

# MOS AID

**THIRDQUARTER**

For the quarter ended January 31, 2010

**INTERIM REPORT**



**MOSAID Technologies Incorporated**

## **MOSAID Reports Results for Third Quarter Fiscal 2010 and Dividend**

*Quarterly dividend of \$0.25 per share payable on April 19, 2010*

**OTTAWA, Ontario** – March 3, 2010 – MOSAID Technologies Incorporated (TSX:MSD) today announced financial results for the third quarter of fiscal 2010, ended January 31, 2010.

- Q3 revenues of \$17.7 million exceeded guidance. Revenues in Q3 fiscal 2009 were \$18.1 million
- Q3 pro forma net income of \$7.3 million exceeded guidance and was up 36% from \$5.3 million in Q3 fiscal 2009. Q3 pro forma earnings per share (EPS) of \$0.70 per diluted share were up 32% from \$0.53 in Q3 fiscal 2009
- Q3 GAAP net income was \$2.2 million or \$0.21 per diluted share, compared with \$2.3 million or \$0.23 per diluted share in Q3 fiscal 2009

“This has been an outstanding period for the Company both operationally and financially,” said John Lindgren, President and CEO, MOSAID. “The landmark semiconductor licensing deal we announced in January with Samsung helps secure our current revenue stream for many years, significantly strengthens our patent portfolio, and offers new R&D opportunities. Also, the wireless patent license agreements we signed recently with Samsung and Sony demonstrates our continued success in licensing MOSAID’s wireless patents into multiple markets – mobile handsets, notebook computers, wireless infrastructure and now, gaming consoles.”

“The financial impact of meeting these key operational targets has been positive and significant,” said Lindgren. “Concurrent with the Samsung semiconductor deal, MOSAID raised guidance for annual revenues and pro forma net income. Subsequent to quarter end, we announced a bought deal financing, with gross proceeds of \$31.1 million to be used primarily for strategic patent acquisitions that will assist in driving future growth.”

MOSAID had cash and marketable securities of \$70.2 million at the end of the third quarter of fiscal 2010, compared to \$55.2 million at the end of the second quarter of fiscal 2010. In Q3 fiscal 2010, MOSAID returned \$2.6 million to shareholders in quarterly dividend payments.

On March 3, 2010, MOSAID declared a quarterly dividend of \$0.25 per share. The dividend, which is an eligible dividend, is payable on April 19, 2010 to shareholders of record as of April 7, 2010.

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

## Third Quarter Operational Highlights

**Semiconductor patent licensing:** MOSAID announced a comprehensive arrangement with Samsung Electronics Co. Ltd., comprised of a patent license agreement, a patent purchase agreement, and a Memorandum of Understanding (MOU). Under the terms of the semiconductor patent license agreement, Samsung has licensed MOSAID memory and microcomponent patents, and will make a series of fixed payments to MOSAID. Under the patent purchase agreement, MOSAID has purchased from Samsung a significant number of semiconductor patents, and will make a series of fixed payments to Samsung in 2014. Under the MOU, Samsung and MOSAID will explore the potential joint development of a new high-performance NAND Flash device incorporating MOSAID's HLNAND™ memory technology.

**Wireless patent licensing:** MOSAID signed three wireless patent license agreements during the third quarter. MOSAID signed a fixed-payment term license agreement with Samsung Electronics Co., Ltd., covering products sold globally by Samsung, including Wi-Fi enabled mobile handsets, notebook computers, and system-level communications products. MOSAID also entered into a fixed-payment term license with Sony Corporation, covering all Sony Wi-Fi enabled products. In addition, MOSAID signed a five-year, royalty bearing wireless patent license agreement with an unnamed, U.S.-based telecommunications equipment provider. With these three deals, MOSAID has now signed 13 wireless patent license agreements.

**Equity offering:** Subsequent to quarter end, on February 23, 2010, MOSAID announced the completion of a previously announced bought deal financing, which resulted in the sale of 1,437,500 common shares, for gross proceeds to the Company of \$31,211,875. Proceeds of the offering will be used to fund patent acquisitions and for general corporate purposes.

**Patent portfolio development:** MOSAID had 1,915 patents and applications at the end of the Q3 fiscal 2010, up 37% from 1,397 patents and applications one year ago. Subsequent to quarter end, MOSAID purchased a portfolio of Power Control and Memory Management patents from Allied Security Trust of New Jersey. The portfolio consists of five U.S. patents and foreign counterparts. MOSAID received full title to the portfolio for an undisclosed non-material amount, paid immediately. Licensing revenues are not subject to revenue sharing arrangements with the seller. The primary licensing markets for the patents, which teach fundamental concepts in Power Control and Memory Management, are microprocessors, Graphic Processing Units (GPUs) and Digital Signal Processors (DSPs).

## Q4 and Fiscal 2010 Guidance

Management offers the following guidance for the fourth quarter and full year fiscal 2010:

- Q4 revenues of \$17.5 million to \$18.5 million
- Q4 pro forma net income of \$5.7 million to \$6.5 million, or \$0.49 to \$0.56 per diluted share, based on 11.7 million diluted shares
- Fiscal 2010 revenues in the range of \$68.0 million to \$70.0 million
- Fiscal 2010 pro forma net income of \$27.5 million to \$28.5 million, or \$2.55 to \$2.64 per diluted share, based on 10.8 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 **Wednesday, March 3, 2010 at 5:00 p.m. ET.** The webcast will be live at [www.mosaid.com](http://www.mosaid.com) and may also be accessed by dialing 1-800-954-0627. The webcast will be available on [mosaid.com](http://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," "could," "estimate," "expect," "foresee," "intend," "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; 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 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: MOSAID's ability to negotiate settlements with licensees; legal rulings and/or regulatory investigations, audits or complaints having an adverse impact on the validity, enforceability, royalty rates, 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.

