

MOSAID Technologies Incorporated
Unaudited Consolidated Financial Statements
For the Quarter Ended July 31, 2008

Notice required under National Instrument 51-102, "Continuous Disclosure Obligations" Part 3.3(3) (a).

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 OPERATIONS
 (In thousands of Canadian Dollars, except per share amounts)
 (Unaudited)

	Quarter ended July 31, 2008	Quarter ended July 31, 2007
Revenues	\$12,652	\$12,595
Operating expenses		
Patent portfolio management	1,123	962
Patent licensing and litigation	4,417	2,438
Research and development	567	492
General and administration	1,149	1,213
Foreign exchange (gain) loss	(61)	199
	7,195	5,304
Pro forma income from operations	5,457	7,291
Net interest income	522	398
Pro forma income before income tax	5,979	7,689
Income tax expense	1,973	2,779
Pro forma income (Note 6)	\$4,006	\$4,910
Pro forma earnings per share		
Basic	\$0.37	\$0.44
Diluted	\$0.37	\$0.44
Weighted average number of shares		
Basic	10,688,327	11,110,854
Diluted	10,725,212	11,240,124

See accompanying Notes to the Consolidated Financial Statements

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

	Quarter ended July 31, 2008	Quarter ended July 31, 2007
Revenues	\$12,652	\$12,595
Operating expenses		
Patent portfolio management	1,123	962
Patent licensing and litigation	4,417	2,438
Research and development	567	492
General and administration	1,149	1,213
Foreign exchange loss (gain)	518	(1,490)
Other	147	128
Patent amortization and imputed interest	3,260	3,400
	11,181	7,143
Income from operations	1,471	5,452
Net interest income	522	398
Income before income tax expense and discontinued operations	1,993	5,850
Income tax expense	801	2,115
Income before discontinued operations	1,192	3,735
Discontinued operations income (net of tax) (Note 5)	168	5,800
Net income	1,360	9,535
Dividends	2,684	2,779
Normal course issuer bid	1,378	-
Retained earnings, beginning of period	19,297	16,901
Retained earnings, end of period	\$16,595	\$23,657
Earnings per share (Note 4)		
Basic – before discontinued operations	\$0.11	\$0.34
Diluted – before discontinued operations	\$0.11	\$0.33
Basic – net earnings	\$0.13	\$0.86
Diluted – net earnings	\$0.13	\$0.85
Weighted average number of shares		
Basic	10,688,327	11,110,854
Diluted	10,725,212	11,240,124

See accompanying Notes to the Consolidated Financial Statements

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

	As at July 31, 2008 (unaudited)	As at April 30, 2008 (audited)
Current Assets		
Cash and cash equivalents	\$17,215	\$22,133
Marketable securities	41,814	36,246
Accounts receivable	7,032	12,304
Prepaid expenses	810	486
Future income taxes recoverable	11,015	11,015
	77,886	82,184
Capital assets	900	957
Acquired intangibles	69,067	70,130
Future income taxes recoverable	18,499	16,988
	\$166,352	\$170,259
Current Liabilities		
Accounts payable and accrued liabilities	\$7,401	\$7,723
Income tax payable	1,564	356
Deferred revenue	1,146	1,146
Other liability	327	318
Current portion of other long-term liabilities	6,062	5,345
	16,500	14,888
Deferred gain on sale-leaseback	1,595	1,797
Other long-term liabilities	30,724	31,195
	48,819	47,880
Shareholders' Equity		
Share capital (Note 3)	98,199	100,403
Contributed surplus	3,066	2,997
Retained earnings	16,595	19,297
Accumulated other comprehensive income	(327)	(318)
	117,533	122,379
	\$166,352	\$170,259

