

Interim Report: **First Quarter**

for the quarter ended July 31, 2006



MOSAID Technologies Incorporated

FOR IMMEDIATE RELEASE

MOSAID Announces First Quarter Results for Fiscal 2007

*Revenue Jumps 61% Year-over-Year; Net Income Up 50%
MOSAID Breaks Into "Top Ten" List of Semiconductor IP (Intellectual Property) Companies*

OTTAWA, Ontario – August 24, 2006 – MOSAID Technologies Incorporated (TSX:MSD) today announced financial results for the first quarter of fiscal 2007, ended July 31, 2006.

Revenues for the first quarter of fiscal 2007 were \$23.0 million, up 61% from \$14.2 million in the first quarter of fiscal 2006. Revenues for the current quarter increased primarily due to the license with PortalPlayer, Inc. Net income for the first quarter rose 50% to \$6.7 million or \$0.58 per diluted share, from \$4.4 million or \$0.38 per diluted share in the first quarter of fiscal 2006. Net income for the first quarter was adversely impacted by an unusual income tax expense of \$1.0 million.

The Company's cash balance and marketable securities at the end of the first quarter totaled \$68.7 million, compared with \$71.3 million at the end of the fourth quarter of fiscal 2006. Working capital at the end of the first quarter was \$78.1 million, up from \$75.4 million at the end of the fourth quarter.

"The Company recorded an excellent first quarter, marked by the important licensing agreement with Infineon, improved bookings from our Semiconductor IP products group, and the revenue from PortalPlayer, which extends our patent reach beyond the DRAM and embedded DRAM markets," said George Cwynar, President and Chief Executive Officer, MOSAID. "Driven by our patent licensing franchise and the increasing traction of our Semiconductor IP group, we are establishing MOSAID as one of the world's premier intellectual property companies."

According to Gartner's annual ranking of companies that derive revenues from both Semiconductor IP circuit designs and patent licenses, in 2005, MOSAID ranked as the world's seventh largest Semiconductor IP company, up from #18 in 2004. (Gartner: *Market Share: Semiconductor Intellectual Property Worldwide, 2005*, May 2006.)

"We are firmly committed to our goal of balancing continued investment in the Company, to achieve our long-term growth and profitability objectives, with actions that provide direct returns to shareholders," said Richard Boadway, Executive Vice President and Chief Financial Officer, MOSAID. "In fiscal 2006, dividend payments to shareholders totaled \$7.5 million and we estimate that, based on the current quarterly dividend of \$0.25 per share, we will return approximately \$11.0 million to shareholders in fiscal 2007. In addition, through our normal course issuer bid, this year we intend to purchase up to 4% of MOSAID's outstanding common shares."

Operating Highlights

The Intellectual Property Division was highly profitable during the fiscal 2007 first quarter, recording revenue of \$19,952,000, with a segment profit of \$12,838,000 or 64% of segment revenues. During the quarter, the circuit design products developed by the Semiconductor IP group continued to gain traction with customers. Semiconductor IP bookings in the quarter resulted in the highest backlog since the acquisition of Virtual Silicon Technology, Inc.

As previously guided, results in MOSAID's Systems Division were affected by weaker customer demand and ongoing research and development costs, offset partially by lower labour, materials, and marketing expenses. Systems Division revenues were \$3,027,000, with a segment loss of \$1,108,000. The Company continues to invest in new product development to maintain and enhance its market position.

The Company also made two senior management appointments. Peter Gillingham, formerly Vice President and General Manager, Intellectual Property Division, was named to the new position of Vice President and Chief Technology Officer. Michael Kaskowitz, an industry veteran with 25 years of technology and management experience in the embedded processing, IP, and electronic design automation industries, was named to the new position of Senior Vice President, Semiconductor IP. Mr. Kaskowitz was formerly President of the VSI Alliance, the leading Semiconductor IP standards body, and before that, General Manager of Mentor Graphics' IP and embedded software divisions.