Except as may be required by applicable law or stock exchange regulation, we undertake no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. Accordingly, readers should not place undue reliance on forward-looking statements. If we do update one or more forward-looking statements, no inference should be drawn that additional updates will be made with respect to those or other 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](http://www.sedar.com).

**Investor and Media Inquiries**

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**FINANCIAL STATEMENTS AND NOTES TO FOLLOW**

MOSAID Technologies Incorporated  
Unaudited Pro Forma Consolidated Statements of Income  
For the Quarter Ended January 31, 2010

The attached pro forma 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)

	<b>Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>January 31,</b>		<b>January 31,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Revenues</b>	<b>\$17,688</b>	\$18,055	<b>\$51,224</b>	\$44,502
<b>Operating expenses (income)</b>				
Patent portfolio management	<b>1,670</b>	1,246	<b>5,203</b>	3,572
Patent licensing and litigation	<b>3,066</b>	7,484	<b>6,666</b>	18,429
Research and development	<b>621</b>	539	<b>2,137</b>	1,614
General and administration	<b>1,615</b>	1,261	<b>4,365</b>	3,295
Foreign exchange (gain) loss	<b>(28)</b>	(142)	<b>394</b>	(1,077)
	<b>6,944</b>	10,388	<b>18,765</b>	25,833
Pro forma income from operations	<b>10,744</b>	7,667	<b>32,459</b>	18,669
Net interest income	<b>96</b>	313	<b>311</b>	1,448
Pro forma income before income tax expense	<b>10,840</b>	7,980	<b>770</b>	20,117
Income tax expense	<b>3,580</b>	2,633	<b>10,816</b>	6,639
<b>Pro forma net income</b>	<b>7,260</b>	5,347	<b>21,954</b>	13,478
<b>Pro forma earnings per share</b>				
Basic	<b>\$0.70</b>	\$0.53	<b>\$2.14</b>	\$1.30
Diluted	<b>\$0.70</b>	\$0.53	<b>\$2.13</b>	\$1.30
<b>Weighted average number of shares</b>				
Basic	<b>10,307,569</b>	10,180,831	<b>10,267,187</b>	10,370,617
Diluted	<b>10,367,317</b>	10,180,831	<b>10,324,734</b>	10,386,739

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

(Dollar amounts in thousands)	Quarter Ended		Nine Months Ended	
	January 31,		January 31,	
	2010	2009	2010	2009
	\$	\$	\$	\$
GAAP net income	2,224	2,291	13,699	224
Add (deduct):				
Stock-based compensation	331	235	789	550
Patent amortization and imputed interest	3,631	3,439	11,327	10,000
Foreign exchange (gain) loss	(282)	790	(3,212)	8,245
Special committee	-	-	719	-
Income tax expense – for the above items	(1,154)	(1,262)	(3,444)	(4,658)
Future income tax revaluation	2,706	-	2,706	-
Discontinued operations (net of tax)	(196)	(146)	(630)	(883)
Pro forma net income	7,260	5,347	21,954	13,478

Pro forma foreign exchange (gain) loss is reconciled to GAAP foreign exchange (gain) loss as follows:

(Dollar amounts in thousands)	Quarter Ended		Nine Months Ended	
	January 31,		January 31,	
	2010	2009	2010	2009
	\$	\$	\$	\$
GAAP foreign exchange (gain) loss	(310)	648	(2,818)	7,168
Less: foreign exchange loss (gain) on long-term debt	(282)	790	(3,212)	8,245
Pro forma foreign exchange (gain) loss	(28)	(142)	394	(1,077)

MOSAID Technologies Incorporated  
Unaudited Consolidated Financial Statements  
For the Quarter Ended January 31, 2010

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**  
**CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS**

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

(Unaudited)

	Quarter Ended		Nine Months Ended	
	January 31,		January 31,	
	2010	2009	2010	2009
<b>Revenues</b>	<b>\$17,688</b>	\$18,055	<b>\$51,224</b>	\$44,502
<b>Operating expenses (income)</b>				
Patent portfolio management	<b>1,670</b>	1,246	<b>5,203</b>	3,572
Patent licensing and litigation	<b>3,066</b>	7,484	<b>6,666</b>	18,429
Research and development	<b>621</b>	539	<b>2,137</b>	1,614
General and administration	<b>1,615</b>	1,261	<b>4,365</b>	3,295
Foreign exchange (gain) loss	<b>(310)</b>	648	<b>(2,818)</b>	7,168
Stock-based compensation (Note 7)	<b>331</b>	235	<b>789</b>	550
Special committee	<b>-</b>	-	<b>719</b>	-
Patent amortization and imputed interest	<b>3,631</b>	3,439	<b>11,327</b>	10,000
	<b>10,624</b>	14,852	<b>28,388</b>	44,628
Income (loss) from operations	<b>7,064</b>	3,203	<b>22,836</b>	(126)
Net interest income	<b>96</b>	313	<b>311</b>	1,448
Income before income tax expense and discontinued operations	<b>7,160</b>	3,516	<b>23,147</b>	1,322
Income tax expense	<b>5,132</b>	1,371	<b>10,078</b>	1,981
Income (loss) before discontinued operations	<b>2,028</b>	2,145	<b>13,069</b>	(659)
Discontinued operations income (net of tax) (Note 5)	<b>196</b>	146	<b>630</b>	883
<b>Net income</b>	<b>2,224</b>	2,291	<b>13,699</b>	224
Dividends	<b>2,581</b>	2,546	<b>7,714</b>	7,774
Normal course issuer bid	<b>-</b>	-	<b>-</b>	3,215
<b>Retained earnings, beginning of period</b>	<b>17,949</b>	8,787	<b>11,607</b>	19,297
<b>Retained earnings, end of period</b>	<b>\$17,592</b>	\$ 8,532	<b>\$17,592</b>	\$ 8,532
<b>Earnings (loss) per share (Note 4)</b>				
Basic – before discontinued operations	<b>\$0.20</b>	\$0.21	<b>\$1.27</b>	\$(0.06)
Diluted – before discontinued operations	<b>\$0.20</b>	\$0.21	<b>\$1.27</b>	\$(0.06)
Basic – net earnings	<b>\$0.22</b>	\$0.23	<b>\$1.33</b>	\$0.02
Diluted – net earnings	<b>\$0.21</b>	\$0.23	<b>\$1.33</b>	\$0.02
<b>Weighted average number of shares</b>				
Basic	<b>10,307,569</b>	10,180,831	<b>10,267,187</b>	10,370,617
Diluted	<b>10,367,317</b>	10,180,831	<b>10,324,734</b>	10,386,739

