



FIRSTQUARTER

For the quarter ended July 31, 2009

INTERIM REPORT



MOSAID Technologies Incorporated

MOSAID Reports Results for First Quarter Fiscal 2010 and Dividend

Quarterly dividend of \$0.25 per share payable on October 8, 2009

OTTAWA, Ontario – August 27, 2009 – MOSAID Technologies Incorporated (TSX:MSD) today announced financial results for the first quarter of fiscal 2010, ended July 31, 2009.

- Q1 revenues of \$16.2 million, up 28% from \$12.7 million in Q1 fiscal 2009
- Q1 pro forma net income of \$6.6 million up 65% from \$4.0 million in Q1 fiscal 2009. Q1 pro forma EPS of \$0.65 per diluted share up 76% from \$0.37 in Q1 fiscal 2009
- Q1 GAAP net income of \$6.4 million or \$0.63 per diluted share, compared with \$1.4 million or \$0.13 per diluted share in Q1 fiscal 2009

“The substantial increase in Q1 revenues reflects the higher number of licensees contributing to quarterly revenues through both fixed payment and royalty based term licenses,” said John Lindgren, President and CEO, MOSAID. “This quarter, a key operational highlight was the introduction of an HLNAND™ silicon chip and memory module, demonstrating the importance of targeted R&D investment to our business model as an intellectual property development and licensing company. MOSAID’s objective is to drive market adoption of the HLNAND memory architecture and interface by licensing this innovative technology to third-party manufacturers.”

“MOSAID also filed suit against IBM Corporation for patent infringement,” said Lindgren. “While we prefer to reach negotiated settlements, the Company is determined to protect its intellectual property rights through the courts, when necessary.”

MOSAID had cash and marketable securities of \$52.4 million at the end of the first quarter of fiscal 2010, compared to \$51.8 million at the end of the fourth quarter of fiscal 2009. In Q1 fiscal 2010, MOSAID returned \$2.6 million to shareholders in quarterly dividend payments.

On August 27, 2009, MOSAID declared a quarterly dividend of \$0.25 per share. The dividend, which is an eligible dividend, is payable on October 8, 2009 to shareholders of record as of September 25, 2009.

A reconciliation of pro forma net income to Canadian generally accepted accounting principles (GAAP) net income is included in the Notes to the Financial Statements accompanying this press release.

First Quarter Operational Highlights

Semiconductor memory patent licensing: During the quarter, MOSAID granted a six-year patent license agreement to an unnamed fabless semiconductor memory company. Under the cross-licensing agreement, this company’s DRAM (Dynamic Random Access Memory) and embedded

DRAM products are licensed for a six-year term commencing August 2009. A series of fixed payments is due to MOSAID during that period. The licensee also transferred to MOSAID ownership of five United States patent families related to DRAM technology.

Innovation: MOSAID began sampling a HyperLink NAND (HLNAND) semiconductor chip and memory module. The devices target the emerging market for SCM (Storage Class Memory) technology, which involves replacing or augmenting rotating magnetic disk storage with solid state storage devices and systems. MOSAID showcased its two new devices – a 64Gb (gigabit) semiconductor chip and a 64GB (gigabyte) memory module – at the 2009 Flash Memory Summit in early August in California.

Patent litigation: MOSAID initiated litigation against IBM Corporation of Armonk, New York, for infringement of six of MOSAID's United States patents. In a complaint filed in the United States District Court of the District of Delaware, MOSAID claims that IBM has infringed and is infringing MOSAID's patents by making and selling microprocessor and Application Specific Integrated Circuit (ASIC) products which practice MOSAID's patents.

Patent portfolio development: MOSAID's portfolio comprised 1,788 patents and applications at the end of the first quarter of fiscal 2010, up 96% from 912 patents and applications one year ago.

Q2 and Fiscal 2010 Guidance

Management offers the following guidance for the second quarter of fiscal 2010:

- Q2 revenues of \$16.0 million to \$17.0 million
- Q2 pro forma net income of \$5.7 million to \$6.4 million, or \$0.55 to \$0.62 per diluted share, based on 10.4 million diluted shares

The Company is maintaining its previously announced guidance for fiscal 2010:

- Fiscal 2010 revenues in the range of \$65.0 million to \$67.0 million
- Fiscal 2010 pro forma net income of \$21.5 million to \$22.5 million, or \$2.07 to \$2.17 per diluted share, based on 10.4 million diluted shares

MOSAID's revenues result primarily from intellectual property agreements, which by their nature may actually close on dates other than those projected. MOSAID's priority and focus is on obtaining the best terms possible under its agreements, rather than on the particular timing of agreement closure. MOSAID's revenues depend upon, among other items, the continued ability of its licensees to pay amounts as they become due. The Company takes steps, including monitoring the creditworthiness of its licensees, in order to manage this risk.

Conference Call and Webcast

Management will hold a conference call and webcast on **Thursday, August 27, 2009 at 5:00 p.m. ET**. The webcast will be live at www.mosaid.com and may also be accessed by dialing 1-800-447-0521. The webcast will be available on mosaid.com for 90 days following the event.

