

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

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

The attached consolidated financial statements have been prepared by Management of
MOSAID Technologies Incorporated and have not been reviewed by an auditor.

MOSAID TECHNOLOGIES INCORPORATED
 (Subject to the Canada Business Corporations Act)
CONSOLIDATED PRO FORMA STATEMENT OF OPERATIONS
 (In thousands of Canadian Dollars, except per share amounts)
 (Unaudited)

	Quarter Ended		Nine Months Ended	
	January 31,		January 31,	
	2008	2007	2008	2007
Revenues	\$13,992	\$13,830	\$38,113	\$47,777
Operating expenses				
Patent portfolio management	1,270	1,191	3,588	3,107
Patent licensing and litigation	3,233	1,990	8,382	5,697
Research and development	657	331	1,748	846
General and administration	1,118	1,669	3,276	5,152
Foreign exchange (gain) loss	(160)	(36)	515	(129)
Special committee	35	840	147	1,964
	6,153	5,985	17,656	16,637
Pro forma income from operations	7,839	7,845	20,457	31,140
Net interest income	605	580	1,568	1,840
Pro forma income before income tax	8,444	8,425	22,025	32,980
Income tax expense	3,004	2,939	7,879	11,504
Pro forma income (Note 6)	\$5,440	\$5,486	\$14,146	\$21,476
Pro forma earnings per share				
Basic	\$0.50	\$0.50	\$1.28	\$1.93
Diluted	\$0.50	\$0.49	\$1.27	\$1.90
Weighted average number of shares				
Basic	10,892,593	10,992,524	11,042,957	11,113,973
Diluted	10,963,060	11,204,923	11,154,782	11,329,671

See accompanying Notes to the Consolidated Financial Statements

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

	Quarter Ended		Nine Months Ended	
	January 31,		January 31,	
	2008	2007	2008	2007
Revenues	\$13,992	\$13,830	\$38,113	\$47,777
Operating expenses				
Patent portfolio management	1,270	1,191	3,588	3,107
Patent licensing and litigation	3,233	1,990	8,382	5,697
Research and development	657	331	1,748	846
General and administration	1,118	1,669	3,276	5,152
Foreign exchange loss (gain)	1,983	(36)	(3,760)	(129)
Restructuring	-	-	19	-
Special committee	35	840	147	1,964
Stock-based compensation	162	169	397	487
Patent amortization and imputed interest	3,133	494	9,969	1,051
	11,591	6,648	23,766	18,175
Income from operations	2,401	7,182	14,347	29,602
Net interest income (Note 3)	605	580	1,568	1,840
Income before income tax expense and discontinued operations	3,006	7,762	15,915	31,442
Income tax expense	4,297	2,812	8,973	12,188
(Loss) income before discontinued operations	(1,291)	4,950	6,942	19,254
Discontinued operations income (loss) (net of tax) (Note 5)	71	(656)	6,107	(3,588)
Net (loss) income	(1,220)	4,294	13,049	15,666
Dividends	2,720	2,748	8,278	8,345
Normal course issuer bid	2,529	-	4,947	6,582
Retained earnings, beginning of period	23,194	9,069	16,901	9,876
Retained earnings, end of period	\$16,725	\$10,615	\$16,725	\$10,615
Earnings per share (Note 4)				
Basic – before discontinued operations	(\$0.12)	\$0.45	\$0.63	\$1.73
Diluted – before discontinued operations	(\$0.12)	\$0.44	\$0.62	\$1.70
Basic – net earnings	(\$0.11)	\$0.39	\$1.18	\$1.41
Diluted – net earnings	(\$0.11)	\$0.38	\$1.17	\$1.38
Weighted average number of shares				
Basic	10,892,593	10,992,524	11,042,957	11,113,973
Diluted	10,963,060	11,204,923	11,154,782	11,329,671