MOSAID Signs Infineon, Enters Into Litigation with Micron, Builds Patent Portfolio

On June 14, 2006, MOSAID announced the settlement of all patent litigation with Infineon Technologies AG, and that both Infineon and its memory products spin-off, Qimonda AG, had licensed the MOSAID patent portfolio for a six-year term. MOSAID also expanded its patent portfolio with the purchase of 50 patents from Infineon and Qimonda, broadening the Company's licensing reach beyond semiconductor memories into areas such as power management and semiconductor process technology.

On July 25, 2006, Micron Technology, Inc. filed a Complaint for Declaratory Judgment in the Northern District of California, San Jose Division, seeking a declaration of non-infringement and invalidity with respect to 14 of MOSAID's U.S. patents. The following day, MOSAID initiated litigation in the Eastern District of Texas, Marshall Division, against Micron, Powerchip Semiconductor Corporation and ProMOS Technologies for infringement of nine of its U.S. patents. MOSAID claims that Micron, Powerchip and ProMOS have infringed and are infringing MOSAID's patents in the U.S.

At the end of the first quarter, MOSAID's portfolio grew to 654 patents issued or pending, up from 584 at the end of the fourth quarter. Approximately 40% of MOSAID's patents relate to memory technology and 60% to other technology areas. The geographic distribution of the portfolio is 60% in North America, 20% in Asia-Pacific, and 20% in Europe.

MOSAID has 14 companies on notice for patent infringement and is currently in discussions with several of these companies.

Guidance

“I am very confident that we will deliver on our business plan for fiscal 2007,” said Mr. Cwynar. “Our patent licensing program continues to deliver excellent results, we are making good progress in the Semiconductor IP product group, and anticipate a recovery in the Systems Division in the second half.”

Guidance for the Company’s revenues in the second quarter of fiscal 2007 is \$20.0 million to \$21.0 million and for net earnings is \$4.5 million to \$5.0 million. Guidance for fiscal 2007 is unchanged, with revenues for fiscal 2007 forecast to range between \$83.0 million and \$88.0 million, with net earnings between \$21.0 million and \$23.0 million. The Company anticipates that approximately 80% of fiscal 2007 revenues will be generated by the Intellectual Property Division.

Conference Call and Webcast

*Management will hold a conference call and webcast on **Thursday, August 24, 2006 at 5:00 p.m. (EST)**. Participants wishing to access the conference call should dial 1-800-814-4941. 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, August 31, 2006**. To access the rebroadcast, please dial 1-877-289-8525 and enter passcode 21196030#.*

About MOSAID

MOSAID Technologies Incorporated makes semiconductors better through the development and licensing of intellectual property and the supply of memory test and analysis systems. MOSAID counts many of the world’s largest semiconductor companies among its customers. Founded in 1975, MOSAID is based in Ottawa, Ontario, with offices in Santa Clara, California; Newcastle upon Tyne, U.K; and Tokyo, Japan. For more information, visit www.mosaid.com.

Forward Looking Information

This document and certain other public documents incorporated by reference in this document contain forward-looking statements to the extent they relate to MOSAID or its management, including those identified by the expressions “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “will”, “would” and similar expressions. These forward-looking statements are not historical facts, but rather reflect MOSAID’s current expectations regarding future events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results, performance or achievements to differ materially from current expectations. Assumptions made in preparing forward-looking statements and financial guidance include, but are not limited to, the following: MOSAID’s continued expansion of its patent portfolio and of its opportunities for future patent licensing revenue as a result of MOSAID’s acquisition of patents and development of new inventions; DRAM manufacturers continuing to infringe MOSAID’s patents; the timing and amount of MOSAID’s litigation expenses; and MOSAID’s ability to sign new licensees.