About MOSAID

MOSAID Technologies Inc. is one of the world's leading intellectual property companies. MOSAID develops semiconductor memory technology and licenses patented intellectual property in the areas of semiconductors and telecommunications systems. MOSAID counts many of the world's

largest semiconductor companies among its licensees. Founded in 1975, MOSAID is based in Ottawa, Ontario.

Pro forma net income, a non-GAAP measure, is GAAP net income adjusted for stock-based compensation, patent amortization and imputed interest, foreign exchange gains and losses on “Other long-term liabilities,” and any other non-recurring items. The Company uses pro forma measures internally to evaluate and manage operating performance, and to forecast and plan. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers.

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,” “foresee,” “estimate,” “expect,” “intend,” “could,” “may,” “plan,” “will,” “would” and similar expressions. Similarly, statements in this document that describe MOSAID’s business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. 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 those in such forward-looking statements. 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 from third parties and from development of new inventions; DRAM manufacturers continuing to infringe MOSAID’s patents; the timing and amount of MOSAID’s litigation expenses; MOSAID’s ability to sign new patent licensees; current assumptions as to the identification of products that are unlicensed to MOSAID’s wireless patents; and the timing and amount of MOSAID’s Research & Development expenses.

Factors that could cause actual results to differ materially from expected results include, but are not limited to, the following: the extent of embedded DRAM proliferation in the System-on-a-Chip markets; legal rulings and/or regulatory investigations or complaints having an adverse impact on the validity, enforceability, potential royalty rates, and strength or breadth of coverage of MOSAID’s essential and/or nonessential patents (including, but not limited to, adverse results from litigation or proceedings in patent offices and government regulatory agencies in various countries around the world); judicial, legislative or regulatory changes that impair the ability of patent holders to earn licensing revenues; economic, social, and political conditions in the countries in which MOSAID or patent licensees operate, including security risks, health conditions, possible disruptions in transportation networks and fluctuations in foreign currency exchange rates; non-payment or delays in payment by, or insolvency of, licensees or other debtors; variability in patent licensees’ sales of licensed products, failure to maintain and enforce MOSAID’s existing patent portfolio, or failure to obtain valuable patents as a result of research and development activities, or failure to acquire valuable patents from third parties; MOSAID’s ability to recruit and retain skilled personnel; change in MOSAID’s financial position; consolidation of MOSAID’s licensees; natural events, such as severe weather and earthquakes in the locations in which MOSAID or patent licensees operate; and changes in the tax rate applicable to MOSAID as the result of changes in the tax law in the jurisdictions in which profits are determined to be earned and taxed, the outcome of tax audits and the ability to realize deferred tax assets.

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.

Investor and Media Inquiries

Michael Salter, Director, Investor Relations and Corporate Communications
613-599-9539 x1205
salter@mosaid.com

FINANCIAL STATEMENTS AND NOTES TO FOLLOW

MOSAID Technologies Incorporated
Unaudited Consolidated Financial Statements
For the Quarter Ended July 31, 2009

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

	Quarter ended July 31, 2009	Quarter ended July 31, 2008
Revenues	\$16,223	\$12,652
Operating expenses		
Patent portfolio management	1,711	1,123
Patent licensing and litigation	1,944	4,417
Research and development	811	567
General and administration	1,549	1,149
Foreign exchange loss (gain)	409	(61)
	6,424	7,195
Pro forma income from operations	9,799	5,457
Net interest income	119	522
Pro forma income before income tax	9,918	5,979
Income tax expense	3,273	1,973
Pro forma net income (Note 6)	\$6,645	\$4,006
Pro forma earnings per share		
Basic	\$0.65	\$0.37
Diluted	\$0.65	\$0.37
Weighted average number of shares		
Basic	10,215,130	10,688,327
Diluted	10,249,535	10,725,212

See accompanying Notes to the Consolidated Financial Statements

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

	Quarter ended July 31, 2009	Quarter ended July 31, 2008
Revenues	\$16,223	\$12,652
Operating expenses		
Patent portfolio management	1,711	1,123
Patent licensing and litigation	1,944	4,417
Research and development	811	567
General and administration	1,549	1,149
Foreign exchange (gain) loss	(2,469)	518
Other	238	147
Patent amortization and imputed interest	3,868	3,260
	7,652	11,181
Income from operations	8,571	1,471
Net interest income	119	522
Income before income tax expense and discontinued operations	8,690	1,993
Income tax expense	2,472	801
Income before discontinued operations	6,218	1,192
Discontinued operations income (net of tax) (Note 5)	236	168
Net income	6,454	1,360
Dividends	2,561	2,684
Normal course issuer bid	-	1,378
Retained earnings, beginning of period	11,607	19,297
Retained earnings, end of period	\$15,500	\$16,595
Earnings per share (Note 4)		
Basic – before discontinued operations	\$0.61	\$0.11
Diluted – before discontinued operations	\$0.61	\$0.11
Basic – net earnings	\$0.63	\$0.13
Diluted – net earnings	\$0.63	\$0.13
Weighted average number of shares		
Basic	10,215,130	10,688,327
Diluted	10,249,535	10,725,212