See accompanying Notes to the Consolidated Financial Statements

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

	As at January 31, 2008 (unaudited)	As at April 30, 2007 (audited)
Current Assets		
Cash and cash equivalents	\$17,412	\$23,396
Marketable securities	33,417	26,876
Accounts receivable	7,477	12,626
Prepaid expenses	426	618
Future income taxes recoverable	10,278	10,278
Other asset	38	-
	69,048	73,794
Capital assets	1,093	1,067
Acquired intangibles	72,484	76,823
Long-term receivables	1,734	1,734
Goodwill	-	1,786
Long-term assets held for sale	5,214	7,028
Future income taxes recoverable	19,416	24,468
	\$168,989	\$186,700
Current Liabilities		
Accounts payable and accrued liabilities	\$5,741	\$16,091
Income tax payable	1,817	-
Deferred revenue	355	542
Mortgage payable	-	4,346
Current portion of other long-term liabilities	7,295	5,239
	15,208	26,218
Other long-term liabilities	33,808	38,313
	49,016	64,531
Shareholders' Equity (Note 2)		
Share capital	100,502	102,276
Contributed surplus	2,708	2,992
Retained earnings	16,725	16,901
Accumulated other comprehensive income	38	-
	119,973	122,169
	\$168,989	\$186,700

See accompanying Notes to the Consolidated Financial Statements

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

	Quarter Ended January 31,		Nine Months Ended January 31,	
	2008	2007	2008	2007
Operating				
(Loss) income before discontinued operations	(\$1,291)	\$4,950	\$6,942	\$19,254
Items not affecting cash				
Amortization	2,431	527	7,181	1,253
Stock option expense	162	387	398	1,066
Loss on disposal of capital assets	-	142	-	142
Future income tax recoverable	1,785	(512)	5,052	4,129
	3,087	5,494	19,573	25,844
Change in non-cash working capital items from continuing operations	(240)	(8,158)	(6,259)	(15,270)
	2,847	(2,664)	13,314	10,574
Investing				
Acquisition of capital assets and acquired intangibles	(77)	(3,649)	(2,744)	(17,199)
Acquisition of short-term marketable securities	(35,147)	(31,832)	(116,554)	(77,982)
Proceeds on disposal/maturity of short-term marketable securities	39,458	18,925	110,013	81,674
	4,234	(16,556)	(9,285)	(13,507)
Financing				
Repayment of mortgage	(4,216)	(62)	(4,346)	(182)
Long-term liabilities	2,355	(555)	(2,449)	11,678
Repurchase of shares	(5,459)	-	(9,960)	(9,997)
Dividends	(2,720)	(2,748)	(8,278)	(8,345)
Issue of common shares	713	379	2,639	1,170
	(9,327)	(2,986)	(22,394)	(5,676)
Net cash (outflow) from continuing operations	(2,246)	(22,206)	(18,365)	(8,609)
Net cash inflow from discontinued operations	608	5,658	12,381	4,538
Net cash (outflow)	(1,638)	(16,548)	(5,984)	(4,071)
Cash and cash equivalents, beginning of period	19,050	28,019	23,396	15,542
Cash and cash equivalents, end of period	\$17,412	\$11,471	\$17,412	\$11,471

See accompanying Notes to the Consolidated Financial Statements

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

	Quarter Ended		Nine Months Ended	
	January 31,		January 31,	
	2008	2007	2008	2007
Net (loss) income	(\$1,220)	\$4,294	\$13,049	\$15,666
Other Comprehensive income, net of tax:				
Gains and losses on derivatives designated as cash flow hedges	(757)	-	900	-
Gains and losses on derivatives designated as cash flow hedges in prior periods transferred to net income in the current period	(420)	-	(862)	-
Change in gains and losses on derivatives as cash flow hedges	(1,177)	-	38	-
Comprehensive (loss) income	(\$2,397)	\$4,294	\$13,087	\$15,666

See accompanying Notes to the Consolidated Financial Statements

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

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

1. Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with Canadian generally 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, 2008.