See accompanying Notes to the Consolidated Financial Statements

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

	As at January 31, 2010 (unaudited)	As at April 30, 2009 (audited)
<b>Current Assets</b>		
Cash and cash equivalents	\$ 66,539	\$ 32,899
Marketable securities	3,717	18,888
Accounts receivable	3,915	10,434
Prepaid expenses	741	759
Other asset	-	446
Future income taxes recoverable	11,519	11,519
	<b>86,431</b>	<b>74,945</b>
<b>Property and equipment</b>	<b>475</b>	<b>563</b>
<b>Acquired intangibles</b>	<b>71,043</b>	<b>79,402</b>
<b>Future income taxes recoverable</b>	<b>11,469</b>	<b>17,549</b>
	<b>\$169,418</b>	<b>\$172,459</b>
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 6,421	\$ 6,341
Income tax payable	1,432	1,432
Deferred revenue	6,050	3,432
Other liability	366	-
Current portion of other long-term liabilities	11,192	20,869
	<b>25,461</b>	<b>32,074</b>
<b>Deferred gain on sale-leaseback</b>	<b>881</b>	<b>1,039</b>
<b>Other long-term liabilities</b>	<b>26,203</b>	<b>28,799</b>
	<b>52,545</b>	<b>61,912</b>
<b>Shareholders' Equity</b>		
Share capital (Note 3)	96,274	94,741
Contributed surplus	3,373	3,753
Retained earnings	17,592	11,607
Accumulated other comprehensive income	(366)	446
	<b>116,873</b>	<b>110,547</b>
	<b>\$169,418</b>	<b>\$172,459</b>

See accompanying Notes to the Consolidated Financial Statements

**MOSAID TECHNOLOGIES INCORPORATED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands of Canadian Dollars)  
(Unaudited)

	<b>Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>January 31,</b>		<b>January 31,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Operating</b>				
Income (loss) before discontinued operations	<b>\$ 2,028</b>	\$ 2,145	<b>\$13,069</b>	\$ (659)
Items not affecting cash				
Amortization	<b>3,039</b>	2,474	<b>9,087</b>	7,404
Stock-based compensation	<b>276</b>	235	<b>734</b>	550
Loss on disposal of capital assets	-	76	-	76
Unrealized foreign exchange (gain) loss on other long-term liabilities	<b>(282)</b>	790	<b>(3,212)</b>	8,245
Future income tax recoverable	<b>4,654</b>	(282)	<b>6,081</b>	(2,625)
	<b>9,715</b>	5,438	<b>25,759</b>	12,991
Change in non-cash working capital items from continuing operations	<b>8,086</b>	1,110	<b>10,399</b>	5,619
	<b>17,801</b>	6,548	<b>36,158</b>	18,610
<b>Investing</b>				
Acquisition of property and equipment and acquired intangibles	<b>(5)</b>	(9,184)	<b>(640)</b>	(10,578)
Acquisition of short-term marketable securities	-	(13,021)	<b>(3,316)</b>	(60,135)
Proceeds on disposal/maturity of short-term marketable securities	<b>(5)</b>	28,595	<b>18,487</b>	77,593
	<b>(10)</b>	6,390	<b>14,531</b>	6,880
<b>Financing</b>				
Increase (decrease) in long-term liabilities	<b>642</b>	7,707	<b>(9,057)</b>	7,543
Repurchase of shares	-	-	-	(8,415)
Dividends paid	<b>(2,581)</b>	(2,546)	<b>(7,714)</b>	(7,774)
Funding of Restricted Share Unit plan	<b>(880)</b>	-	<b>(880)</b>	(718)
Issuance of common shares	<b>306</b>	75	<b>1,295</b>	242
	<b>(2,513)</b>	5,236	<b>(16,356)</b>	(9,122)
Net cash inflow from continuing operations	<b>15,278</b>	18,174	<b>34,333</b>	16,368
Net cash (outflow) inflow from discontinued operations	<b>(231)</b>	(120)	<b>(693)</b>	4,943
<b>Net cash inflow</b>	<b>15,047</b>	18,054	<b>33,640</b>	21,311
<b>Cash and cash equivalents, beginning of period</b>	<b>51,492</b>	25,390	<b>32,899</b>	22,133
<b>Cash and cash equivalents, end of period</b>	<b>\$66,539</b>	\$43,444	<b>\$66,539</b>	\$43,444

See accompanying Notes to the Consolidated Financial Statements

**MOSAID TECHNOLOGIES INCORPORATED**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In thousands of Canadian Dollars)  
(Unaudited)

	<b>Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>January 31,</b>		<b>January 31,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Net income</b>	<b>\$2,224</b>	\$2,291	<b>\$13,699</b>	\$224
Other comprehensive income, net of tax:				
Gains and losses on derivatives designated as cash flow hedges	<b>134</b>	(437)	<b>1,479</b>	(1,824)
Gains and losses on derivatives designated as cash flow hedges in prior periods transferred to revenue in the current period	<b>(982)</b>	1,094	<b>(2,291)</b>	1,683
<b>Other comprehensive (loss) income</b>	<b>(848)</b>	657	<b>(812)</b>	(141)
<b>Comprehensive income</b>	<b>\$1,376</b>	\$2,948	<b>\$12,887</b>	\$ 83

See accompanying Notes to the Consolidated Financial Statements

**MOSAID TECHNOLOGIES INCORPORATED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Quarters ended January 31, 2010 and 2009**

(tabular dollar amounts in thousands of Canadian Dollars, except per share amounts)  
(unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated 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 note disclosure required by GAAP for annual financial statements. These financial statements are based upon accounting principles consistent with those used in the annual consolidated financial statements with the exception of new accounting policies described in Note 2. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto for the year ended April 30, 2009.