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, 2008	Quarter ended July 31, 2007
Operating		
Income before discontinued operations	\$1,192	\$3,735
Items not affecting cash		
Amortization	2,457	2,319
Stock-based compensation	147	98
Unrealized foreign exchange gain on other long-term liabilities	579	-
Future income tax recoverable	(1,511)	1,901
	2,864	8,053
Change in non-cash working capital items from continuing operations	6,123	(4,195)
	8,987	3,858
Investing		
Acquisition of capital assets and acquired intangibles	(1,337)	(2,664)
Acquisition of short-term marketable securities	(32,706)	(46,901)
Proceeds on disposal/maturity of short-term marketable securities	27,138	36,447
	(6,905)	(13,118)
Financing		
Repayment of mortgage	-	(65)
Long-term liabilities	(333)	(313)
Repurchase of shares	(3,818)	-
Dividends	(2,684)	(2,779)
Issue of common shares	143	1,750
	(6,692)	(1,407)
Net cash (outflow) from continuing operations	(4,610)	(10,667)
Net cash (outflow) inflow from discontinued operations	(308)	12,435
Net cash (outflow) inflow	(4,918)	1,768
Cash and cash equivalents, beginning of period	22,133	23,396
Cash and cash equivalents, end of period	\$17,215	\$25,164

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, 2008	Quarter ended July 31, 2007
Net income	\$1,360	\$9,535
Other comprehensive income, net of tax:		
Gains and losses on derivatives designated as cash flow hedges	(175)	-
Gains and losses on derivatives designated as cash flow hedges in prior periods transferred to revenue in the current period	166	-
Other comprehensive loss	(9)	-
Comprehensive income	\$1,351	\$9,535

See accompanying Notes to the Consolidated Financial Statements

MOSAID TECHNOLOGIES INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Quarter ended July 31, 2008

(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 (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, 2009.

2. Adoption of New Accounting Standards

Effective January 1, 2008 the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants.

Capital Management

Section 1535, Capital disclosures, requires the Company to disclose information about the Company's objectives, policies and procedures for the management of its capital.

Financial Instruments - Disclosures and Presentation

Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation replace section 3861, Financial Instruments - Disclosure and Presentation. These sections require the disclosure of information with regards to the significance of financial instruments for the Company's financial position and performance and the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and how the Company manages those risks.

Financial instrument classification is as follows:

Cash and marketable securities	Held-for-trading
Accounts receivable	Loans and receivables
Derivative assets and liabilities	Held-for-trading
Accounts payable and accrued liabilities	Held-for-trading
Income taxes payable	Held-for-trading
Long-term liabilities	Other liabilities

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

3. Shareholders' equity and other comprehensive income

The following are the changes in shareholders' equity for the quarter ended July 31, 2008:

	Common shares (number)	Common shares (\$)	Contributed surplus (\$)	Retained earnings (\$)	Accumulated other comprehensive income (\$)	Total (\$)
Balance at April 30, 2008	10,719,807	\$100,403	\$2,997	\$19,297	(\$318)	\$122,379
Net income				1,360		1,360
Dividends				(2,684)		(2,684)
Employee Stock Option Program	14,250	208	(93)			115
Employee Share Purchase Program	2,122	28	4			32
Stock-based compensation			158			158
Normal course issuer bid	(262,340)	(2,440)		(1,378)		(3,818)
Unrealized derivative gains on cash flow hedges – net					(9)	(9)
Balance at July 31, 2008	10,473,839	\$98,199	\$3,066	\$16,595	(\$327)	\$117,533

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,	
	2008	2007
(Loss) income before discontinued operations	\$1,192	\$3,735
Discontinued operations (net of tax)	168	5,800
Net (loss) income	\$1,360	\$9,535
Weighted average number of common shares outstanding	10,688,327	11,110,854
Net effect of stock options	36,885	129,270
Weighted average diluted number of common shares outstanding	10,725,212	11,240,124
Earnings per share		
Basic – before discontinued operations	\$0.11	\$0.34
Diluted – before discontinued operations	\$0.11	\$0.33
Basic - net income	\$0.13	\$0.86
Diluted - net income	\$0.13	\$0.85

For the quarter ended July 31, 2008 and July 31, 2007, 266,106 and 15,500 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 385,169 and 406,541 options issued and outstanding as at July 31, 2008 and July 31, 2007 respectively.

