 3865 of the CICA Handbook, *Hedges*. The section is effective for fiscal years beginning on or after October 1, 2006, and describes when and how hedge accounting can be used.

Hedging is an activity used by a company to change an exposure to one or more risks by creating an offset between:

- Changes in the fair value of a hedged item and a hedging item;
- Changes in the cash flows attributable to a hedged item and a hedging item; or
- Changes resulting from a risk exposure relating to a hedged item and a hedging item.

Hedge accounting makes sure that all gains, losses, revenues and expenses from the derivative and the item it hedges are recorded in the statement of operations in the same period.

As a result of adopting the above, the Company has:

- Recorded its foreign exchange risk management derivatives at fair value as at the reporting date on the balance sheet as "Other assets;"
- Recorded the effective portion of its derivatives on the balance sheet in "Accumulated other comprehensive income;"
- Classified all of its cash equivalents and marketable securities as "Held-for-trading" and recorded those securities at their fair value as at the reporting date, with changes in fair value being recognized in income immediately;
- Classified its long-term liabilities as "Other liabilities," which are recorded at amortized cost using the effective interest method; and
- Reported comprehensive income and its components and accumulated other comprehensive income and its components in the Notes to the consolidated financial statements.

As a result of adoption of the above policies, there was no material impact on the Statement of Operations.

2. Shareholders' equity

The following are the changes in shareholders' equity for the six months ended October 31, 2007:

	Common shares (number)	Common shares (\$)	Contributed surplus (\$)	Retained earnings (\$)	Accumulated other comprehensive income (\$)	Total (\$)
Balance at April 30, 2007	11,055,376	\$102,276	\$2,992	\$16,901	\$ -	\$122,169
Net income	-	-	-	14,269	-	14,269
Dividends	-	-	-	(5,558)	-	(5,558)
Employee Stock Option Program	147,558	1,893	-	-	-	1,893
Employee Share Purchase Program	2,910	33	-	-	-	33
Stock-based compensation	-	-	152	-	-	152
Normal course issuer bid	(224,000)	(2,083)	-	(2,418)	-	(4,501)
Unrealized derivative gains on cash flow hedges - net	-	-	-	-	1,215	1,215
Balance at October 31, 2007	10,981,844	\$102,119	\$3,144	\$23,194	\$1,215	\$129,672

3. Net Interest Income

Net interest income comprises the following:

	Quarter Ended October 31,		Six Months Ended October 31,	
	2007	2006	2007	2006
Interest income	\$651	\$765	\$1,136	\$1,443
Interest expense	86	91	173	183
	\$565	\$674	\$ 963	\$1,260

4. Earnings per Share

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

	Quarter Ended October 31,		Six Months Ended October 31,	
	2007	2006	2007	2006
Income before discontinued operations	\$4,498	\$5,826	\$ 8,233	\$14,304
Discontinued operations (net of tax)	236	(1,111)	6,036	(2,932)
Net income	\$4,734	\$4,715	\$14,269	\$11,372
Weighted average number of common shares outstanding	11,125,423	11,053,768	11,118,138	11,174,697
Net effect of stock options	-	186,513	371,637	205,780
Weighted average diluted number of common shares outstanding	11,125,423	11,240,281	11,489,775	11,380,477
Earnings per share				
Basic – before discontinued operations	\$0.40	\$0.53	\$0.74	\$1.28
Diluted – before discontinued operations	\$0.40	\$0.52	\$0.72	\$1.26
Basic - net income	\$0.43	\$0.43	\$1.28	\$1.02
Diluted - net income	\$0.43	\$0.42	\$1.24	\$1.00

For the quarter ended October 31, 2007 and October 31, 2006, 289,456 and 15,000 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.

For the six months ended October 31, 2007 and October 31, 2006, 17,000 and 15,000 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 503,369 and 647,948 options issued and outstanding as at October 31, 2007 and October 31, 2006 respectively.

5. Discontinued operations

	Quarter Ended October 31,		Six Months Ended October 31,	
	2007	2006	2007	2006
Revenues	\$ (42)	\$4,753	\$ 340	\$ 8,626
Expenses				
Labour and materials	-	1,171	-	2,393
Research and development	(46)	3,529	1,400	7,023
Selling and marketing	(2)	1,628	1,006	3,330
Bad debts	-	-	-	88
Restructuring	12	-	166	-
	(36)	6,328	2,572	12,834
Loss from operations	(6)	(1,575)	(2,232)	(4,208)
(Loss) gain on sale of assets	(9)	-	9,295	-
(Loss) earnings before tax	(15)	(1,575)	7,063	(4,208)
Income tax (recovery) expense	(251)	(464)	1,027	(1,276)
Discontinued operations (net of tax)	\$ 236	\$(1,111)	\$6,036	\$(2,932)

6. Reconciliation of pro forma income with GAAP net income

	Quarter Ended October 31,		Six Months Ended October 31,	
	2007	2006	2007	2006
GAAP net income	\$4,734	\$4,715	\$14,269	\$11,372
Add (deduct):				
Stock-based compensation	137	169	235	318
Patent amortization and imputed interest	3,436	418	6,836	557
Restructuring	-	-	19	-
Discontinued operations (net of tax)	(236)	1,111	(6,036)	2,932
Foreign exchange gain	(4,740)	-	(6,418)	-
Income tax expense - for the above items	465	(258)	(199)	811
Pro forma income	\$3,796	\$6,155	\$ 8,706	\$15,990

7. Stock-based Compensation

The Company has an employee stock purchase plan program 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.

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 Compensation 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:

	Quarter Ended October 31,	
	2007	2006
Risk free interest rate	4.25%	3.95%
Expected life in years	5.5	5.5
Expected dividend yield	4.95%	3.7%
Volatility	58.37%	59.57%

For the quarter ended October 31, 2007, the Company issued 88,299 deferred share units in lieu of options to directors and officers of the Company under its Deferred Share Unit Plan. Those deferred share units vest evenly over a four year period. Deferred share units do not have an exercise price and can only be settled using cash consideration.

8. Business Segment Information

The Company operates in one business segment as a developer and licensor of semiconductor and communications technologies.