The preparation of these unaudited interim consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. In the opinion of management, these unaudited interim consolidated financial statements reflect all adjustments necessary to state fairly the results for the periods presented. Actual results could differ materially from these estimates and the operating results for the interim periods presented are not necessarily indicative of the results expected for the full year.

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 (CICA).

***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 adopted 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 nine months ended January 31, 2010 and for the year ended April 30, 2009:

	Common shares (number)	Common shares (\$)	Contributed surplus (\$)	Retained earnings (\$)	Accumulated other comprehensive income (loss) (\$)	Total (\$)
Balance at April 30, 2009	10,184,323	\$94,741	\$3,753	\$11,607	\$ 446	\$110,547
Net income				13,699		13,699
Dividends				(7,714)		(7,714)
Employee Stock Option Program	116,600	1,388	(1,140)			248
Employee Share Purchase Program	22,328	145	26			171
Stock-based compensation			734			734
Unrealized derivative gains on cash flow hedges – net					(812)	(812)
Balance at January 31, 2010	10,323,251	\$96,274	\$3,373	\$17,592	\$(366)	\$116,873

	Common shares (number)	Common shares (\$)	Contributed surplus (\$)	Retained earnings (\$)	Accumulated other comprehensive (loss) income (\$)	Total (\$)
Balance at April 30, 2008	10,719,807	\$100,403	\$2,997	\$19,297	\$(318)	\$122,379
Net income				5,845		5,845
Dividends				(10,320)		(10,320)
Employee Stock Option Program	14,713	222	(68)			154
Employee Share Purchase Program	8,951	142	34			176
Stock-based compensation		(826)	790			(36)
Normal course issuer bid	(559,148)	(5,200)		(3,215)		(8,415)
Unrealized derivative gains on cash flow hedges – net					764	764
Balance at April 30, 2009	10,184,323	\$ 94,741	\$3,753	\$11,607	\$ 446	\$110,547

#### 4. Earnings per Share

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

	Quarter Ended January 31,		Nine Months Ended January 31,	
	2010	2009	2010	2009
Income (loss) before discontinued operations	<b>\$2,028</b>	\$2,145	<b>\$13,069</b>	\$(659)
Discontinued operations (net of tax)	<b>196</b>	146	<b>630</b>	883
Net income	<b>\$2,224</b>	\$2,291	<b>\$13,699</b>	\$224
Weighted average number of common shares outstanding	<b>10,307,569</b>	10,180,831	<b>10,267,187</b>	10,370,617
Net effect of stock options	<b>59,748</b>	-	<b>57,547</b>	16,122
Weighted average diluted number of common shares outstanding	<b>10,367,317</b>	10,180,831	<b>10,324,734</b>	10,386,739
Earnings (loss) per share				
Basic – before discontinued operations	<b>\$0.20</b>	\$0.21	<b>\$1.27</b>	\$(0.06)
Diluted – before discontinued operations	<b>\$0.20</b>	\$0.21	<b>\$1.27</b>	\$(0.06)
Basic - net income	<b>\$0.22</b>	\$0.23	<b>\$1.33</b>	\$0.02
Diluted - net income	<b>\$0.21</b>	\$0.23	<b>\$1.33</b>	\$0.02

For the quarters ended January 31, 2010 and January 31, 2009, 439,131 and 563,095 options, respectively, were excluded from the calculation of diluted earnings per share, as the exercise price of these options exceeded the average market price of the Company's common stock during this period and were therefore anti-dilutive.

For the nine months ended January 31, 2010 and January 31, 2009, 442,131 and 86,128 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 639,395 and 563,095 options issued and outstanding as at January 31, 2010 and January 31, 2009, respectively.

## 5. Discontinued operations

	<b>Quarter Ended January 31, Nine Months Ended January 31,</b>			
	<b>2010</b>	2009	<b>2010</b>	2009
Revenues	\$ -	\$ -	<b>\$ 18</b>	\$156
Expenses				
Research and development	-	28	-	36
Selling and marketing	-	-	-	5
Restructuring	-	-	-	-
	<b>-</b>	<b>28</b>	<b>18</b>	<b>41</b>
(Loss) gain from operations	-	(28)	<b>18</b>	115
Gain on sale of assets	<b>292</b>	243	<b>920</b>	866
Earnings before tax	<b>292</b>	215	<b>938</b>	981
Income tax expense	<b>96</b>	69	<b>308</b>	98
Discontinued operations (net of tax)	<b>\$196</b>	\$146	<b>\$630</b>	\$883

## 6. Stock-based Compensation

The Company has an employee stock purchase plan (“ESPP”) 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 ESPP.