Factors that could cause actual results to differ materially from expected results include, but are not limited to, the following: declines or unexpected variations in market growth rates for MOSAID’s products; the extent of embedded DRAM proliferation in the System-on-a-Chip markets; variability in customer deployment schedules from quarter to quarter; shifts in the mix of products sold; MOSAID’s ability to negotiate settlements with licensees; unfavourable legal rulings in MOSAID’s patent litigations; foreign currency fluctuations; non-payment by customers/licensees; failure to obtain valuable patents as a result of research and development activities, or to acquire valuable patents; loss of key employees; change in MOSAID’s financial position; obsolescence of products or inappropriate targeting to markets that fail to materialize; inability to transition to new technologies to meet customer demand; variations in average sales cycles; key component supply restrictions and/or cost increases; and critical industry transitions.

MOSAID assumes no obligation to update or revise any forward-looking statements. Additional information identifying risks and uncertainties affecting MOSAID's business and other factors that could cause MOSAID's financial results to fluctuate are contained in MOSAID's Annual Information Form, under the section entitled "Risk Factors", and in MOSAID's other public filings available online at www.sedar.com.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

This discussion and analysis is dated August 24, 2006. It should be read in conjunction with the unaudited Consolidated Financial Statements of MOSAID Technologies Incorporated ("MOSAID" or "the Company") for the quarter ended July 31, 2006 appearing elsewhere in this report. It should also be read in conjunction with the audited Consolidated Financial Statements and notes thereto for MOSAID for the fiscal year ended April 30, 2006, as well as with Management's Discussion and Analysis (MD&A) included in the Company's most recent Annual Report for the fiscal year ended April 30, 2006. Unless otherwise stated, all amounts are in Canadian dollars.

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

Forward-looking Information Statements in MD&A & Press Release

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

- MOSAID's continued expansion of its patent portfolio and of its opportunities for future patent licensing revenue as a result of MOSAID's acquisition of patents and development of new inventions;
- DRAM manufacturers continuing to infringe MOSAID's patents;
- The timing and amount of MOSAID's litigation expenses; and
- MOSAID's ability to sign new licensees.

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

- declines or unexpected variations in market growth rates for MOSAID's products;
- the extent of embedded DRAM proliferation in the System-on-a-Chip markets;
- variability in customer deployment schedules from quarter to quarter;
- shifts in the mix of products sold;
- MOSAID's ability to negotiate settlements with licensees;
- unfavourable legal rulings in MOSAID's patent litigations;
- foreign currency fluctuations;
- non-payment by customers/licensees;
- failure to obtain valuable patents as a result of research and development activities, or to acquire valuable patents;
- loss of key employees;

- change in MOSAID's financial position;
- obsolescence of products or inappropriate targeting to markets that fail to materialize;
- inability to transition to new technologies to meet customer demand;
- variations in average sales cycles;
- key component supply restrictions and/or cost increases; and
- critical industry transitions.

MOSAID assumes no obligation to update or revise any forward-looking statements. Additional information identifying risks and uncertainties affecting MOSAID's business and other factors that could cause MOSAID's financial results to fluctuate are contained in MOSAID's Annual Information Form, under the section entitled "Risk Factors", and in MOSAID's other public filings available online at www.sedar.com.

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 \$23.0 million for the quarter ended July 31, 2006 ("Q1 fiscal 2007"), representing an increase of 61% from revenues of \$14.2 million for the quarter ended July 31, 2005 ("Q1 fiscal 2006"). The net income for Q1 fiscal 2007 was \$6.7 million or \$0.58 per diluted share, compared to a net income of \$4.4 million, or \$0.38 per diluted share, for the same quarter last year.

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.