See accompanying Notes to the Consolidated Financial Statements

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

	As at July 31, 2009 (unaudited)	As at April 30, 2009 (audited)
Current Assets		
Cash and cash equivalents	\$51,702	\$32,899
Marketable securities	708	18,888
Accounts receivable	4,884	10,434
Prepaid expenses	826	759
Other asset	1,308	446
Future income taxes recoverable	11,519	11,519
	70,947	74,945
Capital assets	577	563
Acquired intangibles	76,485	79,402
Future income taxes recoverable	17,492	17,549
	\$165,501	\$172,459
Current Liabilities		
Accounts payable and accrued liabilities	\$5,768	\$6,341
Income tax payable	1,432	1,432
Deferred revenue	2,843	3,432
Current portion of other long-term liabilities	10,139	20,869
	20,182	32,074
Deferred gain on sale-leaseback	986	1,039
Other long-term liabilities	28,297	28,799
	49,465	61,912
Shareholders' Equity		
Share capital (Note 3)	95,577	94,741
Contributed surplus	3,651	3,753
Retained earnings	15,500	11,607
Accumulated other comprehensive income	1,308	446
	116,036	110,547
	\$165,501	\$172,459

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, 2009	Quarter ended July 31, 2008
Operating		
Income before discontinued operations	\$6,218	\$1,192
Items not affecting cash		
Amortization	3,014	2,457
Stock-based compensation	238	147
Unrealized foreign exchange (loss) gain on other long-term liabilities	(2,877)	579
Future income tax recoverable	57	(1,511)
	6,650	2,864
Change in non-cash working capital items from continuing operations	4,739	6,123
	11,389	8,987
Investing		
Acquisition of capital assets and acquired intangibles	(112)	(1,337)
Acquisition of short-term marketable securities	(316)	(32,706)
Proceeds on disposal/maturity of short-term marketable securities	18,496	27,138
	18,068	(6,905)
Financing		
Long-term liabilities	(8,356)	(333)
Repurchase of shares	-	(3,818)
Dividends	(2,561)	(2,684)
Issue of common shares	503	143
	(10,414)	(6,692)
Net cash (outflow) from continuing operations	19,043	(4,610)
Net cash (outflow) inflow from discontinued operations	(240)	(308)
Net cash (outflow) inflow	18,803	(4,918)
Cash and cash equivalents, beginning of period	32,899	22,133
Cash and cash equivalents, end of period	\$51,702	\$17,215
Supplementary Information:		
Cash on hand and bank balances	\$ 9,966	\$14,368
Short-term investments	41,736	2,847
Total cash and cash equivalents	\$51,702	\$17,215

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, 2009	Quarter ended July 31, 2008
Net income	\$6,454	\$1,360
Other comprehensive income, net of tax:		
Gains and losses on derivatives designated as cash flow hedges	1,248	(175)
Gains and losses on derivatives designated as cash flow hedges in prior periods transferred to revenue in the current period	(386)	166
Other comprehensive loss	862	(9)
Comprehensive income	\$7,316	\$1,351

See accompanying Notes to the Consolidated Financial Statements

MOSAID TECHNOLOGIES INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Quarters ended July 31, 2009 and 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, 2010.

2. Adoption of New Accounting Standards

Effective May 1, 2009 the Company adopted the following new accounting standard issued by the Canadian Institute of Chartered Accountants.

Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning May 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented companies. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062.

As a result of adoption of the above policy, there was no material impact on the Consolidated Statement of Income.

3. Shareholders' equity and other comprehensive income

The following are the changes in shareholders' equity for the three months ended July 31, 2009 and July 31, 2008:

	Common shares (number)	Common shares (\$)	Contributed surplus (\$)	Retained earnings (\$)	Accumulated other comprehensive income (\$)	Total (\$)
Balance at April 30, 2009	10,184,323	\$94,741	\$3,753	\$11,607	\$446	\$110,547
Net income				6,454		6,454
Dividends				(2,561)		(2,561)
Employee Stock Option Program	44,950	715	(355)			
Employee Share Purchase Program	17,964	121	15			
Stock-based compensation			238			
Unrealized derivative gains on cash flow hedges – net					862	862
Balance at July 31, 2009	10,247,237	\$95,577	\$3,651	\$15,500	\$1,308	\$116,036

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,	
	2009	2008
Income before discontinued operations	\$6,218	\$1,192
Discontinued operations (net of tax)	236	168
Net income	\$6,454	\$1,360
Weighted average number of common shares outstanding	10,215,130	10,688,327
Net effect of stock options	34,405	36,885
Weighted average diluted number of common shares outstanding	10,249,535	10,725,212
Earnings per share		
Basic – before discontinued operations	\$0.61	\$0.11
Diluted – before discontinued operations	\$0.61	\$0.11
Basic - net income	\$0.63	\$0.13
Diluted - net income	\$0.63	\$0.13

For the quarters ended July 31, 2009 and July 31, 2008, 259,606 and 266,106 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 519,645 and 385,169 options issued and outstanding as at July 31, 2009 and July 31, 2008, respectively.