Also, the Company has an Employee and Director Stock Option Plan (“ESOP”). 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 ESOP 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:

	<b>Quarter Ended January 31,</b>	
	<b>2010</b>	2009
Risk free interest rate	<b>0.28%</b>	1.92%
Expected life in years	<b>5.5</b>	5.5
Expected dividend yield	<b>5.30%</b>	11.92%
Volatility	<b>38.68%</b>	43.14%

For the quarter ended January 31, 2010, the Company issued 16,446 Deferred Share Units in lieu of options to directors and officers of the Company under its Deferred Share Unit Plan. 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. The Company has granted 93,278 RSUs during fiscal 2010 (2009 – 72,700). The RSUs vest over

three years. Under the RSU Plan, units are settled using common shares of the Company. During fiscal year 2010, the Company funded an independent trustee to purchase 46,639 shares of the 2010 grant (2009 – 72,700) and to provide custodial services. The Company recognizes compensation expense, measured by the purchase price of the shares, if the shares have been purchased, or the intrinsic value otherwise, over the vesting period.

## 7. 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 extended payment terms 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, tends to be cyclical and, from time to time, suffer 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, 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:

	<b>January 31, 2010</b>	April 30, 2009
Cash and cash equivalents	<b>\$66,539</b>	\$32,899
Marketable securities	<b>3,717</b>	18,888
Accounts receivable	<b>3,915</b>	10,434
Other asset (liability)	<b>(366)</b>	446
	<b>\$73,805</b>	\$62,667

The aging of accounts receivable at the reporting date was:

	<b>January 31, 2010</b>	April 30, 2009
Current	<b>\$ 602</b>	\$2,676
Past due	<b>3,312</b>	7,758
	<b>\$3,915</b>	\$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:

	<b>January 31, 2010</b>	April 30, 2009
Bonds & debentures	<b>\$ 711</b>	\$13,099
Discount notes	<b>3,006</b>	5,789
	<b>\$3,717</b>	\$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 January 31, 2010 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)					<b>January 31, 2010</b>	
Type	Notional	Currency	Maturity	Equivalent to CDN dollars	Fair Value	
Sell	\$13,275	USD	< 3 months	\$ 14,899	\$ 465	
Sell	\$34,100	USD	3-12 months	\$ 36,727	\$ 163	
Sell	\$ -	USD	> 12 months	\$ -	\$ -	
Buy	\$ 5,000	USD	3-12 months	\$(6,114)	\$(506)	
Buy	\$ 5,000	USD	> 12 months	\$(6,093)	\$(488)	
					\$(366)	

(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 \$206,000 for the quarter ended January 31, 2010.

### *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 immaterial 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 January 31, 2010, the Company had \$70.3 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.

Contractual Obligations	<b>Payments Due by Period</b> (in thousands of dollars)				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operation leases	\$ 1,377	\$ 365	\$ 496	\$ 496	\$ 20
Other long-term obligations	\$62,262	\$10,906	\$14,081	\$26,625	\$10,650
<b>Total contractual obligations</b>	<b>\$63,639</b>	<b>\$11,271</b>	<b>\$14,577</b>	<b>\$27,121</b>	<b>\$10,670</b>

### *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.

## 8. 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.

## 9. Business Segment Information

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

## 10. 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.

## 11. Subsequent Events

During the quarter, the Company signed a Patent Purchase Agreement (the Agreement) with Samsung Electronics Co., Ltd. (Samsung) to purchase certain patents. The selection of the specific patents is ongoing and is expected to be substantially completed during the company's fourth quarter of fiscal 2010. Under the Agreement, the Company will make a series of payment to Samsung during calendar 2014. The value of the payments, on a net present value basis, is approximately \$11.6 million.

Subsequent to the quarter end, the Company announced the completion of a Bought Deal equity financing for gross proceeds of approximately \$31.0 million. The Company will issue 1,437,500 common shares, including the full 15% over-allotment, at a price of \$21.65 per share. The Bought Deal was completed with a syndicate of underwriters, lead by BMO Capital Markets, and including CIBC World Markets Inc., Cormark Securities Inc., and Northern Securities Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

This discussion and analysis is dated March 2, 2010. It should be read in conjunction with the unaudited Consolidated Financial Statements of MOSAID Technologies Incorporated ("MOSAID" or "the Company") for the quarter ended January 31, 2010. 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," "foresee," "intend," "may," "plan," "will," "would" and similar expressions. Similarly, statements in this document that describe MOSAID's business strategy, outlook, objectives, plans, intentions or goals are also 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 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, audits or complaints having an adverse impact on the validity, enforceability, royalty rates, 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 activities. 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, 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 often 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 most of the benefits of ownership through an exclusive licensing arrangement. These types of 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.

Except as may be required by applicable law or stock exchange regulation, the Company undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. Accordingly, readers should not place undue reliance on forward-looking statements. If the Company updates one or more forward-looking statements, no inference should be drawn that additional updates will be made with respect to those or other 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](http://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 non-recurring items as reconciled below. 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 Interim Filings, as prescribed by Form 52-109F2, 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 Company's GAAP consolidated statements of income for the fiscal quarters indicated.

