



MOSAID Technologies Incorporated

MOSAID Announces First Quarter Results for Fiscal Year 2006

OTTAWA, Ontario – August 25, 2005 – MOSAID Technologies Incorporated (TSX:MSD) today announced financial results for the first quarter of fiscal 2006, ended July 31, 2005.

Revenues for the first quarter of fiscal year 2006 were \$14,233,000, an increase of 54% over the revenues of \$9,255,000 in the first quarter of fiscal year 2005. Net income for the quarter was \$4,433,000 or \$0.38 per diluted share, compared to a net income of \$92,000 or \$0.01 per diluted share a year ago.

“We are pleased with our results and operational achievements in the first quarter,” said George Cwynar, President and Chief Executive Officer of MOSAID. “Net income was higher than planned, primarily due to reduced litigation activity in the quarter, resulting in lower legal expenses than expected. Organizationally, we increased headcount to further bolster the breadth and strength of our patent licensing team. On the development side, our Systems and Semiconductor IP businesses made significant progress towards release of new products in the second half of this fiscal year. Finally, we continue to be active in selectively investigating acquisition opportunities that would contribute to our strategic plans to grow MOSAID.”

“During the quarter, we made our first, ever, quarterly dividend payment to shareholders, totaling approximately \$1.4 million,” said Richard Boadway, Executive Vice President and Chief Financial Officer. “Our cash balance has continued to grow, to stand at \$66.9 million in cash and marketable securities at the end of the quarter. The Company remains committed to our previously announced intent to buy shares under a normal course issuer bid but we have been precluded from doing so, to date.”

Operating Highlights

The Intellectual Property Division was highly profitable during the first quarter of fiscal year 2006, recording revenues of \$9,288,000, with a segment profit of \$5,936,000 or 64% of segment revenues.

Litigation Against Infineon Advances

On July 26 and 28, 2005, United States District Judge Davis issued orders establishing the schedule for the proceedings in MOSAID’s Texas patent case against Infineon Technologies. The Court also ordered mediation between the two parties to take place between January 6 and February 24, 2006. The Markman hearing is set to commence on April 6, 2006, and the jury trial is scheduled to begin on October 10, 2006.

On August 4, 2005, MOSAID filed an opposition to Infineon’s motion to transfer the Texas case to the Northern District of California.

Within the next week, MOSAID intends to file a motion in the Infineon California case requesting the Court to certify the District Court of New Jersey’s summary judgement ruling as being ready for appeal. If this motion is granted, MOSAID plans to immediately appeal the summary judgement ruling.

SIP Group Collaborates with World Leading Semiconductor Foundry, UMC

During the first quarter, MOSAID's SIP (Semiconductor Intellectual Property) group began to collaborate with UMC to develop comprehensive DDR/DDR2 SDRAM memory controller solutions for UMC's 90nm and 130nm processes. UMC has an extensive customer base of semiconductor companies and has identified their need for DDR/DDR2 SDRAM memory interface and controller SIP. MOSAID's solution for the 90nm UMC process is expected to be available to customers in the Fall of 2005, followed by the 130nm version in early 2006. MOSAID believes it is the only supplier offering a fully integrated memory interface and controller solution, incorporating hard and soft IP.

Systems Division on Track with Next Generation Tester Development

The Systems Division achieved healthy returns on the sale of its MS4205 and MS4205e^x test systems in the first quarter of fiscal year 2006, recording revenues of \$4,945,000, with a segment profit of \$786,000 or 16% of segment revenues. The Division continues to focus the majority of its development efforts on a next generation product, the first in a new line of testers targeting requirements for increased data width and pin count, larger bit-map capacity and more logic test capability. The first model in the new tester line is expected to be available in the second half of fiscal year 2006.

Guidance

Guidance for the Company's revenues in Q2 of fiscal year 2006 is \$15.5 to \$16.5 million and net earnings of \$3.7 to \$4.2 million. Revenues for fiscal year 2006 are forecast to range between \$58 to \$62 million and net earnings between \$13 to \$15 million. It is expected that approximately 70% of the fiscal 2006 revenues will stem from the Intellectual Property Division.