The accounting policies used in preparing these interim financial statements are consistent with those used in preparing the annual financial statements, except as follows:

Comprehensive Income

The CICA issued section 1530 of the CICA Handbook, *Comprehensive Income*. The section is effective for fiscal years beginning on or after October 1, 2006. It describes how to report and disclose comprehensive income and its components.

Comprehensive income is the change in a company's net assets that results from transactions, events and circumstances from sources other than the company's shareholders. It includes items that would not normally be included in net earnings, such as:

- changes in the currency translation adjustment relating to self-sustaining foreign operations; and
- unrealized gains or losses on available-for-sale investments.

The CICA also made changes to section 3250 of the CICA Handbook, Surplus, and reissued it as section 3251, Equity. The section is also effective for fiscal years beginning on or after October 1, 2006. The changes in how to report and disclose equity and changes in equity are consistent with the new requirements of section 1530, *Comprehensive Income*.

Financial Instruments – Recognition and Measurement

The CICA issued section 3855 of the CICA Handbook, *Financial Instruments – Recognition and Measurement*. The section is effective for fiscal years beginning on or after October 1, 2006. It describes the standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. This section requires that:

- all financial assets be measured at fair value, with some exceptions such as loans and investments that are classified as held to maturity;
- all financial liabilities be measured at fair value if they are derivatives or classified as held for trading purposes. Other financial liabilities are measured at their carrying value; and

- all derivative financial instruments be measured at fair value, even when they are part of a hedging relationship.

The CICA has also reissued section 3860 of the CICA Handbook as section 3861, *Financial Instruments – Disclosure and Presentation*, which establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. These revisions come into effect for fiscal years beginning on or after October 1, 2006.

Hedges

The CICA issued section 3865 of the CICA Handbook, *Hedges*. The section is effective for fiscal years beginning on or after October 1, 2006, and describes when and how hedge accounting can be used.

Hedging is an activity used by a company to change an exposure to one or more risks by creating an offset between:

- changes in the fair value of a hedged item and a hedging item;
- changes in the cash flows attributable to a hedged item and a hedging item; or
- changes resulting from a risk exposure relating to a hedged item and a hedging item.

Hedge accounting makes sure that all gains, losses, revenues and expenses from the derivative and the item it hedges are recorded in the statement of operations in the same period.

As a result of adopting the above, the Company has:

- recorded its foreign exchange risk management derivatives at fair value as at the reporting date on the balance sheet as “Other assets;”
- recorded the effective portion of its derivatives on the balance sheet in “Accumulated other comprehensive income;”
- classified all of its cash equivalents and marketable securities as “Held-for-trading” and recorded those securities at their fair value as at the reporting date, with changes in fair value being recognized in income immediately;
- classified its long-term liabilities as “Other liabilities,” which are recorded at amortized cost using the effective interest method; and
- reported comprehensive income and its components and accumulated other comprehensive income and its components in the Notes to the consolidated financial statements.

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

2. Shareholders' equity and other comprehensive income

The following are the changes in shareholders' equity for the nine months ended January 31, 2008:

	Common shares (number)	Common shares (\$)	Contributed surplus (\$)	Retained earnings (\$)	Accumulated other comprehensive income (\$)	Total (\$)
Balance at April 30, 2007	11,055,376	\$102,276	\$2,992	\$16,901	\$ -	\$122,169
Net income	-	-	-	13,049	-	13,049
Dividends	-	-	-	(8,278)	-	(8,278)
Employee Stock Option Program	213,183	3,195	(599)	-	-	2,596
Employee Share Purchase Program	4,731	44	-	-	-	44
Stock-based compensation	-	-	315	-	-	315
Normal course issuer bid	(539,000)	(5,013)	-	(4,947)	-	(9,960)
Unrealized derivative gains on cash flow hedges - net	-	-	-	-	38	38
Balance at January 31, 2008	10,734,290	\$100,502	\$2,708	\$16,725	\$38	\$119,973

3. Net Interest Income

Net interest income comprises the following:

	Quarter Ended January 31,		Nine Months Ended January 31,	
	2008	2007	2008	2007
Interest income	\$663	\$670	\$1,799	\$2,113
Interest expense	58	90	231	273
	\$605	\$580	\$1,568	\$1,840