(Dollar amounts in thousands) (Unaudited)	Quarter Ended January 31,		Nine Months Ended January 31,	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Revenue</b>	17,688	18,055	51,224	44,502
<b>Operating Expenses</b>				
Patent portfolio management	1,670	1,246	5,203	3,572
Patent licensing and litigation	3,066	7,484	6,666	18,429
Research and development	621	539	2,137	1,614
General and administration	1,615	1,261	4,365	3,295
Foreign exchange (gain) loss	(310)	648	(2,818)	7,168
Stock-based compensation	331	235	789	550
Special committee	-	-	719	-
Patent amortization and imputed interest	3,631	3,439	11,327	10,000
	10,624	14,852	28,388	44,628
Income (loss) from operations	7,064	3,203	22,836	(126)
Net interest income	96	313	311	1,448
Income before income tax expense and discontinued operations	7,160	3,516	23,147	1,322
Income tax expense	5,132	1,371	10,078	1,981
Income (loss) before discontinued operations	2,028	2,145	13,069	(659)
Discontinued operations income (net of tax)	196	146	630	883
<b>Net income</b>	2,224	2,291	13,699	224
Dividends	2,581	2,546	7,714	7,774
Normal course issuer bid	-	-	-	3,215
<b>Retained earnings, beginning of period</b>	17,949	8,787	11,607	19,297
<b>Retained earnings, end of period</b>	17,592	8,532	17,592	8,532
<b>Earnings (loss) per share</b>				
Basic – before discontinued operations	\$0.20	\$0.21	\$1.27	\$(0.06)
Diluted – before discontinued operations	\$0.20	\$0.21	\$1.27	\$(0.06)
Basic	\$0.22	\$0.23	\$1.33	\$0.02
Diluted	\$0.21	\$0.23	\$1.33	\$0.02
<b>Weighted average number of shares</b>				
Basic	10,307,569	10,180,831	10,267,187	10,370,617
Diluted	10,367,317	10,180,831	10,324,734	10,386,739

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 January 31,		Nine Months Ended January 31,	
	2010	2009	2010	2009
	%	%	%	%
<b>Revenues</b>	100	100	100	100
<b>Expenses</b>				
Patent portfolio management	9	7	10	8
Patent licensing and litigation	17	41	13	41
Research and development	4	3	4	4
General and administration	9	7	9	7
Foreign exchange (gain) loss	(2)	4	(6)	16
Stock-based compensation	2	1	2	2
Special committee	-	-	1	-
Patent amortization and imputed interest	21	19	22	22
<b>Operating expenses</b>	60	82	55	100
Income from operations	40	18	45	-
Net interest income	-	2	1	3
Income tax expense	29	8	20	4
Income (loss) before discontinued	11	12	26	(1)
Discontinued operations (net of tax)	1	1	1	2
<b>Net income</b>	12	13	27	1

The following table shows the Company's pro forma consolidated statements of income for the fiscal quarters indicated.

(Dollar amounts in thousands) (Unaudited)	Quarter Ended January 31,		Nine Months Ended January 31,	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Revenue</b>	17,688	18,055	51,224	44,502
<b>Operating Expenses</b>				
Patent portfolio management	1,670	1,246	5,203	3,572
Patent licensing and litigation	3,066	7,484	6,666	18,429
Research and development	621	539	2,137	1,614
General and administration	1,615	1,261	4,365	3,295
Foreign exchange (gain) loss	(28)	(142)	394	(1,077)
	6,944	10,388	18,765	25,833
Pro forma income from operations	10,744	7,667	32,459	18,669
Net interest income	96	313	311	1,448
Pro forma income before income tax	10,840	7,980	32,770	20,117
Income tax expense	3,580	2,633	10,816	6,639
<b>Pro forma net income</b>	7,260	5,347	21,954	13,478
<b>Pro forma earnings per share</b>				
Basic	\$0.70	\$0.53	\$2.14	\$1.30
Diluted	\$0.70	\$0.53	\$2.13	\$1.30
<b>Weighted average number of shares</b>				
Basic	10,307,569	10,180,831	10,267,187	10,370,617
Diluted	10,367,317	10,180,831	10,324,734	10,386,739

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 January 31,		Nine Months Ended January 31,	
	2010	2009	2010	2009
	%	%	%	%
Revenues	100	100	100	100
Expenses				
Patent portfolio management	9	7	10	8
Patent licensing and litigation	17	41	13	41
Research and development	4	3	4	4
General and administration	9	7	9	7
Foreign exchange (gain) loss	-	(1)	1	(2)
Operating expenses	39	57	37	58
Pro forma income from operations	61	43	63	42
Net interest income	-	2	1	3
Income tax expense	20	15	21	15
Pro forma net income	41	30	43	30

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

(Dollar amounts in thousands)	Quarter Ended January 31,		Nine Months Ended January 31,	
	2010	2009	2010	2009
	\$	\$	\$	\$
GAAP net income	2,224	2,291	13,699	224
Add (deduct):				
Stock-based compensation	331	235	789	550
Patent amortization and imputed interest	3,631	3,439	11,327	10,000
Foreign exchange (gain) loss	(282)	790	(3,212)	8,245
Special committee	-	-	719	-
Income tax expense – for the above items	(1,154)	(1,262)	(3,444)	(4,658)
Future income tax revaluation	2,706	-	2,706	-
Discontinued operations (net of tax)	(196)	(146)	(630)	(883)
Pro forma net income	7,260	5,347	21,954	13,478

Pro forma foreign exchange (gain) loss is reconciled to GAAP foreign exchange (gain) loss as follows:

(Dollar amounts in thousands)	Quarter Ended January 31,		Nine Months Ended January 31,	
	2010	2009	2010	2009
	\$	\$	\$	\$
GAAP foreign exchange (gain) loss	(310)	648	(2,818)	7,168
Less: foreign exchange loss (gain) on long-term debt	(282)	790	(3,212)	8,245
Pro forma foreign exchange (gain) loss	(28)	(142)	394	(1,077)

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

## **REVENUES**

(Dollar amounts in thousands)	Quarter Ended January 31,		Nine Months Ended January 31,	
	2010	2009	2010	2009
Revenues	\$17,688	\$18,055	\$51,224	\$44,502

Revenues during Q3 fiscal 2010 and the nine months ended January 31, 2010 decreased by 2% and increased 15% respectively, as compared to the same period in the prior year. The decrease in revenues for the fiscal quarter reflects a decrease in fixed payment amounts, primarily due to the insolvency of Qimonda AG, and a weaker U.S. dollar. These impacts were partially countered by higher running royalty amounts. The increase for the nine months ended January 31, 2010 reflects the higher number of licensees contributing to quarterly revenues through fixed payment and royalty based term licenses, offset by the impact of a weaker 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 and telecommunications industry, and foreign currency fluctuations.