(Dollar amounts in thousands)	Quarter ended			
	July 31, 2006		July 31, 2005	
	\$	%	\$	%
Revenues	22,979	100	14,233	100
Expenses				
Labour and materials	1,223	5	1,509	11
Research and development	4,928	22	2,118	15
Selling and marketing	3,003	13	2,389	17
General and administration	2,146	10	1,482	10
Bad debt	83	0	60	0
Total expenses	11,383	50	7,558	53
Income from operations	11,596	50	6,675	47
Net interest income	586	3	283	2
Income tax expense	5,525	24	2,525	18
Income before discontinued operations	6,657	29	4,433	31
Discontinued operations	0	0	0	0
Net income	6,657	29	4,433	31

MOSAID operates through the Intellectual Property and Systems Divisions, whose current segmented financial information is shown in Note 6 to the Q1 fiscal 2007 financial statements.

The IP Division's segment profit was \$12.8 million for Q1 fiscal 2007, as compared to a segment profit of \$5.9 million for the same quarter in the previous year. The increased profit in Q1 fiscal 2007 when compared to the same quarter in the prior year was driven by increased revenues, offset by increased cost of sales, research and development, selling and marketing and administrative costs.

The Systems Division's segment loss of \$1.1 million for the first quarter of fiscal 2007 compared to a profit of \$786,000 million for the same quarter last year. The reduced profit is a result of reduced revenues and increased research and development costs, offset partially by reduced labour and materials expense and selling marketing expense.

REVENUES

(Dollar amounts in thousands)	Quarter ended			
	July 31, 2006		July 31, 2005	
		% of Total Revenues		% of Total Revenues
IP Division	19,952	87	9,288	65
Systems Division	3,027	13	4,945	35
Revenues	22,979	100	14,233	100

IP Division revenues, due in large part to revenues derived from patent licenses, more than doubled in Q1 fiscal 2007 as compared to Q1 fiscal 2006. The increase is primarily the result of the one-time amount of approximately \$8.9 million related to the patent sales and licensing arrangement with PortalPlayer, Inc. (PortalPlayer) and an on-going patent licensing arrangement with a major Taiwanese company. Further, revenues from the sale and licensing of Semiconductor IP products were significantly greater than those during the same period in the prior year due to the acquisition of Virtual Silicon Technology, Inc. (Virtual Silicon) and the growth in revenues from pre-existing product lines.

Systems Division revenues for Q1 fiscal 2007 were 39% lower than revenues for the same quarter in the previous year. The decline was due to lower unit sales as well as a lower average selling price in Q1 fiscal 2007 as compared to Q1 fiscal 2006. The lower unit sales were due to cyclical market decline and the lower average selling price was due to product mix.

The approximate geographic breakdown of operating revenues is as follows:

	Quarter ended	
	July 31, 2006	July 31, 2005
Korea	38%	68%
United States	40%	8%
Taiwan	18%	14%
Europe	0%	3%
Japan	1%	0%
China	1%	6%
Other	2%	1%

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)

	<u>Quarter ended</u>	
	<u>July 31, 2006</u>	<u>July 31, 2005</u>
Labour and Materials	\$1,223	\$1,509
As a percentage of total revenues	5%	11%
Decrease from same period last year	19%	

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 2007 was due to the lower percentage of total revenues generated by the Systems Division than in Q1 fiscal 2006. Labour and materials as a percentage of Systems Division revenues was 40% as compared to 31% in the same period in the prior year. The increased percentage is due primarily to lower average selling prices, due to product mix, for the testers sold during Q1 fiscal 2007 as compared to Q1 fiscal 2006. Management expects that labour and materials as a percentage of Systems Division revenues will trend downward over the balance of fiscal 2007.

Research and Development (R&D)

(Dollar amounts in thousands)

	<u>Quarter ended</u>	
	<u>July 31, 2006</u>	<u>July 31, 2005</u>
Research and development	\$4,928	\$2,118
As a percentage of total revenues	21%	15%
Increase from same period last year	133%	

R&D, in absolute dollar terms, increased 133% in Q1 fiscal 2007 compared to Q1 fiscal 2006. The increase is primarily due to increased development expenses related to the Semiconductor IP group, as a result of the acquisition of Virtual Silicon in Q2 fiscal 2006, and the IP Division expanding its resources to better leverage the Company's patent portfolio into increased future revenue streams. IP Division R&D increased 158%.