5. Discontinued operations

	Quarter Ended July 31,	
	2009	2008
Revenues	\$ 18	\$ 22
Expenses	-	-
Gain from operations	18	22
Gain on sale of assets	333	202
Earnings before tax	351	224
Income tax expense	115	56
Discontinued operations (net of tax)	\$236	\$168

6. Reconciliation of pro forma net income with GAAP net income

	Quarter Ended July 31,	
	2009	2008
GAAP net income	\$6,454	\$1,360
Add (deduct):		
Stock-based compensation	238	147
Patent amortization and imputed interest	3,868	3,260
Foreign exchange (gain) loss	(2,877)	579
Income tax expense - for the above items	(802)	(1,172)
Discontinued operations (net of tax)	(236)	(168)
Pro forma net income	\$6,645	\$4,006

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. Directors are also eligible to participate in the Stock Purchase Plan.

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 and 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,	
	2009	2008
Risk free interest rate	0.36%	3.17%
Expected life in years	5.5	5.5
Expected dividend yield	6.97%	6.72%
Volatility	40.62%	53.64%

For the quarter ended July 31, 2009, the Company issued nil Deferred Share Units in lieu of options to directors and officers of the Company under its Deferred Share Unit Plan. Those deferred share units vest evenly over a four year period. Deferred share units do not have an exercise price and can only be settled using cash consideration.

The Company implemented a restricted share unit plan (“RSU Plan”) for certain employees in October 2008, and has granted 72,700 RSUs under the RSU Plan. The RSUs vest over three years. Under the RSU Plan, units are settled using common shares of the Company. During fiscal year 2009, the Company funded an independent trustee to purchase the required shares and to provide custodial services. The Company recognizes compensation expense, as measured by the purchase price of the shares, over the vesting period.

8. Financial Instruments

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk 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.

Many of the Company’s current licensees’ operations are focused in the semiconductor industry. The semiconductor industry, particularly the DRAM memory segment, has been suffering, for some time, from economic difficulties due to pricing pressure as a result of an oversupply of memory devices.

Due to the long-term nature of many of the Company’s licensing arrangements and the prolonged downturn in the semiconductor industry, in certain circumstances, the Company may not be able to obtain at reasonable cost credit insurance or other forms of credit risk mitigation instruments. A default of the remaining payments by one of the Company’s licensees could have a materially adverse impact on the Company’s future revenues, earnings, cash flow and financial position.

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, each 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, 2009	April 30, 2009
Cash	\$51,702	\$32,899
Marketable securities	708	18,888
Accounts receivable	4,884	10,434
Other asset	1,308	446
	\$58,602	\$62,667

The aging of accounts receivable at the reporting date was:

	July 31, 2009	April 30, 2009
Current	\$ 264	\$2,676
Past due	4,620	7,758
	\$4,884	\$10,434

Of the amount past due, a portion has been recognized as revenue as the Company expects to collect the amount under a credit insurance policy, and a portion has been recorded as deferred revenue as there is uncertainty regarding ultimate collection.

Marketable securities comprise the following:

	July 31, 2009	April 30, 2009
Bonds & debentures	\$ -	\$13,099
Discount notes	708	5,789
	\$708	\$18,888

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, 2009 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 other long-term 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, 2009	
Type	Notional	Currency	Maturity	Equivalent to CDN dollars	Fair Value	
Sell	\$10,575	USD	< 3 months	\$12,787	\$ 923	
Sell	\$15,775	USD	3-12 months	\$19,017	\$1,345	
Buy	\$ 5,000	USD	3-12 months	\$(6,114)	\$(484)	
Buy	\$ 5,000	USD	> 12 months	\$(6,093)	\$(476)	
					\$1,308	

(In thousands of dollars)					April 30, 2009	
Type	Notional	Currency	Maturity	Equivalent to CDN dollars	Fair Value	
Sell	\$ 8,500	USD	< 3 months	\$10,576	\$ 289	
Sell	\$18,600	USD	3-12 months	\$23,099	\$ 640	
Buy	\$ 5,000	USD	< 3 months	\$(6,328)	\$(240)	
Buy	\$ 5,000	USD	3-12 months	\$(6,114)	\$(117)	
Buy	\$ 5,000	USD	> 12 months	\$(6,093)	\$(126)	
					\$ 446	

A one cent strengthening (weakening) of the U.S. dollar against the Canadian dollar would have decreased (increased) other comprehensive income by approximately \$210,000; pro forma income would have increased (decreased) by approximately \$20,000.

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 an approximate \$64,000 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, 2009, the Company had \$52.4 million of cash and marketable securities and had a secured bank credit facility of \$10.0 million, less off balance sheet arrangements as described in Note 17 to the fiscal 2009 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 premises, 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	\$ 1,851	\$ 715	\$ 496	\$ 496	\$ 145
Other long-term obligations	\$48,758	\$11,913	\$15,265	\$10,790	\$10,790
Total contractual obligations	\$50,609	\$12,628	\$15,761	\$11,286	\$10,935

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 shareholders' 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 telecommunications technologies.