The average remaining life of the Company's license contracts is 4.8 years as at January 31, 2010. It should be noted that the average is not weighted and may not be reflective of the actual remaining life and value of all contracts.

Revenue is comprised as follows:

	Quarter Ended January 31,		Nine Months Ended January 31,	
	2010	2009	2010	2009
	%	%	%	%
Revenue from fixed payments	86	96	89	94
Revenue from running royalty agreements	14	4	11	6
Total	100	100	100	100

The approximate geographic breakdown of operating revenues is as follows:

	Quarter Ended January 31,		Nine Months Ended January 31,	
	2010	2009	2010	2009
	%	%	%	%
Asia Pacific	82	64	69	69
North America	12	13	13	10
Europe	6	23	18	21
Total	100	100	100	100

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 Q3 fiscal 2010, one licensee accounted for 27% of revenues; other licensees accounted for 23%, 15% and 12% respectively. In Q3 fiscal 2009, two licensees each accounted for 21% of revenues; other licensees accounted for 19%, 16% and 13% respectively.

During the quarter, the Company re-licensed Samsung Electronics Co., Ltd. to a lives-of-patents license under certain patents and applications, and a five-year term license under certain other patents and applications, for memory integrated circuit products. Samsung also receives a five-year license under certain patents and applications for non-memory integrated circuit products. For the license, Samsung will make a series of fixed payments during the term.

The Company has one material contract expiring in the next 12 months.

## **EXPENSES**

### **Patent portfolio management**

(Dollar amounts in thousands)	Quarter Ended January 31,		Nine Months Ended January 31,	
	2010	2009	2010	2009
Patent portfolio management	\$1,670	\$1,246	\$5,203	\$3,572
As a percentage of total revenues	9%	7%	10%	8%
Increase from same period last year	34%		46%	

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 primarily to increased costs as a result of a higher number of patents and patent applications.

The increase in expenses in absolute terms and as a percentage of revenues for the nine months ended January 31, 2010, as compared to the same period in the prior year, is due to increased patent administration costs, as a result of a higher number of patents and patent applications, and increased patent acquisition costs. Management anticipates the absolute dollar amount of patent portfolio management expenses to increase as the number of the patents and applications increases in the patent portfolio.

At the end of Q3 fiscal 2010, the Company had 1,915 patents and patent applications, as compared to 1,397 at the end of Q3 fiscal 2009.

The current portfolio of patents and patent applications includes a total of 66 patents and applications acquired or newly filed during Q3 fiscal 2010 and nine patents and applications that have been either abandoned, expired or sold during the quarter.

The Company's patents and applications, including internally filed applications, have an average remaining life of 9.7 years as at January 31, 2010.

### **Patent licensing and litigation**

(Dollar amounts in thousands)	Quarter Ended January 31,		Nine Months Ended January 31,	
	2010	2009	2010	2009
Patent licensing and litigation	\$3,066	\$7,484	\$6,666	\$18,429
As a percentage of total revenues	17%	41%	13%	41%
(Decrease) from same period last year	(59%)		(64%)	

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 both Q3 fiscal 2010 and the nine months ended January 31, 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.

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, and the Company could become involved in additional litigation initiated either by the Company or by existing or potential licensees.

### **Research and Development (R&D)**

(Dollar amounts in thousands)	Quarter Ended January 31,		Nine Months Ended January 31,	
	2010	2009	2010	2009
Research and development	\$621	\$539	\$2,137	\$1,614
As a percentage of total revenues	4%	3%	4%	4%
Increase from same period last year	15%		32%	

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, for both Q3 fiscal 2010 and the nine months ended January 31, 2010, as compared to the prior year, increased primarily due 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 January 31,		Nine Months Ended January 31,	
	2010	2009	2010	2009
General and administration	\$1,615	\$1,261	\$4,365	\$3,295
As a percentage of total revenues	9%	7%	9%	7%
Increase from same period last year	28%		32%	

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 Q3 fiscal 2010 and the nine months ended January 31, 2010, as compared to the same period in the prior year, is due primarily to headcount related costs, partially offset by a decrease in capital tax 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 January 31,		Nine Months Ended January 31,	
	2010	2009	2010	2009
FX (gain) loss	(\$310)	\$648	(\$2,818)	\$7,168
As a percentage of total revenues	(2%)	4%	(6%)	16%
Increase from same period last year	148%		(139%)	

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 \$310,000 during Q3 fiscal 2010 and loss of \$648,000 during Q3 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 gain of \$27,000, an immaterial percentage of revenues, for Q3 fiscal 2010, as compared to a gain of \$142,000 or 1% of revenues for the same period in the prior year.

A one cent strengthening (weakening) of the U.S. dollar against the Canadian dollar, would have decreased (increased) other comprehensive income by approximately \$206,000 for the quarter ended January 31, 2010; pro forma income would have increased (decreased) by approximately \$19,000.

**Special committee**

(Dollar amounts in thousands)	Quarter Ended January 31,		Nine Months Ended January 31,	
	2010	2009	2010	2009
Special committee	\$ -	\$ -	\$719	\$ -
As a percentage of total revenues	-%	-	1%	-
Increase from same period last year	-%		100%	

The Special Committee, on behalf of the Board of Directors, is responsible for undertaking, conducting, overseeing, monitoring and otherwise facilitating an evaluation of strategic alternatives, including acquisitions, divestitures, mergers and asset sales, for the Corporation to maximize shareholder value and, on the basis of that evaluation, develop recommendations for the Board of Directors.