Conference Call and Webcast

*Management will hold a conference call and webcast on **Thursday, August 25, 2005 at 5:00 p.m. (EST)**. Participants wishing to access the conference call should dial 1-800-814-4859. The conference call will also be webcast live at www.mosaid.com and www.newswire.ca, and subsequently archived on MOSAID's web site. A rebroadcast of the conference call will be available until midnight on **Thursday, September 1, 2005**. To access the rebroadcast, please dial 1-877-289-8525 and enter the passcode 21133524#.*

About MOSAID

MOSAID Technologies Incorporated makes memory better through the development and licensing of intellectual property and the supply of memory test and analysis systems to semiconductor manufacturers, foundries and fabless semiconductor companies around the world.

Founded in 1975, MOSAID is based in Ottawa, Ontario, Canada, with offices in Santa Clara, California; Newcastle upon Tyne, U.K.; and Tokyo, Japan. For more information, visit the Company's web site at www.mosaid.com.

Forward Looking Information

This document may contain forward-looking statements relating to the Company's operations or to the environment in which the Company operates. Such statements are based on current expectations that are subject to a variety of risks and uncertainties that are difficult to predict and/or beyond MOSAID's control. Actual results may differ materially from those expressed in any forward-looking statements, due to factors such as customer demand and timing of purchasing decisions, product and business mix, competitive products, pricing pressures as well as general economic and industry conditions. MOSAID assumes no obligation to update these forward-looking statements, or to update the reasons why actual results could differ from those reflected in any forward-looking statements. Additional information identifying risks and uncertainties is contained in other public filings with the Ontario Securities Commission.

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MANAGEMENT'S DISCUSSION AND ANALYSIS,
FINANCIAL STATEMENTS AND NOTES TO FOLLOW

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

The following discussion and analysis 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, 2005 appearing elsewhere in this report. It should also be read in conjunction with the audited annual Consolidated Financial Statements and the Management's Discussion and Analysis (MD&A) included in the Company's most recent Annual Report for the fiscal year ended April 30, 2005. All dollar amounts are in Canadian dollars, except where otherwise indicated.

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 Audit Committee of the Board of Directors and subsequently by the full Board.

This document contains forward-looking statements relating to the Company's operations and to the environment in which the Company operates. Such statements are based on current expectations that are subject to a variety of risks and uncertainties that are difficult to predict and/or beyond MOSAID's control. Actual results may differ materially from those expressed in any forward-looking statements due to factors such as customer demand and timing of purchasing decisions, product or business mixes, competitive products, pricing pressures as well as general economic and industry conditions. MOSAID assumes no obligation to update these forward-looking statements, or to explain the reasons why actual results could differ from those reflected in any forward-looking statements. Additional information identifying risks and uncertainties is contained in other public filings with the Ontario Securities Commission.

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 quarterly results and is filed accordingly with SEDAR.

Overview

The Company reported revenues of \$14.2 million for the quarter ended July 31, 2005 ("Q1 fiscal 2006"), representing an increase of 54% from revenues of \$9.3 million for the quarter ended July 23, 2004 ("Q1 fiscal 2005"). The net income for Q1 fiscal 2006 was \$4.4 million or \$0.38 per diluted share, compared to a net income of \$92,000, or \$0.01 per diluted share, for the same quarter last year. The income before discontinued operations for Q1 fiscal 2006 was the same as the net income, compared to income before discontinued operations of \$72,000, or \$0.01 per diluted share for Q1 fiscal 2005.

Results of Operations

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

	Quarter ended			
	July 31, 2005		July 23, 2004	
	\$	%	\$	%
Revenues	14,233	100.0	9,255	100.0
Expenses				
Labour and materials	1,509	10.6	1,967	21.3
Research and development	2,118	14.9	1,846	19.9
Selling and marketing	2,389	16.8	4,321	46.7
General and administration	1,482	10.4	1,024	11.1
Bad debt	60	0.4	-	0.0
Total expenses	7,558	53.1	9,158	99.0
Income from operations	6,675	46.9	97	1.0
Net interest income	283	2.0	85	0.9
Income tax expense	2,525	17.7	110	1.2
Income before discontinued operations	4,433	31.1	72	0.8
Discontinued operations	-	0.0	20	0.2
Net income	4,433	31.1	92	1.0

MOSAID operates through the Intellectual Property and Systems Divisions, whose current segmented financial information is shown in Note 5 to the Q1 fiscal 2006 financial statements.