11. International Financial Reporting Standards

The Accounting Standards Board of Canada ("AcSB") plans to converge Canadian GAAP for publicly accountable enterprises with International Financial Reporting Standards ("IFRS") over a transition period that will end effective January 1, 2011 with the adoption of IFRS. The AcSB announced on February 13, 2008 that IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will convert to these new standards according to the timetable set with these new rules. The Company is currently in the process of developing a conversion implementation plan and assessing the impacts of the conversion on the consolidated financial statements and disclosures of the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

This discussion and analysis is dated August 26, 2009. 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, 2009. It should also be read in conjunction with the audited Consolidated Financial Statements and notes thereto for MOSAID for the year ended April 30, 2009, 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, 2009. 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

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 from third parties and from development of new inventions;
- semiconductor and telecommunications product vendors continuing to infringe MOSAID's patents;
- the timing and amount of MOSAID's litigation expenses;
- MOSAID's ability to sign new licensees;
- foreign exchange rates;
- current assumptions as to the identification of products that are unlicensed to MOSAID's patents; and
- the timing and amount of MOSAID's research and development (R&D) expenses.

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

- MOSAID's ability to negotiate settlements with licensees;
- legal rulings and/or regulatory investigations or complaints having an adverse impact on the validity, enforceability, potential royalty rates, and strength or breadth of coverage of MOSAID's essential and/or nonessential patents (including, but not limited to, adverse results from litigation or proceedings in patent offices and government regulatory agencies in various countries around the world);

- judicial, legislative or regulatory changes that impair the ability of patent holders to earn licensing revenues;
- worldwide economic conditions and demand for technology products;
- economic, social, and political conditions both globally and in the countries in which MOSAID or patent licensees operate, including conflict, war and, other security risks, health conditions, possible disruptions in transportation networks and fluctuations in foreign currency exchange rates;
- non-payment or delays in payment by or insolvency of licensees or other debtors;
- variability in patent licensees' sales of licensed products;
- failure to maintain and enforce MOSAID's existing patent portfolio, or failure to obtain valuable patents as a result of R&D activities, or failure to acquire valuable patents from third parties;
- MOSAID's ability to recruit and retain skilled personnel;
- change in MOSAID's financial position;
- consolidation of MOSAID's licensees;
- natural events, such as severe weather and earthquakes in the locations in which MOSAID or patent licensees operate; and
- changes in the tax rate applicable to MOSAID as the result of changes in the tax law in the jurisdictions in which profits are determined to be earned and taxed, the outcome of tax audits and the ability to realize deferred tax assets.

In this current volatile and uncertain economic environment, the Company has maintained or instituted practices to assist it in mitigating financial risk. These practices include, but are not limited to, the following:

The Company licenses its patents worldwide, providing geographic diversification for its revenue sources.

The Company has added patent portfolios that address more segments in the semiconductor and telecommunications industries. The addition of these portfolios has provided the Company with a many-fold increase in potential licensees operating in multi-billion dollar markets.

The Company utilizes a variety of payment structures in its licensing program. Fixed payment term agreements provide the Company with a relatively predictable base of regular cash flows, while running royalty agreements allow for upside revenue potential as market conditions improve. As well, on occasion, the Company will utilize a single payment model.

The Company typically utilizes term-based multi-year arrangements, which provide the Company with known licensing terms and conditions for the duration of its agreements, as well as an opportunity to adjust these terms and conditions as agreements expire and come due for renewal.

While many of the Company's existing and potential licensees are large multinational companies, the Company, nevertheless, monitors their financial position and operational results both prior to and during the term of the licensing agreements.

The Company utilizes credit insurance to protect certain of its assets when deemed appropriate by the Company and when available.

Due to the long-term nature of many of the Company's licensing arrangements and the prolonged downturn in the semiconductor and telecommunications industries, in certain circumstances, the

Company may not be able to obtain, at reasonable cost, credit insurance or other forms of credit risk mitigation instruments. A default of the remaining payments by one of the Company's major licensees could have a materially adverse impact on the Company's future revenues, earnings, cash flow and financial position.

The Company cautiously invests its surplus cash with the primary objective of protecting the capital. The Company does not invest in asset-based commercial paper and only invests in highly rated investment grade securities with maturities of 12 months or less, in order to reduce credit and interest rate risk.

When the Company acquires large dollar assets, primarily acquired intangibles, it attempts to negotiate payment terms spanning several years in order to better match the assets' expected cash inflows with the payments.

In some instances, the Company will not acquire the actual ownership of the intangible asset but will acquire all the benefits of ownership through an exclusive licensing arrangement. Often, these arrangements require relatively little cash outflow by the Company at the time of entering the arrangement. Further, the cost of sharing revenues with the owner of the patents occurs only at the time of monetization by the Company. This allows the Company to better match the inflows and outflows and reduces the Company's need for financing.

As many of the Company's revenues and expenses are denominated in currencies other than its reporting currency, for both economic and reporting purposes, the Company utilizes forward exchange contracts with highly credit worthy counter-parties, to help mitigate its foreign exchange risk. The Company does not use such instruments for speculative purposes.

Management believes the Company is sufficiently capitalized and that, if required, could obtain access to additional financing.

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.