**Patent amortization and imputed interest**

(Dollar amounts in thousands)	Quarter Ended January 31,		Nine Months Ended January 31,	
	2010	2009	2010	2009
Patent amortization and imputed interest	\$3,631	\$3,439	\$11,327	\$10,000
As a percentage of total revenues	21%	19%	22%	22%
Increase from same period last year	1%		13%	

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 Q3 fiscal 2010 and the nine months ended January 31, 2010, as compared to Q3 fiscal 2009, in absolute dollar terms, is due primarily to the acquisition of patents late in fiscal 2009.

### **Income Taxes**

GAAP income tax expense of \$5.1 million was recorded for Q3 fiscal 2010, compared to an income tax expense of \$1.4 million for Q3 fiscal 2009. Of this tax expense, \$2.7 million was recorded due to the reduction in substantively enacted tax rates in the province of Ontario. Excluding this revaluation, the GAAP effective tax rate in Q3 fiscal 2010 was 34% as compared to 39% in Q3 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 Q3 fiscal 2010, the Company generated a positive cashflow from operations of \$9.7 million, as compared to a positive cashflow of \$5.4 million in Q3 fiscal 2009. Changes in non-cash working capital increased cashflow by \$8.1 million in Q3 fiscal 2010, as compared to a increase to cashflow of \$1.1 million in Q3 of fiscal 2009. In Q3 fiscal 2010 and Q3 fiscal 2009, the Company declared and paid a dividend of \$0.25 per common share or \$2.6 million and \$2.5 million respectively. During Q2 fiscal 2009, the Company expended \$4.6 million to repurchase and cancel 296,808 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 Q3 fiscal 2010, the Company had cash and marketable securities of \$70.3 million, compared to \$51.8 million at the end of fiscal 2009. Working capital increased to \$61.0 million at the end of Q3 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 \$6.5 million during Q3 fiscal 2010, from \$10.4 million at the end of fiscal 2009 to \$3.9 million at the end of Q3 fiscal 2010, mainly due to the collection of overdue receivables.

#### *Acquired Intangibles*

The net book value of acquired intangibles decreased by \$8.4 million during Q3 fiscal 2010. The decrease is due to patent amortization of \$9.1 million, partially offset by acquisitions in Q3 fiscal 2010 of \$0.7 million.

#### *Future income taxes recoverable*

At the end of Q3 fiscal 2010, the balance for future income taxes recoverable was \$23.0 million, compared with \$29.1 million at the end of fiscal 2009. The change in balance during Q3 fiscal 2010 was due to the revaluation of the asset based on a reduction in substantively enacted tax rates in the province of Ontario of \$2.7 million, \$156,000 of investment tax credits recorded as an offset to R&D expense, \$4.2 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 Q3 fiscal 2010 of \$7.7 million and a tax refund related to a prior period of \$1.5 million.

Income Taxes Payable

There was no change in income taxes payable during Q3 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) and Agere Systems Inc. (Agere), the Company has recorded a liability of \$37.4 million, representing the discounted value of the anticipated future cash outflows. Of this amount, \$11.2 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)	Q310	Q210	Q110	Q409	Q309	Q209	Q109	Q408
Revenues	\$17,688	\$17,313	\$16,223	\$18,036	\$18,055	\$13,795	\$12,652	\$16,959
Earnings (loss) before discontinued operations	\$2,028	\$4,823	\$6,218	\$5,475	\$2,145	\$(3,996)	\$1,192	\$3,913
Per share	\$0.20	\$0.47	\$0.61	\$0.54	\$0.21	\$(0.39)	\$0.11	\$0.36
Per diluted share	\$0.20	\$0.47	\$0.61	\$0.54	\$0.21	\$(0.39)	\$0.11	\$0.36
Net earnings (loss)	\$2,224	\$5,021	\$6,454	\$5,621	\$2,291	\$(3,427)	\$1,360	\$5,425
Per share	\$0.22	\$0.49	\$0.63	\$0.55	\$0.23	\$(0.33)	\$0.13	\$0.51
Per diluted share	\$0.21	\$0.49	\$0.63	\$0.55	\$0.23	\$(0.33)	\$0.13	\$0.50

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)

Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operation leases	\$1,377	\$365	\$496	\$496	\$20
Other long-term obligations	\$62,262	\$10,906	\$14,081	\$26,625	\$10,650
<b>Total contractual obligations</b>	<b>\$63,639</b>	<b>\$11,271</b>	<b>\$14,577</b>	<b>\$27,121</b>	<b>\$10,670</b>

The contractual obligations are other long-term obligations representing the undiscounted amounts due to Infineon and Agere, 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 17 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 January 31, 2010.

### **Outstanding Share Data**

The Company is authorized to issue an unlimited number of common shares. At the end of Q3 fiscal 2010, there were 10,323,251 common shares issued and outstanding. At January 31, 2010, the Company may grant up to 1,180,005 options, under the Employee and Director Stock Option Plan, of which 639,395 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 Third Quarter for Fiscal 2010 and Dividend" dated March 3, 2010.

### **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](http://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 third quarter of fiscal 2010.

### **Subsequent Events**

During the quarter, the Company signed a Patent Purchase Agreement (the Agreement) with Samsung Electronics Co., Ltd. (Samsung) to purchase certain patents. The selection of the specific patents is on-going and is expected to be substantially completed during the company's fourth quarter of fiscal 2010. Under the Agreement, the Company will make a series of payment to Samsung during calendar 2014. The value of the payments, on a net present value basis, is approximately \$11.6 million.

Subsequent to the quarter end, the Company announced the completion of a Bought Deal equity financing for gross proceeds of approximately \$31.0 million. The Company will issue 1,437,500 common shares, including the full 15% over-allotment, at a price of \$21.65 per share. The Bought Deal was completed with a syndicate of underwriters, lead by BMO Capital Markets, and including CIBC World Markets Inc., Cormark Securities Inc., and Northern Securities Inc.

Dated this 2nd day of March, 2010.