Systems Division R&D increased 66% during Q1 fiscal 2007 as compared to the same period in the prior year. The increase is due to the timing of the development of the Division's next generation tester family, which was initiated in Q3 fiscal 2006. Systems' R&D expenses include the development of highly portable software which supports the breadth of the Division's tester families.

Investment tax credits reduced gross R&D expenses by \$97,000 during Q1 fiscal 2007, compared to \$96,000 for the same quarter in the prior year.

Selling and Marketing (S&M)

(Dollar amounts in thousands)

	Quarter ended	
	July 31, 2006	July 31, 2005
Selling and Marketing	\$3,003	\$2,389
As a percentage of total revenues	13%	17%
Increase from same period last year	26%	

While S&M expenses increased 26% in absolute terms quarter over quarter, these expenses, as a percentage of revenues, declined significantly.

IP Division S&M expense increased 54% year over year due primarily to increased costs as a result of the acquisition of Virtual Silicon and additional resources to expand and better exploit the patent portfolio. Litigation expenses were essentially the same in Q1 fiscal 2007 as compared to Q1 fiscal 2006.

Management expects that litigation expense during subsequent quarters in fiscal 2007 will exceed the level recorded during Q1 fiscal 2007, although due to the nature of the expense, it may vary significantly from quarter to quarter. Selling and marketing costs related to the group formerly known as Virtual Silicon are expected to remain relatively flat during the rest of fiscal 2007 as compared to Q1 fiscal 2007. Selling and marketing costs associated with expanding the portfolio are expected to increase during the fiscal year driven by amortization associated with both recent and anticipated patent acquisitions during the rest of the fiscal year.

Systems Division S&M expense was slightly lower in Q1 fiscal 2007 as compared to the same period in the prior year. These costs are being managed with a view to anticipated future revenue streams.

General and Administration (G&A)

(Dollar amounts in thousands)

	Quarter ended	
	July 31, 2006	July 31, 2005
General and Administration	\$2,146	\$1,482
As a percentage of total revenues	10%	10%
Increase from same period last year	45%	

While G&A expense increased 45% in absolute terms quarter over quarter, the expense was unchanged as a percentage of revenues.

The increase in the absolute amount was driven primarily by staffing related costs and subcontract expenses. The Company expects this level of G&A expense to continue or moderate slightly throughout the remainder of fiscal 2007.

Net Interest Income

Interest income and interest expense amounted to \$678,000 and \$92,000, respectively in Q1 fiscal 2007, compared to \$380,000 and \$97,000 in Q1 fiscal 2006. Interest income was higher due to higher cash balances and higher interest rates.

Income Taxes

Income tax expense of \$5.5 million was recorded for Q1 fiscal 2007, compared to \$2.5 million for Q1 fiscal 2006. The \$5.5 million amount included a downward revaluation in the amount of \$995,000 related to the Company's future income tax recoverable asset. The revaluation is due to the reduction in Canadian federal income tax rates which are now considered to be "substantially enacted". The effective tax rate, after removing the impact of the revaluation, during Q1 fiscal 2007 was 37%, as compared to 36% for the same quarter in the prior year. The Company expects the effective tax rate to be approximately 37%-38% for the remainder of fiscal year 2007.

Liquidity and Capital Resources

In Q1 fiscal 2007, the Company generated a positive cashflow from operations of \$11.4 million, as compared to a positive cashflow of \$6.1 million in Q1 fiscal 2006. Changes in non-cash working capital reduced cashflow by \$5.4 million in Q1 fiscal 2007, primarily due to the reduction of accounts payable and accrued liabilities and a reduction in deferred revenue, compared to a decrease in cashflow of \$3.2 million in Q1 fiscal 2006. In Q1 fiscal 2007, the Company declared and paid a dividend of \$0.25 per common share or \$2,831,000, as compared to \$0.125 per common share or \$1,437,000 for the same quarter in the prior year. As part of the normal course issuer bid program, during Q1 fiscal 2007 the Company expended \$1.9 million to buy back and cancel common shares of the Company. During Q1 fiscal 2006, there were no such expenditures.