Pro forma net income, which is not a generally accepted accounting principle (GAAP) measure, is GAAP net income adjusted for stock-based compensation, patent amortization and imputed interest, foreign exchange gains and losses on "other long-term liabilities," and other non-recurring items. The Company uses pro forma measures internally to evaluate and manage operating performance as well as to forecast and plan. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers.

It should also be noted that the Certification by MOSAID's CEO and CFO of Annual Filings, as prescribed by Form 52-109F1, is required in conjunction with the reporting of these annual results and is filed accordingly with SEDAR.

Results of Operations

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

	Quarter Ended July 31,	
	2009	2008
	%	%
Revenues	100	100
Expenses		
Patent portfolio management	11	9
Patent licensing and litigation	12	35
Research and development	5	4
General and administration	9	9
Foreign exchange (gain) loss	(15)	4
Other	1	1
Patent amortization and imputed interest	24	26
Operating expenses	47	88
Income from operations	53	12
Net interest income	1	4
Income tax expense	15	6
Income before discontinued operations	39	10
Discontinued operations (net of tax)	1	1
Net income	40	11

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

	Quarter Ended July 31,	
	2009	2008
	%	%
Revenues	100	100
Expenses		
Patent portfolio management	11	9
Patent licensing and litigation	12	35
Research and development	5	4
General and administration	9	9
Foreign exchange loss	3	-
Operating expenses	40	57
Pro forma income from operations	60	43
Net interest income	1	4
Income tax expense	20	15
Pro forma net income	41	32

Pro forma net income is reconciled to GAAP net income as follows:

(Dollar amounts in thousands)	Quarter Ended July 31,	
	2009	2008
GAAP net income	\$6,454	\$1,360
Add (deduct):		
Stock-based compensation	238	147
Patent amortization and imputed interest	3,868	3,260
Foreign exchange (gain) loss	(2,877)	579
Income tax expense – for the above items	(802)	(1,172)
Discontinued operations (net of tax)	(236)	(168)
Pro forma net income	\$6,645	\$4,006

MOSAID operates through one segment and division, the Intellectual Property Division.

REVENUES

(Dollar amounts in thousands)	Quarter Ended July 31,	
	2009	2008
Revenues	\$16,223	\$12,652

Revenues in Q1 fiscal 2010 increased by 28% as compared to Q1 fiscal 2009. The increase in Q1 fiscal 2010 revenues reflects the higher number of licensees contributing to quarterly revenues through fixed payment and royalty based term licenses, as well as the impact of a stronger U.S. dollar.

Revenues can vary significantly from quarter to quarter depending upon contractually determined timing of royalty reporting by licensees, the cyclical nature of the semiconductor industry, and foreign currency fluctuations.

The approximate geographic breakdown of operating revenues is as follows:

	Quarter Ended July 31,	
	2009	2008
	%	%
Asia Pacific	62%	63%
North America	13%	16%
Europe	25%	21%

The Company licenses its technology globally. Due to the nature of the patent licenses, the geographic distribution of revenues can significantly vary from quarter to quarter. The Company is economically dependent upon relatively few licensees. In Q1 fiscal 2010, one licensee accounted for 28% of revenues; other licensees accounted for 25%, 17% and 13% respectively. In Q1 fiscal 2009, one licensee accounted for 29% of revenues; other licensees accounted for 26% and 21% respectively.

EXPENSES

Patent portfolio management

(Dollar amounts in thousands)	Quarter Ended July 31,	
	2009	2008
Patent portfolio management	\$1,711	\$1,123
As a percentage of total revenues	11%	9%
Increase from same period last year	52%	

Patent portfolio management expense represents the cost of patent administration, including filing and maintaining patents and patent applications worldwide, identifying and assessing potential patents for acquisition and assessment of partnership opportunities with third party patent holders.

The increase in patent portfolio management expenses in absolute dollar terms and as percentage of revenues for the quarter, as compared to the same period last year, is due to increased subcontract costs as a result of a higher number of patents and patent applications and, increased patent acquisition activities. At the end of Q1 fiscal 2010, the Company had 1,788 patents and patent applications, as compared to 819 at the end of Q1 fiscal 2009.

Patent licensing and litigation

(Dollar amounts in thousands)	Quarter Ended July 31,	
	2009	2008
Patent licensing and litigation	\$1,944	\$4,417
As a percentage of total revenues	12%	35%
(Decrease) from same period last year	(56%)	

Patent licensing and litigation expense represents the cost of managing and conducting litigation actions, infringement-analysis-based reverse engineering costs undertaken by or on behalf of the Company to support licensing activities, revenue sharing costs associated with patent portfolios or patent rights acquired by the Company, and the cost of conducting licensing negotiations.

The decrease in patent licensing and litigation expense in both absolute dollar terms and as a percentage of revenue for fiscal 2010, as compared to the prior year, is due primarily to decreased litigation costs as a result of the litigation against Micron being settled during fiscal 2009, partially offset by higher licensing costs.

The Company expects patent licensing and litigation costs to increase in the near term as it continues the litigation against IBM, as announced on July 13, 2009.

Research and Development (R&D)

(Dollar amounts in thousands)	Quarter Ended July 31,	
	2009	2008
Research and development	\$811	\$567
As a percentage of total revenues	5%	4%
Increase from same period last year	43%	

R&D expense represents the cost, net of investment tax credits, of developing and promoting new technology or improving existing technology related to the business of the Company.