5. Discontinued operations

	Quarter Ended July 31,	
	2008	2007
Revenues	\$22	\$382
Expenses		
Labour and materials	-	1446
Research and development	-	1008
Bad debts	-	154
	-	2,608
Gain (loss) from operations	22	(2,226)
Gain on sale of assets	202	9,304
Earnings before tax	224	7,078
Income tax expense	56	1,278
Discontinued operations (net of tax)	\$168	\$5,800

6. Reconciliation of pro forma income with GAAP net income

	Quarter Ended July 31,	
	2008	2007
GAAP net (loss) income	\$1,360	\$9,535
Add (deduct):		
Stock-based compensation	147	98
Patent amortization and imputed interest	3,260	3,400
Restructuring	-	19
Foreign exchange loss (gain)	579	(1,678)
Income tax expense - for the above items	(1,172)	(664)
Discontinued operations (net of tax)	(168)	(5,800)
Pro forma income	\$4,006	\$4,910

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 closing market price on the trading day immediately preceding 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 Resources 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 July 31,	
	2008	2007
Risk free interest rate	3.17%	4.26%
Expected life in years	5.5	5.5
Expected dividend yield	6.72%	3.7%
Volatility	53.64%	56.33%

8. Financial Instruments

The Company has exposure to the following risks from its use of financial instruments: credit risk, market 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 credit 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. The Company's licensees are for, the most part, 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. At this time, Management does not believe there is a need for significant allowance for doubtful accounts.

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 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:

	July 31	April 30
	2008	2008
Cash	\$17,215	\$22,133
Marketable securities	41,814	36,246
Accounts receivable	7,032	12,304
Other liability	(327)	(318)
	\$65,734	\$70,365

The aging of accounts receivable at the reporting date was:

	July 31 2008	April 30 2008
Current	\$ 954	\$ 6,297
Past due (61 – 120 days)	-	-
Greater than 120 days	6,078	6,007
	\$7,032	\$12,304

Based upon historical default rates, the Company believes there are minimal requirements for an allowance for doubtful accounts.

Marketable securities comprise the following:

	July 31 2008	April 30 2008
Bonds & debentures	\$25,175	\$18,980
Greater than 90 days	16,639	17,266
	\$41,814	\$36,246

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, 2008 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 long-term other 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, 2008	
Type	Notional	Currency	Maturity	Equivalent to CDN dollars	Fair Value	
Sell	\$10,600	USD	< 3 months	\$10,577	\$(176)	
Buy	\$4,000	USD	< 3 months	\$4,117	(13)	
Sell	\$8,100	USD	3-12 months	\$8,079	(138)	
					<hr/> \$(327)	

(In thousands of dollars)					April 30, 2008	
Type	Notional	Currency	Maturity	Equivalent to CDN dollars	Fair Value	
Sell	\$6,400	USD	< 3 months	\$6,222	\$(141)	
Sell	\$18,700	USD	3-12 months	\$18,656	(123)	
Buy	\$4,000	USD	3-12 months	\$4,117	(54)	
					<hr/> \$(318)	

A one cent strengthening (weakening) of the U.S. dollar against the Canadian dollar would have decreased (increased) other comprehensive income by approximately \$219,000; Proforma income would have increased (decreased) by approximately \$22,000.

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 approximately a \$113,000 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, 2008, the Company had \$59.0 million of cash and marketable securities and has a secured bank credit facility of \$10.0 million, less off balance sheet arrangements as described in Note 24 to the fiscal 2008 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 premise 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.

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 leases	\$ 2,741	\$ 948	\$ 904	\$ 496	\$ 393
Other long-term obligations	\$49,234	\$7,693	\$14,360	\$11,796	\$15,385
Total contractual obligations	\$51,975	\$8,641	\$15,264	\$12,292	\$15,778

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.

9. 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 shareholder's 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.

10. Business Segment Information

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