The IP Division's segment profit was \$5.9 million for Q1 fiscal 2006 compared to a segment loss of \$1.4 million for the same quarter in the previous year. The increased profit in Q1 fiscal 2006 when compared to the same quarter in the prior year was driven by increased revenues and decreased selling and marketing costs, partially offset by higher R&D expenses. The increased revenues are primarily the result of the patent licensing revenues from the licensing agreements with Samsung Electronics Co., Ltd. (Samsung) and Hynix Semiconductor Inc. (Hynix). The reduced selling and marketing expense resulted from reduced legal expense associated with patent litigation actions concerning the enforcement of MOSAID's intellectual property rights. Increased R&D expense reflects planned increased resources in the IP Division to better leverage its patent portfolio.

The Systems Division's segment profit was \$786,000 for the first quarter of fiscal 2006 compared to a profit of \$1.4 million for the same quarter last year. The reduced profit is a result of reduced revenues, partially offset by an associated reduction in labour and materials and selling and marketing expense.

REVENUES

	Quarter ended			
	July 31, 2005		July 23, 2004	
	\$	% of Total Revenues	\$	% of Total Revenues
IP Division	\$9,288	65	\$2,995	32
Systems Division	4,945	35	6,260	68
Revenues	\$14,233	100	\$9,255	100

As a result of patent licensing contracts signed during the second half of fiscal 2005, revenues in Q1 fiscal 2006 for the IP Division increased three-fold from Q1 fiscal 2005. Due to the signing of these licenses, revenues from the IP Division are expected to have a strong base for the foreseeable future.

Virtually all of the IP Division revenue during Q1 fiscal 2006 was comprised of revenue derived from patent licenses.

Systems Division revenues for Q1 fiscal 2006 were 21% lower than revenues for the same quarter in the previous year. The decline was principally due to product mix as the Division sold the same number of testers in both quarters.

The approximate geographic breakdown of operating revenues is as follows:

	Quarter ended	
	July 31, 2005	July 23, 2004
Korea	68%	31%
United States	8%	28%
Taiwan	14%	16%
Europe	3%	12%
Japan	0%	11%
Other	7%	2%

The Company markets its products and services globally. Revenues for the IP Division were reported from Korea, Taiwan, USA and Europe. Systems Division revenues were concentrated in Taiwan, Korea and the United States. Due to the low volume and high unit value of test equipment sales, and the nature of the patent licenses, the geographic distribution of revenues can significantly vary from quarter to quarter.

EXPENSES

Labour and Materials

(Dollar amounts in thousands)

	Quarter ended	
	July 31, 2005	July 23, 2004
Labour and Materials	\$1,509	\$1,967
As a percentage of total revenues	11%	21%
Decrease from same period last year	23%	

This category comprises the labour, materials and subcontract costs of assembling, integrating, testing and servicing the memory test systems.

The decrease as a percentage of revenues in Q1 fiscal 2006 was due to the lower percentage of total revenues generated by the Systems Division than in Q1 fiscal 2005. Compared to Q1 fiscal 2005, labour and materials as a percentage of Systems Division revenues remained consistent at 31%.

Research and Development (R&D)

(Dollar amounts in thousands)

	Quarter ended	
	July 31, 2005	July 23, 2004
Research and development	\$2,118	\$1,846
As a percentage of total revenues	15%	20%
Increase from same period last year	15%	

R&D, in absolute dollar terms, increased 15% in Q1 fiscal 2006 compared to Q1 fiscal 2005. The increase is due to the IP Division pursuing its strategy of expanding its capability to better leverage the Company's patent portfolio into increased revenue streams in the future.

Investment tax credits reduced gross R&D expenses by \$97,000 during Q1 fiscal 2006, compared to no reduction for the same quarter in the prior year.