R&D, as a percentage of revenues and in absolute dollar terms, increased in Q1 fiscal 2010, compared to the prior year, due primarily to increased subcontract expenses related to the development of its Flash memory technology.

The Company expects R&D expense in fiscal 2010 to be in the \$3.0 to \$3.5 million range.

General and Administration (G&A)

(Dollar amounts in thousands)	Quarter Ended July 31,	
	2009	2008
General and administration	\$1,549	\$1,149
As a percentage of total revenues	9%	9%
Increase from same period last year	35%	

G&A expense represents the cost of corporate services, including executive management, finance, corporate legal, human resources, office administration, communications, public company cost and information technology.

The increase in G&A expense in absolute dollars in Q1 fiscal 2010, as compared to the same period in the prior year, is due primarily to headcount related costs.

The Company expects G&A to be in the range of 8% - 9% of revenues for fiscal 2010.

Foreign exchange (gain) loss (FX)

(Dollar amounts in thousands)	Quarter Ended July 31,	
	2009	2008
FX (gain) loss	(2,469)	\$518
As a percentage of total revenues	(15%)	4%

FX expense represents the cost, realized and unrealized, of unhedged transactions denominated in currencies other than the Company's reporting currency.

The FX gain under GAAP of \$2.5 million during Q1 fiscal 2010 and loss of \$0.5 million during Q1 fiscal 2009 were due primarily to the unrealized revaluation of the Company's U.S. dollar denominated other long-term liabilities related to acquired patents and exclusive licensing rights. Without this revaluation, the Company incurred an FX loss of \$409,000 or 3% of revenues for Q1 fiscal 2010, as compared to a gain of \$61,000 or 0.5% of revenues for the same period in the prior year.

Patent amortization and imputed interest

(Dollar amounts in thousands)

	Quarter Ended July 31,	
	2009	2008
Patent amortization and imputed interest	\$3,868	\$3,260
As a percentage of total revenues	24%	26%
Increase from same period last year	19%	

Patent amortization and imputed interest expense represents the amortization charge related to acquired patents or patents which the Company has exclusive licensing rights as a result of partnerships or similar business models with third parties, and the cost of imputed interest expense which results from discounting, for the time value of money, liabilities incurred for the purpose of acquiring patents, either outright or through partnership models.

The increase in patent amortization and imputed interest cost for Q1 fiscal 2010, as compared to Q1 fiscal 2009, in absolute dollar terms, is due primarily to the acquisition of patents late in fiscal 2009.

The Company expects the absolute dollar amount of patent amortization and imputed interest expense, a non-cash item, to be approximately 12% higher than in fiscal 2009, before any further acquisitions, due to the increased amortization relating to new patents acquired in fiscal 2009.

Income Taxes

GAAP income tax expense of \$2.5 million was recorded for Q1 fiscal 2010, compared to \$801,000 for Q1 fiscal 2009. The GAAP effective tax rate in Q1 fiscal 2010 was 28% as compared to 40% in Q1 fiscal 2009. The GAAP effective tax rate can vary significantly from period to period primarily due to the tax treatment of the foreign exchange gains or losses associated with the other long-term liabilities.

The Company expects the effective pro forma tax rate to be approximately 33% - 34% for the remainder of fiscal 2010.

Liquidity and Capital Resources

In Q1 fiscal 2010, the Company generated a positive cashflow from operations of \$6.7 million, as compared to a positive cashflow of \$2.9 million in Q1 fiscal 2009. Changes in non-cash working capital increased cashflow by \$4.7 million in Q1 fiscal 2010, as compared to an increase to cashflow of \$6.1 million in Q1 of fiscal 2009. In Q1 fiscal 2010 and Q1 fiscal 2009, the Company declared and paid a dividend of \$0.25 per common share or \$2.6 million and \$2.7 million respectively. During Q1 fiscal 2009, the Company expended \$3.8 million to repurchase and cancel 262,340 common shares of the Company through a normal course issuer bid program. No shares were repurchased in the same quarter for the current year.

In terms of other cashflow items:

Cash and marketable securities

At the end of Q1 fiscal 2010, the Company had cash and marketable securities of \$52.4 million, compared to \$51.8 million at the end of fiscal 2009. Working capital increased to \$50.8 million at the end of Q1 fiscal 2010 from \$42.9 million at the end of fiscal 2009. Management believes that

the Company is well capitalized with sufficient working capital to fund current ongoing operations.

The Company continues to have a \$10.0 million 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 by \$5.6 million during Q1 fiscal 2010, from \$10.4 million at the end of fiscal 2009 to \$4.9 million at the end of Q1 fiscal 2010, mainly due to the collection of overdue receivables.

Acquired Intangibles

The net book value of acquired intangibles decreased by \$2.9 million during Q1 fiscal 2010. The decrease is due to patent amortization of \$2.9 million.