In terms of other cashflow items:

Cash and marketable securities

At the end of Q1 fiscal 2007, the Company had cash and marketable securities of \$66.7 million, compared to \$71.3 million at the end of fiscal 2006. Major contributing factors to the decline in cash and marketable securities are the payment of dividends totaling \$2.8 million to common shareholders and the repurchase and cancellation of common shares totaling \$1.9 million. Working capital increased to \$78.1 million at the end of Q1 fiscal 2007, from \$75.4 million at the end of fiscal 2006. 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 decreased to \$4.1 million at the end of Q1 fiscal 2007, from \$7.1 million at the end of fiscal 2006, mainly due to the timing of sales.

Inventories

Inventories increased to \$1.9 million at the end of Q1 fiscal 2007, compared to \$1.8 million at the end of fiscal 2006. The increase is due primarily to one-time purchases.

Prepaid expenses

Prepaid expenses increased to \$2.3 million at the end of Q1 fiscal 2007, from \$1.7 million at the end of fiscal 2006, largely as a result of payments for corporate insurance and for EDA tool maintenance for the engineering activities within the IP Division.

Capital assets and acquired intangibles

During the first quarter of fiscal 2007, the Company's purchased \$13.9 million of capital assets and intangibles, primarily patents from Infineon Technologies AG (Infineon) valued at US\$12.0 million. In addition to the patent purchase, the IP Division also expended approximately \$100,000 on EDA tools. The Systems Division purchased approximately \$267,000 for sales, customer support and R&D tools.

Future income taxes recoverable

At the end of Q1 fiscal 2007, the balance for Future Income Taxes Recoverable was \$35.7 million, compared with \$39.3 million at the end of fiscal 2006. During the quarter, \$96,000 of investment tax credits were recorded as an offset to R&D expense, and \$1.8 million of withholding taxes on international royalty income were added to the future income tax balance, offset by Canadian tax expense during Q1 fiscal 2007 of \$4.5 million and the revaluation of \$995,000 related to the substantial enactment of lower federal income tax rates.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities decreased by \$2.7 million during Q1 fiscal 2007, to \$5.0 million at the end of Q1 fiscal 2007 from \$7.7 million at the end of fiscal 2006, primarily due to the payment of accrued liabilities which came due.

Deferred revenue

Deferred revenue decreased by \$8.8 million during Q1 fiscal 2007, to \$1.7 million at the end of Q1 fiscal 2007 from \$10.5 million at the end of fiscal 2006, primarily related to the recognition of revenue related to the previously announced patent sale and licensing arrangement between the Company and PortalPlayer.

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 to finance the Company's principal physical facility, which went into service in December 1997. The remaining principal amount at the end of Q1 fiscal 2007 was \$4.5 million, of which \$249,000 was due within 12 months. The cost of the land and building was \$8.0 million, less amortization of \$2.4 million, at the end of the quarter.

Other long-term liabilities

As a result of the purchase of patents from Infineon, the Company has recorded a liability of \$13.6 million. Of this amount, \$4.0 million is due with 12 months. The purchase is described in Note 2 to the Consolidated Interim Q107 Notes to the Financial Statements.