Selling and Marketing (S&M)

(Dollar amounts in thousands)

	Quarter ended	
	July 31 2005	July 23, 2004
Selling and Marketing	\$2,389	\$4,321
As a percentage of total revenues	17%	47%
Decrease from same period last year	45%	

In Q1 fiscal 2006, the absolute level of S&M expense and the expense as a percentage of revenues declined significantly when compared to the same quarter in the prior year.

IP Division S&M expense declined due to the reduced litigation expenses associated with the patent infringement cases. During Q1 fiscal 2005, court cases against Samsung and Infineon were proceeding in New Jersey. The Samsung case was dismissed without costs and prejudice in January 2005 following an out-of-court settlement between the parties. Further, during Q1 fiscal 2006, the pace of the proceedings in the case against Infineon slowed awaiting the transfer of the file back to the Northern District of California. Finally, during Q1 fiscal 2006, the activity level in the case against Infineon in the Eastern District of Texas was just beginning to gain momentum.

The Company expects that litigation expense during subsequent quarters in fiscal 2006 will exceed the level recorded during Q1 fiscal 2006, although due to the nature of the expense, it may vary significantly from quarter-to-quarter.

Systems Division S&M expense declined due to lower divisional revenues and sales channel mix.

General and Administration (G&A)

(Dollar amounts in thousands)

	Quarter ended	
	July 31, 2005	July 23, 2004
General and Administration	\$1,482	\$1,024
As a percentage of total revenues	10%	11%
Increase from same period last year	45%	

While G&A expense increased 45% in absolute terms, quarter over quarter, as a percentage of revenues, G&A remained relatively constant.

The increase in the absolute amount was driven by foreign exchange and increased subcontract costs. A foreign exchange loss of \$84,000 was recorded in Q1 fiscal 2006, compared to a foreign exchange gain of \$66,000 in Q1 fiscal 2005. Increased governance costs were driven by new regulations governing public companies. Increased subcontract costs were due to legal and tax related work.

Net Interest Income

Interest income and interest expense amounted to \$380,000 and \$97,000, respectively, in Q1 fiscal 2006, compared to \$186,000 and \$101,000 in Q1 fiscal 2005. Interest income was higher, primarily due to higher cash balances.

Income Taxes

Income tax expense of \$2.5 million was recorded for Q1 fiscal 2006, compared to \$110,000 for Q1 fiscal 2005. The effective tax rate during Q1 fiscal 2006 was 36%. The amount recorded in Q1 fiscal 2005 represented only actual foreign withholding taxes as, at Q1 fiscal 2005, the Company had no reasonable basis for expecting a domestic income tax liability.

Liquidity and Capital Resources

In Q1 fiscal 2006, the Company generated a positive cashflow from operations of \$6.1 million, as compared to a positive cashflow of \$708,000 in Q1 fiscal 2005. Changes in non-cash working capital from continuing operations reduced cashflow by \$3.2 million in Q1 fiscal 2006, primarily due to the reduction of accounts payable and accrued liabilities, compared to an increase in cashflow of \$3.0 million in Q1 fiscal 2005. In Q1 fiscal 2006, the Company declared and paid a dividend of \$0.125 per common share. The total amount of the dividend was \$1,437,000.

In terms of other cashflow items:

Cash and short-term marketable securities

At the end of Q1 fiscal 2006, the Company had cash and short-term marketable securities of \$66.9 million, compared to \$65.9 million at the end of fiscal 2005. Working capital increased to \$79.9 million at the end of Q1 fiscal 2006, from \$75.6 million at the end of fiscal 2005. Management believes that the Company is well capitalized with sufficient working capital to fund current ongoing operations.

The Company continues to have a \$10,000,000 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 to \$6.2 million at the end of Q1 fiscal 2006, from \$5.6 million at the end of fiscal 2005, mainly due to the timing of sales.

Prepaid expenses

Prepaid expenses increased to \$896,000 at the end of Q1 fiscal 2006, from \$518,000 at the end of fiscal 2005, largely as a result of payments for EDA tool maintenance for the Semiconductor Intellectual Property licensing business, corporate insurance and municipal property tax.