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,	
	2008	2007	2008	2007
(Loss) income before discontinued operations	(\$1,291)	\$4,950	\$6,942	\$19,254
Discontinued operations (net of tax)	71	(656)	6,107	(3,588)
Net (loss) income	(\$1,220)	\$4,294	\$13,049	\$15,666
Weighted average number of common shares outstanding	10,892,593	10,992,524	11,042,957	11,113,973
Net effect of stock options	70,467	212,399	111,825	215,698
Weighted average diluted number of common shares outstanding	10,963,060	11,204,923	11,154,782	11,329,671

	Quarter Ended January 31,		Nine Months Ended January 31,	
	2008	2007	2008	2007
Earnings per share				
Basic – before discontinued operations	(\$0.12)	\$0.45	\$0.63	\$1.73
Diluted – before discontinued operations	(\$0.12)	\$0.44	\$0.62	\$1.70
Basic - net income	(\$0.11)	\$0.39	\$1.18	\$1.41
Diluted - net income	(\$0.11)	\$0.38	\$1.17	\$1.38

For the quarter ended January 31, 2008 and January 31, 2007, 267,031 and 11,000 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, 2008 and January 31, 2007, 86,128 and 19,000 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 407,319 and 620,673 options issued and outstanding as at January 31, 2008 and January 31, 2007 respectively.

5. Discontinued operations

	Quarter Ended January 31,		Nine Months Ended January 31,	
	2008	2007	2008	2007
Revenues	\$423	\$4,905	\$763	\$13,531
Expenses				
Labour and materials	-	1,270	-	3,663
Research and development	87	3,368	1,487	10,391
Selling and marketing	24	1,701	1,030	5,031
Bad debts	-	-	-	88
Restructuring	-	-	166	-
	111	6,339	2,683	19,173
Gain (loss) from operations	312	(1,434)	(1,920)	(5,642)
Gain on sale of assets	-	-	9,295	-
Gain (loss) earnings before tax	312	(1,434)	7,375	(5,642)
Income tax expense (recovery)	241	(778)	1,268	(2,054)
Discontinued operations (net of tax)	\$71	(\$656)	\$6,107	(\$3,588)

6. Reconciliation of pro forma income with GAAP net income

	Quarter Ended January 31, 2008	2007	Nine Months Ended January 31, 2008	2007
GAAP net (loss) income	(\$1,220)	\$4,294	\$13,049	\$15,666
Add (deduct):				
Stock-based compensation	162	169	397	487
Patent amortization and imputed interest	3,133	494	9,969	1,051
Restructuring	-	-	19	-
Foreign exchange loss (gain)	2,143	-	(4,275)	-
Income tax expense - for the above items	(1,876)	(127)	(2,075)	684
Future income tax revaluation	3,169	-	3,169	-
Discontinued operations (net of tax)	(71)	656	(6,107)	3,588
Pro forma income	\$5,440	\$5,486	\$14,146	\$21,476

7. Stock-based Compensation

The Company has an employee stock purchase plan program whereby employees may elect to designate up to 5% of their annual salary to purchase shares of the Company at a 10% discount from the fair market value. The purchase price is deducted over a six month period via payroll.

Also, the Company has an Employee and Director Stock Option Plan. The exercise price is no lower than the market price on the date of grant. Options granted under the Plan expire within a period of six years of granting, with vesting periods determined by the Human Resources Committee.

The Company employs a fair value method of accounting for all options issued to employees or directors on or after April 27, 2002. The fair value of options issued in the quarter was calculated using the Black-Scholes option pricing model and the following assumptions:

	Quarter Ended January 31, 2008	2007
Risk free interest rate	3.70%	4.05%
Expected life in years	5.5	5.5
Expected dividend yield	6.13%	3.6%
Volatility	57.25%	60.48%

For the quarter ended January 31, 2008, the Company did not issue 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.

8. Business Segment Information

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