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)	Q107	Q406	Q306	Q206	Q106	Q405	Q305	Q205
Net sales	\$22,979	\$16,872	\$16,541	\$16,253	\$14,233	\$16,542	\$16,897	\$7,049
Earnings (loss) before discontinued operations	\$6,657	\$3,135	\$3,623	\$4,292	\$4,433	\$4,316	\$34,106	(\$1,366)
Per share	\$0.59	\$0.28	\$0.32	\$0.37	\$0.39	\$0.38	\$3.05	(\$0.13)
Per diluted share	\$0.58	\$0.27	\$0.31	\$0.37	\$0.38	\$0.37	\$2.96	(\$0.13)
Net earnings (loss)	\$6,657	\$3,135	\$3,623	\$4,292	\$4,433	\$4,546	\$34,106	(\$1,159)
Per share	\$0.59	\$0.28	\$0.32	\$0.37	\$0.39	\$0.40	\$3.05	(\$0.11)
Per diluted share	\$0.58	\$0.27	\$0.31	\$0.37	\$0.38	\$0.39	\$2.96	(\$0.11)

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	\$4,531	\$249	\$4,282	\$0	\$0
Capital lease obligations	\$0	\$0	\$0	\$0	\$0
Operating leases	\$863	\$198	\$342	\$323	\$0
Purchase obligations	\$0	\$0	\$0	\$0	\$0
Other long term obligations	\$13,571	\$4,005	\$4,027	\$4,027	\$1,512
Total contractual	\$18,965	\$4,452	\$8,651	\$4,350	\$1,512

The other long term obligations represent the amounts due to Infineon as a result of the purchase of patents by the Company.

Off Balance Sheet Arrangements

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

Transactions with Related Parties

One of the Directors, Mr. Theodore E. Galanthay, is the acting Senior Vice President, Patent Licensing and General Counsel for the Company. During Q1 fiscal 2007 a company of which Mr. Galanthay is a principal was paid \$156,000 related to the performance of those services as compared to nil for the same period 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 2006 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 consolidated financial statements, and investment grade marketable securities, as described in Note 3 to the annual financial statements. At the end of Q1 fiscal 2007, the Company had committed with various financial institutions to sell US\$23.8 million at an average rate of 1.1434 by May, 2007.

Outstanding Share Data

The Company has an unlimited authorized number of shares. At the end of Q1 fiscal 2007, the issued number of shares was 11,247,943. Under the Employee and Director Stock Option Plan, the Company may grant up to 795,300 options of which 634,923 were outstanding at the end of Q1 fiscal 2007.

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, 2006, 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 2007.

Dated this 24th day of August, 2006.

MOSAID Technologies Incorporated
Unaudited Consolidated Financial Statements
For the three months ended July 31, 2006

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 BALANCE SHEETS
 (In thousands of Canadian Dollars)

	As at July 31, 2006 (unaudited)	As at April 30, 2006 (audited)
Current Assets		
Cash and cash equivalents	\$18,680	\$15,542
Marketable securities	49,993	55,788
Accounts receivable	4,123	7,113
Income taxes receivable	138	381
Inventories	1,947	1,779
Prepaid expenses	2,268	1,700
Future income taxes recoverable	11,910	11,910
	89,059	94,213
Capital assets		
	9,470	9,328
Acquired intangibles	18,388	5,385
Goodwill	1,786	1,786
Future income taxes recoverable	23,793	27,439
	\$142,496	\$138,151
Current Liabilities		
Accounts payable and accrued liabilities	\$4,965	\$7,653
Income taxes payable	-	381
Deferred revenue	1,734	10,545
Mortgage payable	249	244
Current portion of other long-term liabilities (Note 2)	4,005	-
	10,953	18,823
Mortgage Payable	4,282	4,346
Other long-term liabilities (Note 2)	9,566	-
	24,801	23,169
Shareholders' Equity		
Share capital	102,210	102,476
Contributed surplus	2,966	2,630
Retained earnings	12,519	9,876
	117,695	114,982
	\$142,496	\$138,151