Future income taxes recoverable

At the end of Q1 fiscal 2010, the balance for future income taxes recoverable was \$29.0 million, compared with \$29.1 million at the end of fiscal 2009. The change in balance during Q1 fiscal 2010 was due to \$50,000 of investment tax credits recorded as an offset to R&D expense, \$1.1 million of withholding taxes on international royalty income and a reclassification of \$1.4 million, related to the harmonization of Canadian Federal and Ontario provincial corporate income tax regimes, from a reduction of future income taxes recoverable to income taxes payable. These amounts were partially offset by Canadian tax expense during Q1 fiscal 2010 of \$2.5 million.

Income Taxes Payable

There was no change in income taxes payable during Q1 fiscal year 2010. The amount represents the current portion of harmonization of Federal and Ontario corporate income tax regimes.

Other long-term liabilities

As a result of the purchase of patents from Infineon Technologies AG (Infineon), Agere Systems Inc. (Agere) and Micron Technologies, the Company has recorded a liability of \$38.4 million, representing the discounted value of the anticipated future cash outflows. Of this amount, \$10.1 million is due within 12 months. The debts are denominated in U.S. dollars and can vary significantly from quarter to quarter due to fluctuations in foreign exchange markets.

Summary of Quarterly Results

(in thousands of dollars, except per share amounts)	Q110	Q409	Q309	Q209	Q109	Q408	Q308	Q208
Revenues	\$16,223	\$18,036	\$18,055	\$ 13,795	\$12,652	\$16,959	\$ 13,992	\$11,526
Earnings (loss) before discontinued operations	\$ 6,218	\$ 5,475	\$ 2,145	\$(3,996)	\$ 1,192	\$ 3,913	\$(1,291)	\$ 4,498
Per share	\$0.61	\$0.54	\$0.21	\$(0.39)	\$0.11	\$0.36	\$(0.12)	\$0.40
Per diluted share	\$0.61	\$0.54	\$0.21	\$(0.39)	\$0.11	\$0.36	\$(0.12)	\$0.40
Net earnings (loss)	\$ 6,454	\$ 5,621	\$ 2,291	\$(3,427)	\$ 1,360	\$ 5,425	\$(1,220)	\$ 4,734
Per share	\$0.63	\$0.55	\$0.23	\$(0.33)	\$0.13	\$0.51	\$(0.11)	\$0.43
Per diluted share	\$0.63	\$0.55	\$0.23	\$(0.33)	\$0.13	\$0.50	\$(0.11)	\$0.43

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

	Payments Due by Period (in thousands of dollars)				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Contractual Obligations					
Operation leases	\$ 1,851	\$ 715	\$ 496	\$ 496	\$ 145
Other long-term obligations	\$48,758	\$11,913	\$15,265	\$10,790	\$10,790
Total contractual obligations	\$50,609	\$12,628	\$15,761	\$11,286	\$10,935

The contractual obligations are other long-term obligations representing the undiscounted amounts due to Infineon, Agere, and Micron as a result of patent purchases by the Company.

The Company entered into a seven year operating lease expiring in March 2015. As part of the sale and leaseback transaction, the Company expects to recover \$650,000 in fiscal 2010 from sublet payments.

Off Balance Sheet Arrangements

Off balance sheet arrangements are described in the notes to the annual financial statements. Note 24 to the annual financial statements discloses the Company's guarantees and contingencies.

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 the Company's consolidated financial statements. The policies described in the Company's fiscal 2009 annual MD&A are considered critical to the Company's business operations and the understanding of its 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.

Critical Accounting Policies

The accounting policies used in preparing these interim financial statements are consistent with those used in preparing the fiscal 2009 annual financial statements except as noted in Note 2 to the interim financial statements for the period ended July 31, 2009.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares. At the end of Q1 fiscal 2010, there were 10,215,130 common shares issued and outstanding. At July 31, 2009, the Company may grant up to 751,655 options, under the Employee and Director Stock Option Plan, of which 519,645 have been granted and are outstanding.

International Financial Reporting Standards

The Accounting Standards Board of Canada (AcSB) plans to converge Canadian GAAP for publicly accountable enterprises with International Financial Reporting Standards (IFRS) over a transition period that will end effective January 1, 2011 with the adoption of IFRS. The AcSB announced on February 13, 2008 that IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Starting with the first quarter of fiscal 2012, the Company will provide unaudited consolidated financial information in accordance with IFRS, including comparative figures for fiscal 2011.

The Company has completed a preliminary assessment of the accounting and reporting differences under IFRS as compared to Canadian GAAP. However, management has not yet finalized its determination of the impact of these differences on the consolidated financial statements. As this assessment is finalized, the Company intends to disclose such impacts in its future consolidated financial statements.

In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period and, as a result the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable at the conversion date are known.

Updated Guidance

Updated guidance provided by Management may be found in the Company's press release entitled "MOSAID Reports Results for First Quarter for Fiscal 2010 and Dividend" dated August 27, 2009.

Other MD&A Requirements

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

Business Risks and Uncertainties

As described in the “Risk Factors” section included in the Company’s annual MD&A for the year ended April 30, 2009, numerous factors could cause the Company’s results to differ materially from those in forward-looking statements. These factors did not change significantly in the first quarter of fiscal 2010.

Dated this 26th day of August, 2009.