Capital assets

During the first quarter of fiscal 2006, the Company's purchased \$475,000 of capital assets, primarily for Systems Division manufacturing and R&D equipment.

Future income taxes recoverable

At the end of Q1 fiscal 2006, the balance for future income taxes recoverable was \$39.2 million, compared with \$40.1 million at the end of fiscal 2005, reflecting the Company's view that this amount is more likely than not to be realized through its operations. During the quarter, \$97,000 of investment tax credits were recorded as an offset to R&D expense, and \$1.5 million of withholding taxes on international royalty income were added to the future income tax balance, offset by the tax expense during Q1 fiscal 2006 of \$2.5 million.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities decreased by \$1.7 million at the end of Q1 fiscal 2006, from \$5.3 million at the end of fiscal 2005, primarily due to the payment of accrued liabilities which came due.

Mortgage payable

A mortgage of \$6,000,000, at a fixed rate of 8.24% per annum and for a ten year term, was put in place in December 1997 to finance the Company's principal physical facility, which went into service at that time. The remaining principal amount at the end of Q1 fiscal 2006 was \$4.8 million, of which \$229,000 was due within 12 months. The cost of the land and building was \$8.0 million, less amortization of \$2.1 million, at the end of the quarter.

Summary of Quarterly Results

Shown in the following table is selected quarterly information, as prescribed by NI 51-102, for the Company for the past two fiscal years.

(in thousands of dollars, except per share amounts)	Q106	Q405	Q305	Q205	Q105	Q404	Q304	Q204
Net sales	\$14,233	\$16,542	\$16,897	\$7,049	\$9,255	\$8,799	\$7,398	\$7,092
Earnings (loss) before discontinued operations	\$4,433	\$4,316	\$34,106	(\$1,366)	\$72	\$302	\$262	(\$261)
Per share	\$0.39	\$0.38	\$3.05	(\$0.13)	\$0.01	\$0.03	\$0.03	(\$0.03)
Per diluted share	\$0.38	\$0.37	\$2.96	(\$0.13)	\$0.01	\$0.03	\$0.03	(\$0.03)
Net earnings (loss)	\$4,433	\$4,546	\$34,106	(\$1,159)	\$92	\$661	\$320	(\$6,175)
Per share	\$0.39	\$0.40	\$3.05	(\$0.11)	\$0.01	\$0.06	\$0.03	(\$0.60)
Per diluted share	\$0.38	\$0.39	\$2.96	(\$0.11)	\$0.01	\$0.06	\$0.03	(\$0.60)

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

Contractual Obligations	Payments Due by Period (in thousands of dollars)				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long term debt	\$4,760	\$229	\$4,530	\$0	\$0
Capital lease obligations	\$0	\$0	\$0	\$0	\$0
Operating leases	\$0	\$0	\$0	\$0	\$0
Purchase obligations	\$0	\$0	\$0	\$0	\$0
Other long term obligations	\$0	\$0	\$0	\$0	\$0
Total contractual obligations	\$4,760	\$229	\$4,530	\$0	\$0

Off Balance Sheet Arrangements

Off balance sheet arrangements are described in the notes to the annual financial statements. Note 16 describes the Company's foreign exchange forward contract commitments and Note 18 discloses the Company's guarantees and contingencies.

Transactions with Related Parties

One of the Directors, Ms. Deborah L. Weinstein, is a partner in a law firm that provides legal services to the Corporation and is considered related. The fees billed by LaBarge Weinstein in Q1 fiscal 2006 were \$33,000, compared to \$20,000 for the same quarter in the prior year.

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 our consolidated financial statements. The policies described in the Company's fiscal 2005 Annual MD&A are considered critical to our business operations and the understanding of our results of operations. The application of these and other accounting policies are described in Note 1 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.

Financial Instruments

The Company's use of financial instruments is largely limited to foreign exchange contracts, as described in Note 16 to the annual financial statements, and investment grade short-term marketable securities, as described in Note 2. At the end of Q1 fiscal 2006, the Company had committed with various financial institutions to sell US\$15.3 million at an average rate of 1.2147 by February 2006.

Outstanding Share Data

The Company has an unlimited authorized number of shares. At the end of Q1 fiscal 2006, the issued number of shares was 11,495,247. Under the Employee and Director Stock Option Plan, the Company may grant up to 1,017,668 options of which 685,167 were outstanding at the end of Q1 fiscal 2006.

Other MD&A Requirements

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

Business Risks and Uncertainties

As described in the "Risk Management" section included in the Company's annual MD&A for the year ended April 30, 2005, numerous factors could cause the Company's results to differ materially from those in forward-looking statements. These factors have not significantly changed in the first quarter of fiscal 2006.

Dated this 25th day of August, 2005.

MOSAID Technologies Incorporated
Unaudited Consolidated Financial Statements
For the three months ended July 31, 2005

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 Canadian Business Corporations Act)
CONSOLIDATED BALANCE SHEET
(In thousands)

	As at July 31, 2005 (unaudited)	As at April 30, 2005 (audited)
Current Assets		
Cash and cash equivalents	\$6,534	\$7,083
Marketable securities	60,339	58,781
Accounts receivable	6,202	5,636
Income taxes receivable	455	455
Inventories	2,325	2,203
Prepaid expenses	896	518
Future income taxes recoverable	8,228	8,228
	84,979	82,904
Capital Assets		
	9,441	9,418
Future Income Taxes Recoverable	30,934	31,885
	\$125,354	\$124,207
Current Liabilities		
Accounts payable and accrued liabilities	\$3,559	\$5,304
Deferred revenue	1,276	1,405
Mortgage payable	229	225
Other current liabilities	-	343
	5,064	7,277
Mortgage Payable	4,530	4,590
	9,594	11,867
Shareholders' Equity		
Share capital	103,009	102,820
Contributed surplus	1,592	1,357
Retained earnings	11,159	8,163
	115,760	112,340
	\$125,354	\$124,207

See accompanying Notes to the Consolidated Financial Statements

MOSAID TECHNOLOGIES INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

(In thousands, except per share amounts)
(unaudited)

	Quarter ended July 31, 2005	Quarter ended July 23, 2004
Revenues	\$14,233	\$9,255
Expenses		
Labour and materials	1,509	1,967
Research and development	2,118	1,846
Selling and marketing	2,389	4,321
General and administration	1,482	1,024
Bad debts	60	-
	7,558	9,158
Income from operations	6,675	97
Net interest income	283	85
Income before income tax expense and discontinued operations	6,958	182
Income tax expense	2,525	110
Income before discontinued operations	4,433	72
Discontinued operations (net of tax)	-	20
Net income	4,433	92
Dividends	1,437	-
Retained earnings (deficit), beginning of period	8,163	(29,422)
Retained earnings (deficit), end of period	\$11,159	\$(29,330)
Earnings per share		
Basic – before discontinued operations	\$0.39	\$0.01
Diluted – before discontinued operations	\$0.38	\$0.01
Basic – net earnings	\$0.39	\$0.01
Diluted – net earnings	\$0.38	\$0.01
Weighted average number of shares		
Basic	11,490,423	10,313,424
Diluted	11,660,773	10,313,424

See accompanying Notes to the Consolidated Financial Statements

MOSAID TECHNOLOGIES INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Quarter ended July 31, 2005	Quarter ended July 23, 2004
Operating		
Income before discontinued operations	\$4,433	\$72
Items not affecting cash		
Amortization	452	476
Stock option expense	235	160
Future income tax recoverable	951	-
	6,071	708
Change in non-cash working capital items from continuing operations	(3,221)	2,961
	2,850	3,669
Investing		
Acquisition of capital assets (net) from continuing operations	(475)	(191)
Acquisition of short-term marketable securities	(50,704)	(2,538)
Proceeds on disposal/maturity of short-term marketable securities	49,146	16,338
	(2,033)	13,609
Financing		
Repayment of mortgage	(56)	(50)
Repurchase of shares	-	(230)
Dividends	(1,437)	-
Issue of common shares	189	273
	(1,304)	(7)
Net cash (outflow) inflow from continuing operations	(487)	17,271
Net cash outflow from discontinued operations	(62)	(106)
Net cash (outflow) inflow	(549)	17,165
Cash and cash equivalents, beginning of period	7,083	9,021
Cash and cash equivalents, end of period	\$6,534	\$26,186

See accompanying Notes to the Consolidated Financial Statements

MOSAID TECHNOLOGIES INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Quarter ended July 31, 2005

(tabular dollar amounts in thousands, except per share amounts)

1. Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with Canadian generally 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, 2006.

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:

	Quarter ended July 31, 2005	Quarter ended July 23, 2004
Interest income	\$380	\$186
Interest expense	97	101
	\$283	\$85

3. 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, 2005	Quarter ended July 23, 2004
Income before discontinued operations	\$4,433	\$72
Discontinued operations (net of tax)	-	20
Net income	\$4,433	\$92
Weighted average number of common shares outstanding	11,490,423	10,313,424
Net effect of stock options	170,350	-
Weighted average diluted number of common shares outstanding	11,660,773	10,313,424
Earnings per share		
Basic - before discontinued operations	\$0.39	\$0.01
Diluted - before discontinued operations	\$0.38	\$0.01
Basic - net income	\$0.39	\$0.01
Diluted - net income	\$0.38	\$0.01

For the quarter ended July 31, 2005, 16,000 options were excluded from the calculation of diluted earnings per share as the exercise price of these option exceeded the average market price of the Company's common stock during this period and were therefore anti-dilutive.

For the quarter ended July 23, 2004, 486,741 options 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 685,167 and 996,995 options issued and outstanding as at July 31, 2005 and July 23, 2004 respectively.

4. 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 July 31, 2005	Quarter ended July 23, 2004
Risk free interest rate	3.41 %	4.1 %
Expected life in years	4.6	4.6
Expected dividend yield	2.4 %	-
Volatility	94.76 %	91.06 %

5. Business Segment Information

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

<i>Intellectual Property (IP):</i>	A developer and licensor of memory intellectual property.
<i>Systems:</i>	A supplier of engineering memory test and analysis systems to memory manufacturers, foundries and fabless chip companies around the world.

The significant accounting policies of the above segments are the same as those described in Note 1. Intersegment sales are recorded at cost. General and administrative costs are allocated to the operating segments based upon estimates of usage. The Company has not included net interest income, foreign exchange gains or losses, unusual items, gains or losses of long-term assets or income tax expense in the determination of operating segment profit.

Segment Information

(in thousands of dollars)

Quarter ended July 31, 2005	IP Division	Systems Division	Unallocated Amounts	Before Discontinued Operations	Discontinued Operations	Totals
Revenues	\$ 9,288	\$ 4,945	\$ -	\$ 14,233	\$ -	\$ 14,233
Segment profit (loss)	\$ 5,936	\$ 786	\$ (2,289)	\$ 4,433	\$ -	\$ 4,433
Segment capital assets	\$ 410	\$ 1,921	\$ 7,110	\$ 9,441	\$ -	\$ 9,441
Expenditures on segment assets	\$ 53	\$ 402	\$ 20	\$ 475	\$ -	\$ 475
Amortization and write-down of capital assets	\$ 83	\$ 232	\$ 137	\$ 452	\$ -	\$ 452

Quarter ended July 23, 2004	IP Division	Systems Division	Unallocated Amounts	Before Discontinued Operations	Discontinued Operations	Totals
Revenues	\$ 2,995	\$ 6,260	\$ -	\$ 9,255	\$ 20	\$ 9,275
Segment profit (loss)	\$ (1,406)	\$ 1,437	\$ 41	\$ 72	\$ 20	\$ 92
Segment capital assets	\$ 291	\$ 873	\$ 7,659	\$ 8,823	\$ -	\$ 8,823
Expenditures on segment assets	\$ 143	\$ 33	\$ 15	\$ 191	\$ -	\$ 191
Amortization and write-down of capital assets	\$ 90	\$ 235	\$ 151	\$ 476	\$ -	\$ 476