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, 2006	Quarter ended July 31, 2005
Revenues	\$22,979	\$14,233
Expenses		
Labour and materials	1,223	1,509
Research and development	4,928	2,118
Selling and marketing	3,003	2,389
General and administration	2,146	1,482
Bad debts	83	60
	11,383	7,558
Income from operations	11,596	6,675
Net interest income	586	283
Income before income tax expense	12,182	6,958
Income tax expense	5,525	2,525
Net income	6,657	4,433
Dividends	2,831	1,437
Normal course issuer bid	1,183	-
Retained earnings, beginning of period	9,876	8,163
Retained earnings, end of period	\$12,519	\$11,159
Earnings per share		
Basic – net earnings	\$0.59	\$0.39
Diluted – net earnings	\$0.58	\$0.38
Weighted average number of shares		
Basic	11,295,626	11,490,423
Diluted	11,482,139	11,660,773

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, 2006	Quarter ended July 31, 2005
Operating		
Income before discontinued operations	\$6,657	\$4,433
Items not affecting cash		
Amortization	775	452
Stock option expense	336	235
Future income tax recoverable	3,646	951
	11,414	6,071
Change in non-cash working capital items from continuing operations	(5,378)	(3,221)
	6,036	2,850
Investing		
Acquisition of capital assets and acquired intangibles from continuing operations	(13,920)	(475)
Acquisition of short-term marketable securities	(34,069)	(50,704)
Proceeds on disposal/maturity of short-term marketable securities	39,864	49,146
	(8,125)	(2,033)
Financing		
Repayment of mortgage	(59)	(56)
Other long-term liabilities	9,566	-
Repurchase of shares	(1,913)	-
Dividends	(2,831)	(1,437)
Issue of common shares	464	189
	5,227	(1,304)
Net cash inflow (outflow) from continuing operations	3,138	(487)
Net cash (outflow) from discontinued operations	-	(62)
Net cash inflow (outflow)	3,138	(549)
Cash and cash equivalents, beginning of period	15,542	7,083
Cash and cash equivalents, end of period	\$18,680	\$6,534

See accompanying Notes to the Consolidated Financial Statements

MOSAID TECHNOLOGIES INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Quarter ended July 31, 2006

(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, 2006.

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

2. Other long-term liabilities

During Q1 fiscal 2007 the Company settled its patent litigations with Infineon Technologies AG (Infineon) and announced that both Infineon and its memory products spin-off, Qimonda AG (Qimonda), licensed the Company's patent portfolio.

Under the settlement terms, Infineon and Qimonda each receive a six-year license to the Company's entire patent portfolio. In addition, Infineon and Qimonda received a 'lives of the patents' license to the Company's patent families in dispute. Payments will be spread over the six-year term of the licenses. Under the terms of the settlement, financial details will be kept confidential.

The Company also purchased 50 patents from Infineon and Qimonda, ranked as one of the world's largest DRAM companies. The portfolio includes patents related to a range of technologies including DRAM memory, power management ICs, semiconductor process technology and digital radio applications. Payments by the Company for these patents will be spread over six years.

The amount on the Consolidated Balance Sheets represents amounts due by the Company as a result of the patents purchased by the Company, net of any current amounts due by Infineon and Qimonda as a result of the patent license arrangement with the Company.

3. Net Interest Income

Net interest income comprises the following:

	Quarter ended July 31, 2006	Quarter ended July 31, 2005
Interest income	\$678	\$380
Interest expense	92	97
	\$586	\$283

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, 2006	Quarter ended July 31, 2005
Net income	\$6,657	\$4,433
Weighted average number of common shares outstanding	11,295,626	11,490,423
Net effect of stock options	186,513	170,350
Weighted average diluted number of common shares outstanding	11,482,139	11,660,773
Earnings per share		
Basic - net income	\$0.59	\$0.39
Diluted - net income	\$0.58	\$0.38

For the quarter ended July 31, 2006, 11,000 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.

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 options exceeded the average market price of the Company's common stock during this period and were therefore anti-dilutive.

There were 634,923 and 687,167 options issued and outstanding as at July 31, 2006 and July 31, 2005 respectively.

5. 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:

