



The Value of Innovation

Second Quarter Interim Report

Quarter Ended October 31, 2011

Dividends
Semiconductors
Revenue Profits
Communications
Technologies
Patents
Licensing
Memory
Wireless
DRAM



MOSAID Technologies Incorporated

MOSAID Reports Results for Second Quarter Fiscal 2012

OTTAWA, Ontario – November 23, 2011 – MOSAID Technologies Incorporated (TSX:MSD) today announced financial results for the second quarter of fiscal 2012, ended October 31, 2011.

The Company adopted International Financial Reporting Standards (“IFRS”) effective May 1, 2011. The accompanying interim financial statements represent the Company’s second set of financial statements prepared in accordance with IFRS.

Q2 Fiscal 2012 Results

- Q2 revenues of \$20.2 million, compared with \$20.0 million in Q2 fiscal 2011
- Q2 adjusted net income of \$6.4 million, compared with \$9.8 million in Q2 fiscal 2011. Adjusted diluted EPS of \$0.52, based on 12.2 million diluted shares, compared to \$0.82 per diluted share in Q2 fiscal 2011, based on 11.9 million diluted shares
- Q2 IFRS net loss of \$4.9 million or \$0.40 per share, compared to net income of \$6.3 million or \$0.53 per share in Q2 fiscal 2011.

“The second quarter was marked by two landmark events: our acquisition of approximately 2,000 wireless patents and patent applications originally filed by Nokia, and the offer from an investment fund under the management of Sterling Fund Management, LLC (Sterling) to acquire all the outstanding common shares of MOSAID for \$46.00 in cash per share,” said John Lindgren, President and CEO, MOSAID. “We expect the Nokia patents to drive revenue growth for MOSAID and believe the acquisition affirms our position as one of the world’s premiere licensing organizations. The transaction with Sterling resulted from an extensive review process of MOSAID’s alternatives and, in the view of the Special Committee and the Board, represents the best sale alternative available for shareholders.”

MOSAID had cash and marketable securities of \$115.9 million at the end of the second quarter of fiscal 2012, compared to \$122.9 million at the end of the first quarter of fiscal 2012. In Q2 fiscal 2012, MOSAID returned \$3.0 million to shareholders in quarterly dividend payments. As part of MOSAID’s arrangement agreement with Sterling Partners, which was announced on October 27, 2011, MOSAID agreed to suspend payment of its quarterly dividend.

A reconciliation of adjusted net income to IFRS net income is included in the adjusted consolidated financial statements accompanying this press release.

Arrangement Agreement with Sterling

On October 27, 2011, MOSAID announced that it had entered into an Arrangement Agreement with Sterling pursuant to which Sterling will acquire all the outstanding common shares of MOSAID for a cash payment of \$46.00 per share.

The transaction will be carried out by way of a statutory Plan of Arrangement, the implementation of which will be subject to approval by at least 66 2/3% of the votes cast at the special meeting of MOSAID shareholders to be held on December 19, 2011. This arrangement transaction also requires the approval of the Ontario Superior Court of Justice.

Pursuant to the terms of the Arrangement Agreement between Sterling and MOSAID, the transaction is also subject to applicable regulatory approvals and the satisfaction of certain closing conditions customary in transactions of this nature. On November 17, 2011, MOSAID announced that an advance ruling certificate was received from the Commissioner of Competition confirming that the Commissioner does not intend to challenge the proposed arrangement under the provisions of the Canadian Competition Act. On November 21, 2011, the Company filed its Premerger Notification and Report Form (HSR Form) with the Bureau of Competition, Federal Trade Commission in the United States.

Assuming the required shareholder and Court approvals are received and all other conditions precedent to closing the transaction are satisfied or waived at the time, MOSAID expects that the arrangement will be effected on or about December 23, 2011.

The Arrangement Agreement provides for, among other things, Board support and non-solicitation covenants (subject to the fiduciary obligations of the MOSAID Board and a Sterling "right to match") as well as the payment to Sterling of a break fee equal to \$22 million if the proposed transaction is not completed in certain specified circumstances.

Second Quarter Operational Highlights

Patent portfolio development: MOSAID announced the acquisition of Core Wireless S.a.r.l.(Core Wireless), a Luxembourg company, that held approximately 2,000 wireless patents and patent applications originally filed by Nokia. MOSAID believes that revenues from licensing, enforcing and monetizing this portfolio of wireless patents will surpass the Company's total revenues since its formation in 1975.

MOSAID had approximately 5,385 patents and applications at the end of Q2 fiscal 2012, up 88% from 2,869 at the end of Q2 fiscal 2012, and up 126% from 2,381 one year ago. The increase was driven by the 2,000 wireless patents and patent applications acquired from Core Wireless, and the 500 patents and patent applications acquired earlier in calendar 2011 from Hynix Semiconductor Inc., both of which were recorded during the second quarter.

MOSAID also announced the sale of five patent families for US\$11.0 million to an unnamed buyer. MOSAID will collect payment for the patents over several quarters, with the revenue being recognized as amounts become due.

Wireless patent licensing: MOSAID signed a patent license and settlement agreement with Digi International Inc., ending the patent infringement litigation between the two companies. MOSAID granted Digi International a 10-year license to MOSAID's standards-essential Wi-Fi patents, with running royalty payments due on a quarterly basis. MOSAID initiated wireless patent infringement litigation against 17 companies, including Digi International, in March 2011 in the United States District Court for the Eastern District of Texas, Marshall Division.

Research and Development: MOSAID unveiled the industry's fastest Flash memory semiconductor device. The Company's 256Gb HLNAND™ (HyperLink NAND) device operates at up to 800MB/s per channel, twice the speed of any other NAND Flash device now on the market. Targeting mass storage applications, including enterprise data centers and high-performance computing applications, MOSAID's HLNAND2 technology enables product designers to build SSDs (Solid State Drives) with Gigabyte-per-second performance and Terabyte-class storage capacity.

Litigation update: on August 9, 2011, MOSAID filed suit against seven companies, including Adobe Systems, Inc., Alcatel-Lucent USA, Inc., IBM Corp. and Juniper Networks, Inc., for infringing certain of MOSAID's computer networking patents.

Also on August 9, 2011, MOSAID announced that ARM, Ltd. and ARM, Inc. filed a Complaint for Declaratory Judgment against the Company. On April 7, 2011, MOSAID filed suit against NVIDIA Corporation, Freescale Semiconductor, Inc. and Interphase Corp., alleging infringement of seven U.S. patents related primarily to power management techniques and microprocessor architecture. ARM, in its complaint, is seeking a declaration of non-infringement and invalidity with respect to the same seven U.S. patents at issue in MOSAID's suit against NVIDIA, Freescale and Interphase.

On August 12, 2011, MOSAID added a mobile DRAM (Dynamic Random Access Memory) patent to its infringement claims against Elpida Memory, Inc., Buffalo Inc., and Axiontech Technologies. The amended complaint now alleges infringement of seven of MOSAID's U.S. patents.

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.

Due to the nature of the expense, patent licensing and litigation expense can vary significantly quarter-to-quarter.

The complete financial statements and management's discussion and analysis for second quarter ended October 31, 2011 are available on MOSAID's website at www.mosaid.com or at www.sedar.com.

About MOSAID

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

MOSAID counts many of the world's largest technology companies among its licensees. Founded in 1975, MOSAID has offices in Ottawa, Ontario and Plano, Texas. For more information, please visit www.mosaid.com and <http://InvestorChannel.mosaid.com>

Non-GAAP Measures and Definitions

Throughout this press release, we refer to a number of measures which we believe are meaningful in the assessment of the Company's performance. All these metrics are non-standard measures under IFRS, and are unlikely to be comparable to similarly titled measures reported by other companies. Readers are cautioned that the disclosure of these items is meant to add to, and not replace, the discussion of financial results or cash flows from operations as determined in accordance with IFRS. For a discussion of the purpose of these non-GAAP measures, please refer to the Company's Fiscal 2011 MD&A on SEDAR at www.sedar.com.

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

Investor and Media Inquiries

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FINANCIAL STATEMENTS TO FOLLOW

MOSAID Technologies Incorporated
Unaudited Adjusted Consolidated Financial Statements
For the Quarter Ended October 31, 2011

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

Adjusted net income, which is not an International Financial Reporting Standard (IFRS) measure, is IFRS net income adjusted for stock-based compensation, patent amortization, imputed interest, foreign exchange gains and losses on “other long-term liabilities,” and non-recurring items as reconciled below. The Company uses adjusted measures internally to evaluate and manage operating performance as well as to forecast and plan. Non-IFRS measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

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

		Quarter Ended October 31,		Six Months Ended October 31,
	2011	2010	2011	2010
Revenues	\$20,224	\$19,962	\$38,474	\$38,450
Operating expenses				
Patent portfolio management	2,622	2,248	4,753	4,434
Patent licensing and litigation	7,180	2,328	11,732	4,821
Research and development	929	509	1,792	984
General and administration	1,264	961	2,470	2,016
Foreign exchange (gain) loss	(249)	209	(308)	135
	11,746	6,255	20,439	12,390
Adjusted income from operations	8,478	13,707	18,035	26,060
Investment income	389	275	787	617
Adjusted income before income tax expense	8,867	13,982	18,822	26,677
Income tax expense	2,483	4,195	5,270	8,003
Adjusted net income	\$ 6,384	\$ 9,787	\$13,552	\$18,674
Adjusted earnings per share				
Basic	\$0.54	\$0.83	\$1.14	\$1.59
Diluted	\$0.52	\$0.82	\$1.11	\$1.57
Weighted average number of shares				
Basic	11,918,488	11,790,143	11,911,419	11,779,049
Diluted	12,246,825	11,898,957	12,191,297	11,860,073

Adjusted net income is reconciled to IFRS net income as follows:

(Dollar amounts in thousands)

	Quarter ended		Six Months Ended	
	2011	October 31, 2010	2011	October 31, 2010
IFRS net (loss) income	\$(4,899)	\$6,310	\$(2,323)	\$11,393
Add (deduct):				
Share-based compensation	2,389	1,341	3,696	2,212
Patent amortization	4,467	3,380	8,308	6,760
Imputed interest	1,143	747	1,778	1,493
Special committee	4,195	-	4,195	-
Foreign exchange loss (gain)	2,392	(390)	2,589	228
Income tax expense – for the above items	(3,303)	(1,601)	(4,691)	(3,412)
Adjusted net income	\$ 6,384	\$9,787	\$13,552	\$18,674

Adjusted foreign exchange (gain) loss is reconciled to IFRS foreign exchange loss (gain) as follows:

(Dollar amounts in thousands)

	Quarter ended		Six Months ended	
	2011	October 31, 2010	2011	October 31, 2010
IFRS foreign exchange loss (gain)	\$2,143	\$(181)	\$2,281	\$363
Less: foreign exchange loss (gain) on long-term debt	2,392	(390)	2,589	228
Adjusted foreign exchange (gain) loss	\$ (249)	\$ 209	\$ (308)	\$135

MOSAID Technologies Incorporated
Unaudited Consolidated Condensed Financial Statements
For the Period Ended October 31, 2011

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 CONDENSED BALANCE SHEETS

(In thousands of Canadian Dollars)
(Unaudited)

	October 31, 2011	April 30, 2011	May 1, 2010
Current Assets			
Cash and cash equivalents	\$106,999	\$ 97,809	\$ 70,732
Marketable securities (Note 11)	8,940	17,021	30,096
Accounts receivable	7,232	13,301	4,880
Prepaid expenses	867	542	698
Other asset (Note 11)	-	1,136	2,053
	124,038	129,809	108,459
Property and equipment	505	321	257
Acquired intangible assets (Note 5)	129,569	71,292	80,685
Deferred income tax asset	3,694	1,990	4,818
Investment tax credits receivable	16,380	16,118	15,748
	\$274,186	\$219,530	\$209,967
Current Liabilities			
Accounts payable and accrued liabilities	\$ 16,695	\$ 12,893	\$ 8,221
Deferred revenue	-	-	4,400
Other liability (Note 11)	724	-	992
Current portion of other long-term liabilities	11,306	9,896	8,294
	28,725	22,789	21,907
Other long-term liabilities	83,702	26,911	33,132
	112,427	49,700	55,039
Shareholders' Equity			
Share capital (Note 6)	130,846	129,021	126,573
Contributed surplus	4,300	4,526	4,153
Retained earnings	27,156	35,435	22,588
Accumulated other comprehensive income	(543)	848	1,614
	161,759	169,830	154,928
	\$274,186	\$219,530	\$209,967

See accompanying Notes to the Condensed Consolidated Financial Statements

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

	Quarter ended October 31,		Six Months ended October 31,	
	2011	2010	2011	2010
Revenues	\$20,224	\$19,962	\$38,474	\$38,450
Operating expenses				
Patent portfolio management	2,622	2,248	4,753	4,434
Patent licensing and litigation	7,180	2,328	11,732	4,821
Research and development	929	509	1,792	984
General and administration	1,264	961	2,470	2,016
Foreign exchange loss	2,143	(181)	2,281	363
Share-based compensation (Note 7)	2,389	1,341	3,696	2,212
Special committee	4,195	-	4,195	-
Patent amortization	4,467	3,380	8,308	6,760
Imputed interest	1,143	747	1,778	1,493
	26,332	11,333	41,005	23,083
(Loss) income from operations	(6,108)	8,629	(2,531)	15,367
Investment income	389	275	787	617
(Loss) income before income tax expense	(5,719)	8,904	(1,744)	15,984
Income tax (recovery) expense	(820)	2,594	579	4,591
Net(loss) income	\$(4,899)	\$ 6,310	\$(2,323)	\$11,393
Earnings per share (Note 9)				
Basic – net (loss) earnings	\$(0.41)	\$0.54	\$(0.20)	\$0.97
Diluted – net (loss) earnings	\$(0.40)	\$0.53	\$(0.19)	\$0.96
Weighted average number of shares				
Basic	11,918,488	11,790,143	11,911,419	11,779,049
Diluted	12,246,825	11,898,957	12,191,297	11,860,073

See accompanying Notes to the Condensed Consolidated Financial Statements

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands of Canadian Dollars)

(Unaudited)

	Quarter ended		Six Months ended	
	2011	October 31, 2010	2011	October 31, 2010
Net (loss) income	\$(4,899)	\$6,310	\$(2,323)	\$11,393
Other comprehensive income, net of tax:				
Gains (losses) on derivatives designated as cash flow hedges	(1,403)	240	(968)	(127)
Gains (losses) on derivatives designated as cash flow hedges in prior periods transferred to earnings in the current period	91	(303)	(423)	(809)
Other comprehensive (loss)	(1,312)	(63)	(1,391)	(936)
Comprehensive (loss) income	\$(6,211)	\$6,247	\$(3,714)	\$10,457

See accompanying Notes to the Consolidated Condensed Financial Statements

MOSAID TECHNOLOGIES INCORPORATED
CONSOLIDATED CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of Canadian Dollars)
(Unaudited)

	Common Share (Number)	Common Shares (\$)	Contributed Surplus (\$)	Retained earnings (\$)	Accumulated Other Comprehensive Income (\$)	Total (\$)
Balance at May 1, 2010	\$11,763,626	\$126,573	\$4,153	\$22,588	\$1,614	\$154,928
Net income	-	-	-	11,393	-	11,393
Dividends	-	-	-	(5,887)	-	(5,887)
Employee and Director Stock Option Plan	77,040	2,164	(668)	-	-	1,496
Employee and Director Stock Purchase Plan	6,448	31	(23)	-	-	8
Restricted share unit plan	-	(1,831)	(238)	-	-	(2,069)
Stock-based compensation	-	-	1,034	-	-	1,034
Dividend reinvestment plan	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	(936)	(936)
Balance at October 31, 2010	11,847,114	\$126,937	\$4,258	\$28,094	\$678	\$159,967
Balance at April 30, 2011	\$11,900,198	\$129,021	\$4,526	\$35,435	\$848	\$169,830
Net (loss) income	-	-	-	(2,323)	-	(2,323)
Dividends	-	-	-	(5,956)	-	(5,956)
Employee and Director Stock Option Plan	4,750	139	(50)	-	-	89
Employee and Director Stock Purchase Plan	3,503	132	(46)	-	-	86
Restricted share unit plan	-	1,180	(1,180)	-	-	-
Stock-based compensation	-	-	1,050	-	-	1,050
Dividend reinvestment plan	11,958	374	-	-	-	374
Other comprehensive income	-	-	-	-	(1,391)	(1,391)
Balance at October 31, 2011	\$11,920,409	\$130,846	\$4,300	\$27,156	\$(543)	\$161,759

See accompanying Notes to the Condensed Consolidated Financial Statements

MOSAID TECHNOLOGIES INCORPORATED
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(In thousands of Canadian Dollars)
(unaudited)

	Quarter ended October 31,		Six Months ended October 31,	
	2011	2010	2011	2010
Operating				
Net (loss) income	\$ (4,899)	\$ 6,310	\$ (2,323)	\$11,393
Items not affecting cash				
Amortization and imputed interest	5,213	3,417	9,264	6,828
Stock-based compensation	490	548	1,050	1,034
Loss on disposal of assets	34	-	34	-
Unrealized foreign exchange loss on other long-term liabilities	2,392	(390)	2,589	228
Deferred income taxes and investment tax credits	(1,807)	1,046	(1,497)	1,261
	1,423	10,931	9,117	20,744
Change in non-cash working capital items (Note 10)	6,043	(1,012)	9,546	(5,849)
	7,466	9,919	18,663	14,895
Investing				
Acquisition of property and equipment and acquired intangibles	(11,965)	(67)	(13,072)	(141)
Acquisition of marketable securities	(2,500)	(17,596)	(8,198)	(27,505)
Proceeds on disposal and maturity of marketable securities	4,997	14,210	16,279	24,702
	(9,468)	(3,453)	(4,991)	(2,944)
Financing				
Increase in other long-term liabilities	468	747	925	1,494
Dividends paid	(2,959)	(2,944)	(5,582)	(5,887)
Funding of restricted share unit plan	-	(2,068)	-	(2,068)
Issuance of common shares	36	1,426	175	1,504
	(2,455)	(2,839)	(4,482)	(4,957)
Net cash (outflow) inflow	(4,457)	3,627	9,190	6,994
Cash and cash equivalents, beginning of period	111,456	74,099	97,809	70,732
Cash and cash equivalents, end of period	\$106,999	\$77,726	\$106,999	\$77,726
Supplementary Information:				
Cash on hand and bank balances	\$106,999	\$74,707	\$106,999	\$74,707
Short-term investments	-	3,019	-	3,019
Total cash and cash equivalents	\$106,999	\$77,726	\$106,999	\$77,726

See accompanying Notes to the Condensed Consolidated Financial Statements

MOSAID TECHNOLOGIES INCORPORATED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Periods ended October 31, 2011 and 2010

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

1. Nature of Operations

MOSAID Technologies Incorporated (the "Company") was continued under the Canada Business Corporations Act. The Company monetizes patented intellectual property in the areas of semiconductors and communications systems and develops semiconductor memory technology. Founded in 1975, the Company has operations and is headquartered in Ottawa, Ontario, Canada. The Company also has operations in Plano, Texas, U.S.A.

These interim Consolidated Financial Statements were approved and authorized for issuance by the Board of Directors on November 22, 2011. On October 27, 2011, MOSAID announced that it had entered into an arrangement agreement with Sterling Partners. Sterling will acquire all the outstanding common shares of MOSAID for a cash payment of \$46.00 per share as disclosed in Note 16.

2. Basis of Presentation

In conjunction with the Company's annual audited consolidated financial statements to be issued under International Financial Reporting Standard ("IFRS") for the year ended April 30, 2011, these interim consolidated financial statements present the Company's financial results of operations and financial position under IFRS, as at and for the three and six months ended October 31, 2011, including fiscal year 2011 comparative periods. As a result, they have been prepared in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standard" and with IAS 34, "Interim Financial Reporting." The consolidated interim financial statements do not include all of the information required for full annual financial statements. Previously the Company prepared its interim and annual consolidated Financial Statements in accordance with Canadian generally accepted accounting principles ("previous GAAP").

The preparation of these interim consolidated financial statements resulted in selected changes to the Company's accounting policies as compared to those disclosed in the Company's annual audited consolidated financial statements for the period ended April 30, 2011 issued under previous GAAP. A summary of significant changes to MOSAID's accounting policies is disclosed in Note 15 along with reconciliations presenting the impact of the transition to IFRS for comparative periods as at May 1, 2010, for the six months ended October 31, 2010, and for the twelve months ended April 30, 2011.

A summary of MOSAID's significant accounting policies under IFRS is presented in Note 3. These policies have been retrospectively and consistently applied except where specific exemptions permitted an alternative treatment upon transition to IFRS in accordance with IFRS 1 as disclosed in Note 15.

The consolidated interim financial statements have been prepared on the historical cost basis except for marketable securities, derivative financial instruments and share-based payment transactions that are measured at fair value.

These consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

3. Accounting Policies

Consolidation

These consolidated financial statements include the accounts of MOSAID Technologies Incorporated and its wholly-owned subsidiaries. Significant intercompany accounts and transactions have been eliminated.

Cash and cash equivalents

Cash and cash equivalents include all readily tradable instruments such as bonds, debentures and discount notes with an original maturity of three months or less.

Marketable securities

Marketable securities include readily tradable instruments such as bonds, debentures and discount notes with original maturities in excess of three months and are carried at their fair value as they are classified as held for trading.

Property and equipment

Property and equipment are recorded at cost. Amortization is provided over the estimated useful lives of the assets as follows:

Equipment	35% declining balance
Furniture and fixtures	20% declining balance
Leasehold improvement	shorter of useful life or term of the lease

Amortization commences when an asset is available for use. Amortization methods and useful lives are reviewed at each annual reporting date and adjusted if appropriate.

Acquired intangible assets

Acquired intangible assets consist of patents, exclusive sub-licensing rights, and software. Acquired intangible assets are recorded at their fair value at the date of acquisition. Amortization is provided over the estimated useful lives of the assets as follows:

Patents and exclusive sub-licensing rights	1-14 years
Software	35% declining balance

Amortization commences when an asset is available for use. Amortization methods and useful lives are reviewed at each annual reporting date and adjusted if appropriate.

Asset impairment

At each balance sheet date, the Company reviews the carrying amount of tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. An impairment loss is recorded if the recoverable amount, determined as the higher of its fair value less costs to sell and the value in use of the individual asset or the cash generating unit as appropriate, is less than its carrying value.

Research and development

Research costs are expensed as incurred. Development costs are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Such costs are amortized, commencing when the product is available for use, over the expected life of the product. To date, no development costs have met the criteria for deferral.

Government assistance and investment tax credits

Government assistance and investment tax credits are recorded as a reduction of the related expense or cost of the asset acquired. The benefits are not recognized until there is reasonable assurance that the Company has complied with the terms and conditions of the approved grant program or applicable tax legislation and the grants will be received.

Revenue recognition

The Company earns revenue from monetizing patented technology, primarily through licensing agreements. Revenue is measured at the fair value of the consideration received or receivable and is recognized on an accrual basis when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

Revenue from fixed payments associated with long-term license agreements is recognized as payments become due from the licensee. Royalty revenue from long-term license agreements, which is typically based upon sale of product by the licensee, is recognized upon notification of the sale by the licensee. The Company from time to time may sell patents within its portfolio and revenue is recognized as payments become due.

Deferred revenue arises on license agreements where the payment is received in advance of being due, or where the earnings process is complete but there is not reasonable assurance of collectability at the time of billing.

Foreign currency translation

Transactions in foreign currencies are translated into Canadian dollars at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the rate of exchange in effect at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Canadian dollars at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in a foreign currency that are measured in terms of historical cost are translated at historical exchange rates. Revenues and expenses are translated at rates in effect during the year except for amortization, which is translated at the same rate as the asset to which it relates. The resulting translation adjustments are included in the determination of net income.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under the asset and liability method, the change in the deferred income tax asset and liability is to be included in the determination of net income. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The Company recognizes deferred income tax assets to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Stock option plan

The Company has three equity settled compensation plans: an Employee and Director Stock Option Plan (ESOP), an Employee and Director Stock Purchase Plan (ESPP) and a Restricted Share Unit Plan (RSU) as described in Note 7 to these consolidated financial statements. The Company measures equity settled stock options based on their fair value at the grant date and recognizes compensation expense over the vesting period. Details regarding the determination of the fair value of equity settled share-based transactions are set out in Note 7. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision to the original estimate is included in earnings.

The Company has a cash settled Deferred Share Unit (DSU) Plan as described in Note 7 to these consolidated financial statements. The Company accounts for DSUs by estimating the fair value of the units at the grant date and recording the expense on a straight-line basis over the vesting period of the DSUs. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision to the original estimate is included in earnings. Since this award will be settled in cash, at the end of the reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognized in profit or loss for the year.

Financial instruments

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on the classification of the financial instrument.

The Company classifies its financial instruments as fair value through profit and loss, loans and receivables, or other liabilities. The classification depends on the purpose for which the financial instruments were acquired, their characteristics and management's intent. Management determines the classification of financial assets and liabilities at initial recognition and, except in very limited circumstances, the classification is not changed subsequent to initial recognition. Financial assets and liabilities at fair value through profit or loss include financial assets and liabilities held-for-trading and financial assets and liabilities designated upon initial recognition at fair value through profit or loss. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. The company does not hold any financial instruments that have been designated upon initial recognition as at fair value through profit and loss. The Company classifies its cash and cash equivalents and marketable securities as fair value through profit and loss, which are measured at fair value, with changes in fair value being recorded in net earnings. Accounts receivable have been classified as loans and receivables, which are measured at amortized cost using the effective interest rate method. Accounts payables and accrued liabilities and long-term liabilities have been classified as other financial liabilities, which are measured at amortized cost using the effective interest rate method.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the

financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets, other than those classified as fair value through profit and loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Hedging relationships and derivative financial instruments

The Company utilizes derivative financial instruments in the management of its foreign currency exposures. The Company's policy is not to utilize derivative financial instruments for trading or speculative purposes. The Company applies hedge accounting when appropriate documentation and effectiveness criteria are met.

The Company formally documents all relationships between hedging 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 contractually related firm commitments on projects.

The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Derivatives are recorded on the balance sheet as other assets or liabilities at fair value, with changes in fair value recorded in net income unless the derivative is designated as a cash flow hedge. Fair value of the forward exchange contracts reflects the cash flows due to or from the Company if settlement had taken place at the end of the period. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is recorded in other comprehensive income and is recognized in net income when the hedged item affects net income.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at fair value through profit and loss.

Critical accounting judgments and accounting estimates

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The determination of functional currency and level of impairment testing and cash generating units are matters of judgment.

Estimation uncertainty

Significant estimates and assumptions included in these financial statements relate to the useful lives of acquired intangible assets, measurement of deferred taxes and investment tax credits, valuation of equity instruments granted under share based payment transactions and allowance for doubtful accounts.

4. Recent Pronouncements Issued Not Yet Adopted

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company.

IAS 12 Income Taxes ("IAS 12")

IAS 12 was amended in December 2010 to remove subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. The amendment to IAS 12 is effective for reporting periods beginning on or after January 1, 2012. The Company is currently evaluating the impact of this amendment to IAS 12 on its consolidated financial statements.

IAS 27 Separate Financial Statements (“IAS 27”)

IAS 27 replaced the existing IAS 27 “Consolidated and Separate Financial Statements”. IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. IAS 27 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IAS 28 Investments in Associates and Joint Ventures (“IAS 28”)

IAS 28 was amended in 2011 which prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this amendment to IAS 28 on its consolidated financial statements.

IFRS 7 Financial Instruments: Disclosures (“IFRS 7”)

IFRS 7 was amended in October 2010 to provide additional disclosure on the transfer of financial assets including the possible effects of any residual risks that the transferring entity retains. These amendments are effective as of July 1, 2011. The Company is currently evaluating the impact of these amendments to IFRS 7 on its consolidated financial statements.

IFRS 9 Financial Instruments (“IFRS 9”)

IFRS 9 was issued in November 2009 and is the first step to replace current IAS 39, “Financial Instruments: Recognition and Measurement.” IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

IFRS 10 Consolidated Financial Statements (“IFRS 10”)

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 “Consolidated and Separate Financial Statements” and SIC-12 “Consolidation—Special Purpose Entities” and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 11 Joint Arrangements (“IFRS 11”)

IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31 “Interests in Joint Ventures and SIC-13 Jointly Controlled Entities—Non-Monetary Contributions by Venturers” and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities (“IFRS 12”)

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 13 Fair Value Measurements (“IFRS 13”)

IFRS 13 defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value

measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

5. Acquired intangible assets

Cost			
	Patents and Exclusive Patent Rights	Software	Total Intangible Assets
May 1, 2010	\$114,936	\$964	\$115,900
Additions	4,123	104	4,227
Disposals	-	(283)	(283)
April 30, 2011	\$119,059	\$785	\$119,844
Additions	66,619	29	66,648
Disposals	(58)	-	(58)
October 31, 2011	\$185,620	\$814	\$186,434

Accumulated Amortization			
	Patents and Exclusive Patent Rights	Software	Total Intangible Assets
May 1, 2010	\$34,380	\$835	\$35,215
Amortization	13,549	59	13,608
Disposals	-	(271)	(271)
April 30, 2011	\$47,929	\$623	\$48,552
Amortization	8,308	29	8,337
Disposals	(24)	-	(24)
October 31, 2011	\$56,213	\$652	\$56,865

Net Carrying Amount			
	Patents and Exclusive Patent Rights	Software	Total Intangible Assets
May 1, 2010	\$ 80,556	\$129	\$ 80,685
April 30, 2011	\$ 71,130	\$162	\$ 71,292
October 31, 2011	\$129,407	\$162	\$129,569

Acquisition Core Wireless

On September 1, 2011, MOSAID announced that it had acquired Core Wireless S.a.r.l., a Luxembourg company, which owns approximately 2,000 wireless patents and patent applications originally filed by Nokia in 49 different countries, 1,215 of which had been declared to be essential to 2G, 3G, and 4G standards (the “**Core Wireless Patents**”). The average remaining life of the issued patents in the portfolio exceeds 10 years. In MOSAID’s view, these acquired patents constitute one of the strongest standards-essential wireless portfolios available on the market and will drive significant revenue growth and significant value for Shareholders over the next decade. This acquisition firmly positions MOSAID to be a world leader in wireless patent licensing. This acquisition is made at a time when there is an increasing market awareness of the significant value of patents and their licensing. Based on its extensive experience in the industry, MOSAID conservatively estimates that revenues from licensing, enforcing and monetizing this wireless portfolio will surpass MOSAID’s total revenue of approximately \$1 billion since its formation in 1975. MOSAID bases this revenue estimate in part on the anticipated worldwide sales by unlicensed wireless device manufacturers of US\$500 billion of mobile handsets and smartphones over the next five years, and an extrapolation of sales of such devices for the remainder of the lives of the patents. Based on quantity alone, MOSAID acquired in this portfolio more than twice as many wireless patents declared to be standards-essential than were contained in the Nortel patent portfolio in June 2011, when Nortel’s portfolio of 6,000 patents and patent applications was sold for US\$4.5 billion.

6. Share Capital

Authorized

Unlimited number of common shares.

During the quarter ended October 31, 2011 the Company paid dividends of \$0.25 per common share totaling \$3.0 million (October 31, 2010 - \$0.25 per common share totaling \$2.9 million).

7. Stock-based Compensation Plans

a) Employee and Director Stock Option Plan (ESOP)

Pursuant to the Company's ESOP, the maximum number of common shares which may currently be issued upon the exercise of stock options granted under the ESOP cannot exceed 1,560,177, of which 738,242 are issued and outstanding at October 31, 2011. The exercise price is to be fixed by the Human Resources Committee of the Board of Directors, but shall not be lower than the closing price of the common shares on the TSX on the day prior to the date of grant. Options granted under the ESOP currently expire within a period of six years of granting, with vesting periods determined by the Human Resources Committee. All options outstanding at October 31, 2011 have been granted with equal annual vesting over a four year vesting period.

A summary of the status of the ESOP as of October 31, 2011 and October 31, 2010 and changes during the periods ending on those dates are presented below:

	October 31, 2011		October 31, 2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at start of the year	742,992	\$19.92	636,145	\$17.64
Granted	-	-	215,050	\$26.42
Exercised	(4,750)	\$18.81	(77,040)	\$19.42
Forfeited	-	-	-	-
Outstanding at end of period	738,242	\$19.93	774,155	\$19.91
Options exercisable at period-end	379,372	\$18.52	225,287	\$17.91

Period ended October 31, 2011

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$10.50 - \$11.66	171,889	2.92	\$11.65	123,480	\$11.65
\$14.87 - \$18.88	188,275	4.07	\$18.86	44,225	\$18.81
\$20.22 - \$21.61	153,028	1.61	\$20.93	150,778	\$20.93
\$24.50 - \$29.96	225,050	4.79	\$26.47	60,889	\$26.26
\$10.50 - \$29.96	738,242	3.51	\$19.93	379,372	\$18.52

Period ended October 31, 2010

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$10.50 - \$11.66	175,014	3.92	\$11.65	78,571	\$11.65
\$14.87 - \$18.88	196,150	5.00	\$18.83	3,750	\$17.28
\$20.22 - \$21.61	174,441	2.53	\$20.97	127,966	\$21.02
\$23.15 - \$26.49	228,550	5.63	\$26.34	15,000	\$24.37
\$10.50 - \$26.49	774,155	4.39	\$19.91	225,287	\$17.91

The weighted average fair value of options granted during the period was calculated using the Black-Scholes option pricing model with the following assumptions:

Period ended	October 31, 2011	October 31, 2010
Risk free interest rate	1.35%	1.93%
Expected life in years	4.1	4.8
Expected dividend yield	2.20%	3.78%
Volatility	37.72%	37.17%

b) Restricted share unit plan (RSUs)

The Company has a stock-based compensation plan whereby employees are granted RSUs. An RSU is a conditional right to receive a common share in accordance with the terms of the RSU plan and grant agreement at no additional cost to the employee. The RSUs vest over three years.

Activity in the RSU plan for the period ended October 31, 2011 and October 31, 2010 is summarized below:

Period ended	Quarter ended		Six Months Ended	
	2011	October 31, 2010	2011	October 31, 2010
Outstanding, beginning of period	126,660	141,413	126,660	141,413
Granted	-	39,758	-	39,758
Settled	(33,969)	(20,730)	(33,969)	(20,730)
Forfeited	-	-	-	-
Outstanding, end of period	92,691	160,441	92,691	160,441

The Company funds an independent trustee to purchase the required shares and to provide custodial services.

c) Employee and Director Stock Purchase Plan (ESPP)

For two six-month periods commencing on the second business day after the Company's second period or fiscal year-end financial results are publicly announced (each an "Offering Period"), eligible employees are given an opportunity to request that a percentage of their salary be deducted each pay period for the purpose of acquiring common shares of the Company. Directors may elect to put a maximum lump sum payment of 50% of their annual compensation per offering. Employees may elect to designate up to 5% of their annual salary. The purchase price under the ESPP is the lesser of 90% of the fair market value of the common shares, as determined by calculating the weighted average sale price for board lots as posted on the TSX the ten trading days immediately preceding: (i) the first day of the Offering Period in which the purchase date falls or (ii) the purchase date. The common shares are not considered to be issued by the Company until the end of the six month period. The Company measures compensation expense based on the fair value of the stock using the Black-Scholes option pricing model.

As at October 31, 2011, \$90,136 (2010 - \$108,292) was committed under the ESPP but the common shares were unissued. This amount is presented as part of cash and cash equivalents on the Consolidated Balance Sheets.

d) Deferred share unit plan (DSU)

The Company has a share-based compensation plan whereby directors and officers are granted DSUs. DSUs vest evenly over a four-year period except for DSUs which are issued to directors who elect to receive quarterly retainer amounts in the form of DSUs, which vest immediately. To the extent the Company pays normal cash dividends, participants receive dividend equivalents in the form of additional fully vested DSUs in respect of DSUs which are fully vested. DSUs do not have an exercise price and can only be settled using cash consideration after the individual has retired from all positions with the Company.

Activity in the DSU plan for the period ended October 31, 2011 and October 31, 2010 is summarized below:

Period ended	Quarter ended		Six Months Ended	
	2011	October 31, 2010	2011	October 31, 2010
Outstanding, beginning of year	164,371	154,903	163,112	165,311
Granted in lieu of options	-	17,556	-	17,556
Granted in lieu of retainers	1,181	585	2,539	1,287
Dividend equivalents	776	897	1,730	1,880
Settled	(3,312)	(506)	(4,365)	(8,251)
Forfeited	-	-	-	(4,348)
Outstanding, end of period	163,016	173,435	163,016	173,435

The DSU liability at October 31, 2011 is \$6.8 million (2010 - \$3.2 million).

Share based compensation expense

During the period ended October 31, 2011, the Company recorded share-based compensation expense relating to equity settled awards of \$490,000 (2010 - \$548,000) with the offsetting charge to contributed surplus. Share-based compensation was comprised of \$225,000, \$255,000 and \$10,000 relating to the ESOP, RSU and ESPP Plans respectively (2010 - \$202,000,

\$332,000, \$14,000). Share-based compensation expense relating to the cash settled DSUs of \$1,899,000 (2010 - \$793,000) was recorded during the period.

8. Employee Benefits Expense

The following table presents the employee benefits earned by the employees during the periods noted below:

Period ended	Quarter ended October 31,		Six Months Ended October 31,	
	2011	2010	2011	2010
Salaries including bonuses	\$2,573	\$1,777	\$4,555	\$3,543
Benefits	313	205	598	425
Other labour costs	66	76	139	152
Share-based payments	2,389	1,341	3,696	2,212
	\$5,341	\$3,399	\$8,988	\$6,332

9. Earnings Per Share

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

Period ended	Quarter ended October 31,		Six Months Ended October 31,	
	2011	2010	2011	2010
Net (loss) income	\$(4,899)	\$6,310	\$(2,323)	\$11,393
Weighted average number of common shares outstanding	11,918,488	11,790,143	11,911,419	11,779,049
Effect of dilutive stock options ⁽¹⁾	328,337	108,814	279,878	81,024
Weighted average number of common shares outstanding – dilutive ⁽²⁾	12,246,825	11,898,957	12,191,297	11,860,073
Period ended	2011	2010	2011	2010
Basic – net (loss) earnings	\$(0.41)	\$0.54	\$(0.20)	\$0.97
Diluted – net (loss) earnings	\$(0.40)	\$0.53	\$(0.19)	\$0.96

⁽¹⁾ For quarter ended October 31, 2011, excludes the effect of nil options (2010 – 222,550) as the exercise price exceeded the average fair market value of the common stock during the period and hence are anti-dilutive. For six months ended October 31, 2011, excludes the effect of nil options (2010 – 228,550).

⁽²⁾ The calculation of the weighted average number of common shares excludes any issued DSUs as the DSUs will be settled with cash, and any unissued shares related to the ESPP.

10. Changes in Non-Cash Working Capital Items

Period ended	Quarter ended October 31,		Six Months Ended October 31,	
	2011	2010	2011	2010
Decrease (increase) in current assets				
Accounts receivable	\$ 225	\$ (926)	\$6,069	\$(1,783)
Prepaid expenses	(318)	(13)	(325)	91
	(93)	(939)	5,744	(1,692)
Increase (decrease) in current liabilities				
Accounts payable and accrued liabilities	6,136	1,130	3,802	243
Deferred revenue	-	(1,203)	-	(4,400)
	\$6,043	\$(1,012)	\$9,546	\$(5,849)

At October 31, 2011, cash and cash equivalents includes foreign denominated currency, primarily U.S. dollars, in the amount of \$4.9 million (October 31, 2010 - \$4.1 million).

11. Financial Instruments

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

Credit Risk

Credit risk is the risk of financial loss to the Company if a licensee or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable and its foreign exchange contracts.

The Company provides credit to certain 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. Many of the Company's licensees are 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 licensees' financial status.

Many of the Company's current licensees' operations are focused in the semiconductor industry. The semiconductor industry, particularly the dynamic random access memory (DRAM) segment, can suffer from economic difficulties due to pricing pressure as a result of oversupply of memory devices.

Due to the long-term nature 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 limits its exposure to counter-party credit risk with respect 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 with a maturity date not exceeding twelve 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 exposure to credit risk at the reporting date was:

	October 31, 2011	April 30, 2011	May 1, 2010
Cash and cash equivalents	\$106,999	\$ 97,809	\$ 70,732
Marketable securities	8,940	17,021	30,096
Accounts receivable	7,232	13,301	4,880
Other asset	-	1,136	2,053
Other liability	(724)	-	(992)
	\$122,447	\$129,267	\$106,769

The aging of accounts receivable at the reporting date was:

	October 31, 2011	April 30, 2011	May 1, 2010
Current	\$4,459	\$10,661	\$1,367
Past due 0-30 days	221	190	204
Over 31 days past due	2,592	2,450	3,382
Less: allowance for doubtful accounts	(40)	-	(73)
	\$7,232	\$13,301	\$4,880

Of the amount past due, the Company expects to collect a portion of the amount under a credit insurance policy.

Marketable securities comprise the following:

	October 31, 2011	April 30, 2011	May 1, 2010
Bonds and debentures	\$3,221	\$ 720	\$27,087
Discount notes	5,719	16,301	3,009
	\$8,940	\$17,021	\$30,096

The 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 October 31, 2011 and April 30, 2011 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:

October 31, 2011

Type	Notional	Currency	Maturity	Equivalent to CDN dollars	Fair Value
Sell	\$10,165	USD	< 3 months	\$ 9,908	\$(233)
Sell	\$22,080	USD	3-12 months	\$21,587	\$(491)
					\$(724)

April 30, 2011

Type	Notional	Currency	Maturity	Equivalent to CDN dollars	Fair Value
Sell	\$8,350	USD	< 3 months	\$8,626	\$ 716
Sell	\$5,600	USD	3-12 months	\$5,737	\$ 420
					\$1,136

May 1, 2010

Type	Notional	Currency	Maturity	Equivalent to CDN dollars	Fair Value
Sell	\$12,875	USD	< 3 months	\$13,836	\$ 759
Sell	\$21,225	USD	3-12 months	\$22,890	\$1,294
					\$2,053
Buy	\$(5,000)	USD	3-12 months	\$(6,093)	\$(992)

Accounting for the impact of hedges, a one cent strengthening (weakening) of the U.S. dollar against the Canadian dollar would have decreased (increased) other comprehensive income by approximately \$660,000 for the first period of fiscal 2012.

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 twelve months or less and Company practice is to hold such securities, when possible, until maturity. A 1% increase (decrease) to the interest rate would result in an approximate \$48,000 (2010 - \$120,000) decrease (increase) in the fair value of the investments held as at the reporting date.

The Company is also exposed to interest rate risk due to its imputed interest on other long-term liabilities.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. At October 31, 2011, the Company had \$115.9 million of cash and marketable securities and has a secured bank credit facility of \$10.0 million, less off balance sheet arrangements as described in Note 13 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 premise have contractual maturities of less than thirty days.

The following chart indicates the contractual obligations to which the Company is bound over the following five years.

Payments Due by Period					
(in thousands of dollars)					
Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operating leases	\$ 1,488	\$ 459	\$ 894	\$ 135	-
Other long-term obligations	113,259	11,922	21,112	80,225	-
Total contractual obligations	\$114,747	\$12,381	\$22,006	\$80,360	-

Fair Value

The fair values of cash and cash equivalents, marketable securities, accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

The fair value of long-term obligations is determined using the present value of future cash flows under current financing agreements, based on the Company's current estimated borrowing rate for loans with similar terms and conditions.

The 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 DSUs is determined in relation to the market price of the Company's common stock on the reporting date taking into account the terms and conditions under which the units were granted.

Financial instruments recorded at fair value on the Consolidated Balance Sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the financial instruments recorded at fair value in the Consolidated Balance Sheet, classified using the fair value hierarchy described above:

October 31, 2011				
	Level 1	Level 2	Level 3	Total Financial Assets and Financial Liabilities at Fair Value
Cash and cash equivalents	\$106,999	\$ -	-	\$106,999
Marketable securities	8,940	-	-	8,940
Other asset	-	(724)	-	(724)
	\$115,939	\$(724)	-	\$115,215

April 30, 2011				
	Level 1	Level 2	Level 3	Total Financial Assets and Financial Liabilities at Fair Value
Cash and cash equivalents	\$ 97,809	\$ -	-	\$ 97,809
Marketable securities	17,021	-	-	17,021
Other liability	-	1,136	-	1,136
	\$114,830	\$1,136	-	\$115,966

May 1, 2010				
	Level 1	Level 2	Level 3	Total Financial Assets and Financial Liabilities at Fair Value
Cash and cash equivalents	\$ 70,732	\$ -	-	\$ 70,732
Marketable securities	30,096	-	-	30,096
Other asset	-	2,053	-	2,053
Other liability	-	(992)	-	(992)
	\$100,828	\$1,061	-	\$101,889

12. Business Segment Information

The Company operates in one operating segment: monetizing patented intellectual property in the areas of semiconductors and communications and developing semiconductor memory technology.

In Q2 of fiscal 2012, four of the Company's licensees each amounted to more than 10% of consolidated revenue from operations. Revenue from one licensee was 23%; revenues from the other three licensees were 19%, 17% and 15%, respectively.

In Q2 of fiscal 2011, four of the Company's licensees each amounted to more than 10% of consolidated revenue from operations. Revenue from one licensee was 25%; revenues from the other three customers were 18%, 16% and 10%, respectively.

13. Contingency and Commitments

As at October 31, 2011, the Company had outstanding letters of guarantee totaling \$200,000 (2010 - \$200,000). The Company enters into patent licensing agreements in the ordinary course of business. Although the Company does not provide price protection to most of its customers, there are times when it is a necessary means of doing business. Price protection may be offered to earlier licensees in order to ensure that they enjoy more favoured pricing relative to later licensees for comparable license terms. Such protections are not retroactive. At October 31, 2011, the Company estimates the fair value of this obligation as \$nil (2010 - \$nil) based upon the licenses executed to date.

Contractual obligations:

Operating Lease

The Company has operating leases for office space. The future minimum lease payments over the next four years are as follows:

2012	\$299
2013	\$461
2014	\$465
2015	\$332

14. Capital Management

The Company's objective is to maintain a strong capital base in order 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.

15. Transition to IFRS

As disclosed in Note 2, these interim Consolidated Financial Statements represent the Company's presentation of the financial results of operations and financial position under IFRS for the period ended October 31, 2011 in conjunction with the Company's annual audited Consolidated Financial Statements to be issued under IFRS as at and for the year ended April 30, 2012. As a result, these interim Consolidated Financial Statements have been prepared in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" and with IAS 34, "Interim Financial Reporting," as issued by the IASB. Previously, the Company prepared its interim and annual Consolidated Financial Statements in accordance with Canadian GAAP.

IFRS 1 requires the presentation of comparative information as at the May 1, 2010 transition date and subsequent comparative periods as well as the consistent and retrospective application of IFRS accounting policies. To assist with the transition, IFRS 1 provides mandatory and optional exemptions for first-time adopters to alleviate the retrospective application of all IFRS.

The following reconciliations present the adjustments made to the Company's previous GAAP financial results of operations and financial position to comply with IFRS 1. A summary of the significant accounting policy changes and applicable exemptions are discussed following the reconciliations. Reconciliations include the Company's Consolidated Balance Sheet as at May 1, 2010, Equity as of October 31, 2010 and April 30, 2011 and Statement of Income and Statement of Comprehensive Income for the period ended October 31, 2010 and for the year ended April 30, 2011.

IFRS Opening Consolidated Balance Sheet
As at May 1, 2010
(In thousands of Canadian Dollars)

	Previous GAAP	IFRS Adjustments			IFRS
		Deferred gain on sale- leaseback (Note (a))	Share-based compensation (Note (b))	Deferred tax reclassification (Note (c))	
Current Assets					
Cash and cash equivalents	\$ 70,732	\$ -	\$ -	\$ -	\$ 70,732
Marketable securities	30,096				30,096
Accounts receivable	4,880				4,880
Prepaid expenses	698				698
Other asset	2,053				2,053
Deferred income tax asset	10,930			(10,930)	-
	119,389			(10,930)	108,459
Property and equipment	257				257
Acquired intangible assets	80,685				80,685
Deferred income tax asset	-	(263)	298	4,783	4,818
Investment tax credits receivable	15,748				15,748
	\$216,079	\$(263)	\$298	\$(6,147)	\$209,967
Current Liabilities					
Accounts payable and accrued liabilities	\$ 7,734	\$ -	\$487	\$ -	\$ 8,221
Deferred revenue	4,611	(211)			4,400
Other liability	992				992
Current portion of other long-term liabilities	8,294				8,294
	21,631	(211)	487		21,907
Deferred gain on sale-leaseback	828	(828)			-
Other long-term liabilities	33,132				33,132
Deferred income tax liability	6,147			(6,147)	-
	61,738	(1,039)	487	(6,147)	55,039
Shareholders' Equity					
Share capital	126,573				126,573
Contributed surplus	3,452		701		4,153
Retained earnings	22,702	776	(890)		22,588
Accumulated other comprehensive income	1,614				1,614
	154,341	776	(189)		154,928
	\$216,079	\$(263)	\$298	\$(6,147)	\$209,967

Reconciliation of Shareholders' Equity**As at October 31, 2010**

(In thousands of Canadian Dollars)

	Previous GAAP	IFRS Adjustments		IFRS
		Deferred gain on sale-leaseback (Note (a))	Share-based compensation (Note (b))	
Shareholders' Equity				
Share capital	\$126,937			\$126,937
Contributed surplus	3,366		892	4,258
Retained earnings	28,587	696	(1,189)	28,094
Accumulated other comprehensive income	678			678
	<u>\$159,568</u>	<u>696</u>	<u>(297)</u>	<u>\$159,967</u>

As at April 30, 2011

(In thousands of Canadian Dollars)

	Previous GAAP	IFRS Adjustments		IFRS
		Deferred gain on sale-leaseback (Note (a))	Share-based compensation (Note (b))	
Shareholders' Equity				
Share capital	\$129,021			\$129,021
Contributed surplus	3,592		934	4,526
Retained earnings	35,905	618	(1,088)	35,435
Accumulated other comprehensive income	848			848
	<u>\$169,366</u>	<u>618</u>	<u>(154)</u>	<u>\$169,830</u>

Consolidated Statement of Income
Period ended October 31, 2010
(In thousands of Canadian Dollars)

	Previous GAAP	IFRS Adjustments		IFRS	
		Deferred gain on sale- leaseback (Note (a))	Share-based compensation (Note (b))		Income Statement Reclassification s (Note (d))
Revenues	\$19,962	\$-	\$-	\$-	\$19,962
Operating expenses					
Patent portfolio management	2,248				2,248
Patent licensing and litigation	2,435		(107)		2,328
Research and development	625		(116)		509
General and administration	1,393		(422)	(10)	961
Foreign exchange (gain)	(181)				(181)
Share-based compensation	445		896		1,341
Patent amortization	3,380				3,380
Imputed interest	747				747
	11,092		251	(10)	11,333
Income from operations	8,870		(251)	10	8,629
Investment income	275				275
Income before income tax expense and discontinued operations	9,145		(251)	10	8,904
Income tax expense	2,631		(37)		2,594
Income before discontinued operations	6,514		(214)	10	6,310
Discontinued operations income (net of tax)	50	(40)		(10)	-
Net Income	\$ 6,564	\$(40)	\$(214)	\$-	\$ 6,310
Earnings per share					
Basic – net earnings	\$0.56				\$0.54
Diluted – net earnings	\$0.55				\$0.53

Consolidated Statement of Comprehensive Income
Period ended October 31, 2010
(In thousands of Canadian Dollars)

	Previous GAAP	IFRS Adjustments		IFRS
		Deferred gain on sale- leaseback (Note (a))	Share-based compensation (Note (b))	
Net Income	\$6,564	\$(40)	\$(214)	\$6,310
Other comprehensive income, net tax				
Gains (losses) on derivatives designated as cash flow hedges	240			240
Gains (losses) on derivatives designated as cash flow hedges in prior periods transferred to earnings in the current period	(303)			(303)
Other comprehensive income (loss)	(63)			(63)
Comprehensive income	\$6,501	\$(40)	\$(214)	\$6,247

Consolidated Statement of Income
Year ended April 30, 2011
(In thousands of Canadian Dollars)

	Previous GAAP	IFRS Adjustments			IFRS
		Deferred gain on sale- leaseback (Note (a))	Share-based compensation (Note (b))	Income Statement Reclassification s (Note (d))	
Revenues	\$80,537	\$ -	\$ -	\$-	\$80,537
Operating expenses					
Patent portfolio management	9,570				9,570
Patent licensing and litigation	13,082		(298)		12,784
Research and development	2,974		(306)		2,668
General and administration	5,798		(1,460)	(87)	4,251
Foreign exchange (gain)	(1,450)				(1,450)
Share-based compensation	1,989		2,179		4,168
Patent Amortization	13,551				13,551
Imputed interest	2,906				2,906
	48,420		115	(87)	48,448
Income from operations	32,117		(115)	87	32,089
Investment income	1,345				1,345
Income before income tax expense and discontinued operations	33,462		(115)	87	33,434
Income tax expense	8,679		(81)		8,760
Income before discontinued operations	24,783		(196)	87	24,674
Discontinued operations income (net of tax)	247	(160)		(87)	-
Net Income	\$25,030	\$(160)	\$(196)	\$-	\$24,674
Earnings per share					
Basic – net earnings	\$2.12				\$2.09
Diluted – net earnings	\$2.09				\$2.06

Consolidated Statement of Comprehensive Income
Year ended April 30, 2011
(In thousands of Canadian Dollars)

	Previous GAAP	IFRS Adjustments		IFRS
		Deferred gain on sale- leaseback (Note (a))	Share-based compensation (Note (b))	
Net Income	\$25,030	\$(160)	\$(196)	\$24,674
Other comprehensive income, net tax				
Gains (losses) on derivatives designated as cash flow hedges	754			754
Gains (losses) on derivatives designated as cash flow hedges in prior periods transferred to earnings in the current period	(1,520)			(1,520)
Other comprehensive income (loss)	(766)			(766)
Comprehensive income	\$24,264	\$(160)	\$(196)	\$23,908

The following discussion explains the significant differences between the Company's previous GAAP accounting policies and those applied by the Company under IFRS. IFRS policies have been retrospectively and consistently applied except where specific IFRS 1 optional and mandatory exemptions permitted an alternative treatment upon transition to IFRS for first-time adopters. The descriptive note captions below correspond to the adjustments presented in the preceding reconciliations.

(a) Deferred gain on sale-leaseback

During fiscal 2008 the Company entered into a sale of its corporate headquarters and then entered into an operating lease for a portion of the office space. Under previous GAAP, the gain on sale has been deferred and was being amortized over the term of the lease. Under IAS 17, "Leases," the gain is recognized immediately because it meets the criteria for immediate recognition. Therefore, the Company transferred the unamortized amount of the gain, previously included in deferred revenue, to retained earnings at the transition date (May 1, 2010). The unamortized amount at May 1, 2010 is \$1,039,000 of which \$211,000 is current deferred revenue, and \$828,000 was long-term, resulting in a \$776,000 after tax increase to retained earnings on transition.

For fiscal year end 2011, the amount of the gain transferred from discontinued operations to retained earnings was \$160,000.

(b) Share-based payments

Under previous GAAP, the fair value of share-based awards with graded vesting and service conditions was treated as one grant by the Company and the expense was recognized on a straight-line basis over the vesting period. Under IFRS, each tranche of a share-based award with graded vesting is considered a separate grant for the calculation of fair value, and the related expense is recognized on a straight line basis over the vesting period of each tranche of the award.

Under previous GAAP the Company had elected to account for forfeitures as they occurred. Under IFRS, the Company is required to estimate forfeitures as of the date of grant and revise this estimate if subsequent information indicates that actual forfeitures are likely to differ from the estimate.

Under previous GAAP shares granted to employees under the DSU plan were measured using the intrinsic method. Under IFRS the obligations for cash-settled plans are accounted for using the fair value method.

The Company has elected to take the IFRS 1 exemption and not apply IFRS 2 to equity settled awards that were granted on or before November 7, 2002 or those granted after this date that had vested before the date of transition. The Company also did not apply IFRS 2 to cash settled awards that were settled before the date of transition to IFRS.

These differences resulted in a \$890,000 after tax decrease in retained earnings, a \$701,000 increase in contributed surplus, a \$487,000 increase in the DSU liability and a \$298,000 increase in deferred income tax asset on May 1, 2010, the date of transition.

For fiscal year end 2011, these differences resulted in a share-based compensation increase of \$115,000. As well, DSU expense has also been reclassified from patent licensing and litigation, research and development and general and administration to share-based compensation. For fiscal year end 2011, \$298,000 was transferred from patent licensing and litigation, \$306,000 was transferred from research and development and \$1,359,000 was transferred from general and administration to share-based compensation.

(c) Income tax

Deferred income taxes have been adjusted to reflect the tax effect arising from the differences between IFRS and previous GAAP identified in (a) and (b) above. In addition, IFRS prohibits classifying deferred tax assets and liabilities as current, whereas previous GAAP requires they are classified based on the assets or liabilities to which they relate. Accordingly, on transition to IFRS, all deferred tax assets that had been classified as current under previous GAAP were reclassified to non-current assets.

(d) Income statement reclassifications

Under previous GAAP, the Company recorded income from discontinued operations (net of tax). Under IFRS this amount has been reclassified to general and administration, \$87,000 for the year ended April 30, 2011.

Imputed interest has been separated out of the patent amortization and imputed interest line on the income statement.

(e) Other exemptions

Other significant IFRS 1 exemptions taken by the Company at May 1, 2010 include the following:

- Business combinations entered into prior to May 1, 2010 were not retrospectively restated under IFRS.
- Borrowing costs directly attributable to the acquisition or construction of qualifying assets were not retrospectively restated prior to May 1, 2010.
- Leases were assessed to determine whether an arrangement contained a lease under IFRIC 4 based on facts and circumstances existing at the date of transition. Contracts that were already assessed under previous GAAP were not reassessed.

(f) Hedge effectiveness

On transition to IFRS the Company changed its method of evaluating hedge effectiveness to the hypothetical derivative method. The Company will use a simulations-based approach in order to demonstrate that reasonably possible changes to the fair value of the hedged item arising from changes in the USD/CAD forward rates will be offset by the changes in the fair value of the hedging instrument. Testing under the new method was performed as of the date of transition, and no adjustments were required.

(g) Reconciliation of cash flows as reported under Previous GAAP and IFRS

There were no significant changes to cash flows for the period ended October 31, 2010. The net earnings, share-based payments, future income tax and investment tax credit and change in non-cash working capital items were modified due to differences between previous GAAP and IFRS identified above.

16. Arrangement Agreement with Sterling Partners

On October 27, 2011, MOSAID announced that it had entered into an Arrangement Agreement with Sterling Partners pursuant to which Sterling will acquire all the outstanding common shares of MOSAID for a cash payment of \$46.00 per share.

The transaction will be carried out by way of a statutory Plan of Arrangement, the implementation of which will be subject to approval by at least 66 2/3% of the votes cast at the special meeting of MOSAID shareholders to be held on December 19, 2011. This arrangement transaction also requires the approval of the Ontario Superior Court of Justice.

Pursuant to the terms of the Arrangement Agreement between Sterling and MOSAID, the transaction is also subject to applicable regulatory approvals and the satisfaction of certain closing conditions customary in transactions of this nature. On November 17, 2011, MOSAID announced that an advance ruling certificate was received from the Commissioner of Competition confirming that the Commissioner does not intend to challenge the proposed arrangement under the provisions of the Canadian Competition Act. On November 21, 2011, the Company filed its Premerger Notification and Report Form (HSR Form) with the Bureau of Competition, Federal Trade Commission in the United States.

Assuming the required shareholder and Court approvals are received and all other conditions precedent to closing the transaction are satisfied or waived at the time, MOSAID expects that the arrangement will be effected on or about December 23, 2011.

The Arrangement Agreement provides for, among other things, board support and non-solicitation covenants (subject to the fiduciary obligations of the MOSAID Board and a Sterling "right to match") as well as the payment to Sterling of a break fee equal to \$22 million if the proposed transaction is not completed in certain specified circumstances. MOSAID has also agreed to suspend the payment of its quarterly dividend.

The terms and conditions of the transaction are summarized in MOSAID's management information circular, dated November 18, 2011, which is available on SEDAR at www.sedar.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

This discussion and analysis is dated November 23, 2011. It should be read in conjunction with the unaudited Consolidated Financial Statements of MOSAID Technologies Incorporated ("MOSAID" or "the Company") for the quarter ended October 31, 2011. It should also be read in conjunction with the audited Consolidated Financial Statements and notes thereto for MOSAID for the year ended April 30, 2011, 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, 2011. Unless otherwise stated, all amounts are in Canadian dollars.

The financial statements have been prepared in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" and with IAS 34, "Interim Financial Reporting," as issued by the IASB. Previously, the Company prepared its interim and annual Consolidated Financial Statements in accordance with Canadian GAAP.

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

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 communications 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;
- disruptions or work stoppages by specialized service providers;
- 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.

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 acquired and expects to continue to acquire patent portfolios that address more segments in the semiconductor and communications industries. The addition of these portfolios has provided the Company with a significant 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 or as individual licensee's market share increase. 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 often 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.

Adjusted net income, which is not an international financial reporting standard (IFRS) measure, is IFRS net income adjusted for stock-based compensation, patent amortization, imputed interest, foreign exchange gains and losses on "other long-term liabilities," and non-recurring items as reconciled below. The Company uses adjusted measures internally to evaluate and manage operating performance as well as to forecast and plan. Non-IFRS measures do not have any standardized meaning prescribed by IFRS 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 interim results and is filed accordingly with SEDAR.

Significant events during the Fiscal Quarter

Acquisition Core Wireless

On September 1, 2011, MOSAID announced that it had acquired Core Wireless S.a.r.l., a Luxembourg company, which owns approximately 2,000 wireless patents and patent applications originally filed by Nokia in 49 different countries, 1,215 of which had been declared to be essential to 2G, 3G, and 4G standards (the "Core Wireless Patents"). The average remaining life of the issued patents in the portfolio exceeds 10 years. In MOSAID's view, these acquired patents constitute one of the strongest standards-essential wireless portfolios available on the market and will drive significant revenue growth and significant value for Shareholders over the next decade. This acquisition firmly positions MOSAID to be a world leader in wireless patent licensing. This acquisition is made at a time when there is an increasing market awareness of the significant value of patents and their licensing. Based on its extensive experience in the industry, MOSAID conservatively estimates that revenues from licensing, enforcing and monetizing this wireless portfolio will surpass MOSAID's total revenue of approximately \$1 billion since its formation in 1975. MOSAID bases this revenue estimate in part on the anticipated worldwide sales by unlicensed wireless device manufacturers of US\$500 billion of mobile handsets and smartphones over the next five years, and an extrapolation of sales of such devices for the remainder of the lives of the patents. Based on quantity alone, MOSAID acquired in this portfolio more than twice as many wireless patents declared to be standards-essential than were contained in the Nortel patent portfolio in June 2011, when Nortel's portfolio of 6,000 patents and patent applications was sold for US\$4.5 billion.

Arrangement Agreement with Sterling Partners

On October 27, 2011, MOSAID announced that it had entered into an Arrangement Agreement with Sterling Partners pursuant to which Sterling will acquire all the outstanding common shares of MOSAID for a cash payment of \$46.00 per share.

The transaction will be carried out by way of a statutory Plan of Arrangement, the implementation of which will be subject to approval by at least 66 2/3% of the votes cast at the special meeting of MOSAID shareholders to be held on December 19, 2011. This arrangement transaction also requires the approval of the Ontario Superior Court of Justice.

Pursuant to the terms of the Arrangement Agreement between Sterling and MOSAID, the transaction is also subject to applicable regulatory approvals and the satisfaction of certain closing conditions customary in transactions of this nature. On November 17, 2011, MOSAID announced that an advance ruling certificate was received from the Commissioner of Competition confirming that the Commissioner does not intend to challenge the proposed arrangement under the provisions of the Canadian Competition Act. On November 21, 2011, the Company filed its Premerger Notification and Report Form (HSR Form) with the Bureau of Competition, Federal Trade Commission in the United States.

Assuming the required shareholder and Court approvals are received and all other conditions precedent to closing the transaction are satisfied or waived at the time, MOSAID expects that the arrangement will be effected on or about December 23, 2011.

The Arrangement Agreement provides for, among other things, board support and non-solicitation covenants (subject to the fiduciary obligations of the MOSAID Board and a Sterling "right to match") as well as the payment to Sterling of a break fee equal to \$22 million if the proposed transaction is not completed in certain specified circumstances. MOSAID has also agreed to suspend the payment of its quarterly dividend.

The terms and conditions of the transaction are summarized in MOSAID's management information circular, dated November 18, 2011, which is available on SEDAR at www.sedar.com.

Results of Operations

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

(Dollar amounts in thousands) (Unaudited)	Quarter ended		Six Months Ended	
	2011	October 31, 2010	2011	October 31, 2010
	\$	\$	\$	\$
Revenue	20,224	19,962	38,474	38,450
Operating Expenses				
Patent portfolio management	2,622	2,248	4,753	4,434
Patent licensing and litigation	7,180	2,328	11,732	4,821
Research and development	929	509	1,792	984
General and administration	1,264	961	2,470	2,016
Foreign exchange loss (gain)	2,143	(181)	2,281	363
Share-based compensation	2,389	1,341	3,696	2,212
Special committee	4,195	-	4,195	-
Patent amortization	4,467	3,380	8,308	6,760
Imputed interest	1,143	747	1,778	1,493
	26,332	11,333	41,005	23,083
(Loss) Income from operations	(6,108)	8,629	(2,531)	15,367
Investment income	389	275	787	617
(Loss) income before income tax expense	(5,719)	8,904	(1,744)	15,984
Income tax (recovery) expense	(820)	2,594	579	4,591
Net (loss) income	(4,899)	6,310	(2,323)	11,393
(Loss) earnings per share				
Basic – net (loss) earnings	\$(0.41)	\$0.54	\$(0.20)	\$0.97
Diluted – net (loss) earnings	\$(0.40)	\$0.53	\$(0.19)	\$0.96
Weighted average number of shares				
Basic	11,918,488	11,790,143	11,911,419	11,779,049
Diluted	12,246,825	11,898,957	12,191,297	11,860,073

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

	Quarter ended		Six Months Ended	
	2011	October 31, 2010	2011	October 31, 2010
	%	%	%	%
Revenues	100	100	100	100
Expenses				
Patent portfolio management	13	11	12	11
Patent licensing and litigation	35	12	30	12
Research and development	5	2	5	3
General and administration	6	5	6	5
Foreign exchange loss	11	(1)	6	1
Share-based compensation	12	7	10	6
Special committee	21	-	11	-
Patent amortization	22	17	22	18
Imputed interest	5	4	5	4
Operating expenses	130	57	107	60
(Loss) income from operations	(30)	43	(7)	40
Investment income	2	2	2	2
(Loss) income before income tax expense	(28)	45	(5)	42
Income tax (recovery) expense	(4)	13	1	12
Net income	(24)	32	(6)	30

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

(Dollar amounts in thousands) (Unaudited)	Quarter ended		Six Months Ended	
	2011	October 31, 2010	2011	October 31, 2010
	\$	\$	\$	\$
Revenue	20,224	19,962	38,474	38,450
Operating Expenses				
Patent portfolio management	2,622	2,248	4,753	4,434
Patent licensing and litigation	7,180	2,328	11,732	4,821
Research and development	929	509	1,792	984
General and administration	1,264	961	2,470	2,016
Foreign exchange (gain) loss	(249)	209	(308)	135
	11,746	6,255	20,439	12,390
Adjusted income from operations	8,478	13,707	18,035	26,060
Investment income	389	275	787	617
Adjusted income before income tax expense	8,867	13,982	18,822	26,677
Income tax expense	2,483	4,195	5,270	8,003
Adjusted net income	6,384	9,787	13,552	18,674
Adjusted earnings per share				
Basic	\$0.54	\$0.83	\$1.14	\$1.59
Diluted	\$0.52	\$0.82	\$1.11	\$1.57
Weighted average number of shares				
Basic	11,918,488	11,790,143	11,911,419	11,779,049
Diluted	12,246,825	11,898,957	12,191,297	11,860,073

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

	Quarter ended October 31,		Six Months Ended October 31,	
	2011	2010	2011	2010
	%	%	%	%
Revenues	100	100	100	100
Expenses				
Patent portfolio management	13	11	12	11
Patent licensing and litigation	35	12	30	12
Research and development	5	2	5	3
General and administration	6	5	6	5
Foreign exchange (gain) loss	(1)	1	(1)	1
Operating expenses	58	31	52	32
Adjusted income from operations	42	69	48	68
Investment income	2	1	2	2
Adjusted income before income tax expense	44	70	50	70
Income tax expense	12	21	14	21
Adjusted net income	32	49	36	49

Adjusted net income is reconciled to IFRS net income as follows:

(Dollar amounts in thousands)	Quarter ended October 31,		Six Months Ended October 31,	
	2011	2010	2011	2010
	\$	\$	\$	\$
IFRS net (loss) income	(4,899)	6,310	(2,323)	11,393
Add (deduct):				
Share-based compensation	2,389	1,341	3,696	2,212
Patent amortization	4,467	3,380	8,308	6,760
Imputed interest	1,143	747	1,778	1,493
Special committee	4,195	-	4,195	-
Foreign exchange loss (gain)	2,392	(390)	2,589	228
Income tax expense – for the above items	(3,303)	(1,601)	(4,691)	(3,412)
Adjusted net income	6,384	9,787	13,552	18,674

Adjusted foreign exchange (gain) loss is reconciled to IFRS foreign exchange loss (gain) as follows:

(Dollar amounts in thousands)	Quarter ended October 31,		Six Months Ended October 31,	
	2011	2010	2011	2010
	\$	\$	\$	\$
IFRS foreign exchange loss (gain)	2,143	(181)	2,281	363
Less: foreign exchange loss (gain) on long-term debt	2,392	(390)	2,589	228
Adjusted foreign exchange (gain) loss	(249)	209	(308)	135

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

REVENUES

(Dollar amounts in thousands)	Quarter ended October 31,		Six Months Ended October 31,	
	2011	2010	2011	2010
Revenues	\$20,224	\$19,962	\$38,474	\$38,450

Revenues during Q2 fiscal 2012 and the six months ended October 31, 2011 are comparable to the same period in the prior year.

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 at the end of Q2 fiscal 2012 is 4.1 years (2011 - 4.3). 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		Six Months Ended	
	2011	October 31, 2010	2011	October 31, 2010
	%	%	%	%
Revenue from fixed payments	75	89	73	88
Revenue from running royalty agreements	25	11	27	12
Total	100	100	100	100

The approximate geographic breakdown of operating revenues is as follows:

	Quarter ended		Six Months Ended	
	2011	October 31, 2010	2011	October 31, 2010
	%	%	%	%
Asia Pacific	46	68	49	76
North America	50	27	46	19
Europe	4	5	5	5
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 Q2 fiscal 2012, four of the Company's licensees each amounted to more than 10% of consolidated revenue from operations. Revenue from one licensee was 23%; revenues from the other three licensees were 19%, 17% and 15%, respectively.

In Q2 fiscal 2011, four of the Company's licensees each amounted to more than 10% of consolidated revenue from operations. Revenue from one licensee was 25%; revenues from the other three customers were 18%, 16% and 10%, respectively.

The Company has no material contracts expiring in the next 12 months.

EXPENSES

Patent portfolio management

(Dollar amounts in thousands)	Quarter ended		Six Months Ended	
	2011	October 31, 2010	2011	October 31, 2010
Patent portfolio management	\$2,622	\$2,248	\$4,753	\$4,434
As a percentage of total revenues	13%	11%	12%	11%
Increase from same period last year	17%		7%	

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 both absolute dollar terms and as percentage of revenue for both Q2 fiscal 2012 and the six months ended October 31, 2011, as compared to the prior year, is due primarily to increased costs as a result of a higher number of patents and patent applications.

At the end of Q2 fiscal 2012, the Company had 3,719 patents (2011 – 1,463), the average remaining life of which is approximately 9.2 years (2011 – 9.4). In addition, the Company had, at the end of Q2 fiscal 2012, 1,666 patent applications (2011 – 918).

The current portfolio of patents and patent applications includes a total of 2,562 patents and applications acquired or newly filed during Q2 fiscal 2012 and 46 patents and applications that were abandoned, expired or sold during the quarter.

Patent licensing and litigation

(Dollar amounts in thousands)	Quarter ended		Six Months Ended	
	2011	October 31, 2010	2011	October 31, 2010
Patent licensing and litigation	\$7,180	\$2,328	\$11,732	\$4,821
As a percentage of total revenues	35%	12%	30%	12%
Increase from same period last year	208%		143%	

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 increase in patent licensing and litigation expense in both absolute dollar terms and as a percentage of revenue for both Q2 fiscal 2012 and the six months ended October 31, 2011, as compared to the prior year, is due primarily to increased litigation costs as a result of the increased number of litigations filed.

Research and Development (R&D)

(Dollar amounts in thousands)	Quarter ended		Six Months Ended	
	2011	October 31, 2010	2011	October 31, 2010
Research and development	\$929	\$509	\$1,792	\$984
As a percentage of total revenues	5%	2%	5%	3%
Increase from same period last year	83%		82%	

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 expense in both absolute dollar terms and as a percentage of revenue, for Q2 fiscal 2012 and the six months ended October 31, 2011, as compared to the prior year, increased primarily due to the timing of subcontract expenses related to the development of its Flash memory technology.

General and Administration (G&A)

(Dollar amounts in thousands)	Quarter ended		Six Months Ended	
	2011	October 31, 2010	2011	October 31, 2010
General and administration	\$1,264	\$961	\$2,470	\$2,016
As a percentage of total revenues	6%	5%	6%	5%
Increase from same period last year	32%		23%	

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

The increase in G&A expense in both absolute dollars and as a percentage of revenue for both Q2 fiscal 2012 and the six months ended October 31, 2011, as compared to the same period in the prior year, is due primarily to headcount related costs.

Foreign exchange loss (gain) (FX)

(Dollar amounts in thousands)	Quarter ended		Six Months Ended	
	2011	October 31, 2010	2011	October 31, 2010
FX loss (gain)	\$2,143	\$(181)	\$2,281	\$363
As a percentage of total revenues	11%	(1%)	6%	1%
Increase from same period last year	nm		nm	

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

The FX loss under IFRS of \$2.1 million during Q2 fiscal 2012 and gain of \$181,000 during Q2 fiscal 2011 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 \$249,000, an immaterial percentage of revenues, for Q2 fiscal 2012, as compared to a loss of \$209,000, also an immaterial percentage 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 \$660,000 for the quarter ended October 31, 2011; adjusted income would have increased (decreased) by approximately \$25,000.

Share-based compensation

(Dollar amounts in thousands)	Quarter ended		Six Months Ended	
	2011	October 31, 2010	2011	October 31, 2010
Share-based compensation	\$2,389	\$1,341	\$3,696	\$2,212
As a percentage of total revenues	12%	7%	10%	6%
Increase from same period last year	78%		67%	

The Company's share-based compensation plans include the employee & director stock option plan (ESOP), employee and director stock purchase plan (ESPP), the restricted share unit plan (RSUs) and the deferred share unit plan (DSUs). Share-based compensation expense represents the expenses associated with these plans.

Share-based compensation expense increased in both absolute dollar terms and as a percentage of revenue, for both Q2 fiscal 2012 and the six months ended October 31, 2011, as compared to the prior year, due primarily to the increase in share price.

Patent amortization

(Dollar amounts in thousands)	Quarter ended		Six Months Ended	
	2011	October 31, 2010	2011	October 31, 2010
Patent amortization	\$4,467	\$3,380	\$8,308	\$6,760
As a percentage of total revenues	22%	17%	22%	18%
Increase from same period last year	32%		23%	

Patent amortization represents the amortization charge related to acquired patents or patents to which the Company has exclusive licensing rights as a result of partnerships or similar business models with third parties.

The increase in patent amortization cost for both Q2 fiscal 2012 and the six months ended October 31, 2011 as compared to the prior year, both in absolute dollar terms and as a percentage of revenue, is due primarily to the acquisition of patents.

Imputed interest

(Dollar amounts in thousands)	Quarter ended		Six Months Ended	
	2011	October 31, 2010	2011	October 31, 2010
Imputed interest	\$1,143	\$747	\$1,778	\$1,493
As a percentage of total revenues	5%	4%	5%	4%
Increase from same period last year	53%		19%	

Imputed interest expense 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 imputed interest cost, for both Q2 fiscal 2012 and the six months ended October 31, 2011 as compared to the prior year, in absolute dollar terms is due primarily to the acquisition of patents, and payments made on other long-term liabilities.

Income Taxes

IFRS income tax recovery of \$820,000 was recorded for Q2 fiscal 2012, compared to an income tax expense of \$2.6 million for Q2 fiscal 2011. The IFRS effective tax rate in Q2 fiscal 2012 was 14% as compared to 29% in Q2 fiscal 2011. The IFRS 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.

Liquidity and Capital Resources

In Q2 fiscal 2012, the Company generated positive cash flow from operations before changes in non-cash working capital of \$1.4 million, as compared to \$10.9 million in Q2 fiscal 2011. Changes in non-cash working capital increased cash flow by \$6.0 million in Q2 fiscal 2012, compared to reducing cash flow by \$1.0 million in Q2 of fiscal 2011. In Q2 fiscal 2012 and Q2 fiscal 2011, the Company declared and paid a dividend of \$0.25 per common share or \$3.0 million and \$2.9 million respectively.

In terms of other cash flow items:

Cash and marketable securities

At the end of Q2 fiscal 2012, the Company had cash and marketable securities of \$115.9 million, compared to \$114.8 million at the end of fiscal 2011. Working capital decreased to \$95.3 million at the end of Q2 fiscal 2012 from \$107.0 million at the end of fiscal 2011. 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 \$6.1 million during fiscal 2012, from \$13.3 million at the end of fiscal 2011 to \$7.2 million at the end of Q2 fiscal 2012, mainly due to the timing of receipt of receivables.

Acquired intangible assets

The net book value of acquired intangible assets increased by \$58.3 million during fiscal year 2012. The increase is due to acquisitions in fiscal 2012 of \$66.6 million, partially offset by patent amortization of \$8.3 million.

Future income tax assets and Investment tax credits receivable

At the end of Q2 fiscal 2012, the balance for deferred income tax assets and investment tax credits receivable was \$20.1 million, compared with \$18.1 million at the end of fiscal 2011. The change in balance during fiscal 2012 was due to \$89,000 of investment tax credits recorded as an offset to R&D expense, \$2.0 million of withholding taxes on foreign royalty income, and \$492,000 of deferred tax related to foreign exchange contracts. These amounts were partially offset by Canadian tax expense during fiscal 2012 of \$579,000.

Other long-term liabilities

As a result of the purchase of patents from Infineon Technologies AG (Infineon), Agere Systems Inc. (Agere), Samsung Electronics Co. (Samsung) and through the acquisition of Core Wireless Licensing S.a.r.l., the Company has recorded a liability of \$95.0 million, representing the discounted value of the anticipated future cash outflows. Of this amount, \$11.3 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)	Q212 IFRS	Q112 IFRS	Q411 IFRS	Q311 IFRS	Q211 IFRS	Q111 IFRS	Q410 CGAAP	Q310 CGAAP
Revenues	\$20,224	\$18,250	\$21,876	\$20,211	\$19,962	\$18,488	\$19,886	\$17,688
(Loss) income before discontinued operations	\$(4,899)	\$ 2,576	\$ 5,964	\$ 7,317	\$ 6,310	\$ 5,083	\$ 7,904	\$ 2,028
Per share	\$(0.41)	\$0.22	\$0.50	\$0.62	\$0.54	\$0.43	\$0.69	\$0.20
Per diluted share	\$(0.40)	\$0.21	\$0.49	\$0.61	\$0.53	\$0.43	\$0.68	\$0.20
Net (loss) income	\$(4,899)	\$ 2,576	\$ 5,964	\$ 7,317	\$ 6,310	\$ 5,083	\$ 8,051	\$ 2,224
Per share	\$(0.41)	\$0.22	\$0.50	\$0.62	\$0.54	\$0.43	\$0.70	\$0.22
Per diluted share	\$(0.40)	\$0.21	\$0.49	\$0.61	\$0.53	\$0.43	\$0.69	\$0.21

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
Operating leases	\$ 1,488	\$ 459	\$ 894	\$ 135	-
Other long-term obligations	113,259	11,922	21,112	80,225	-
Total contractual obligations	\$114,747	\$12,381	\$22,006	\$80,360	-

The other long-term obligations represent the undiscounted amounts due to Infineon, Agere, Samsung, Nokia and Microsoft, as a result of patent purchases and through the acquisition of companies. The operating lease represents leases for office space. The lease expires in March 2015.

Off Balance Sheet Arrangements

Off balance sheet arrangements are described in the notes to the annual financial statements. Note 18 to the annual financial statements disclose the Company's guarantees and contingencies.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares. At the end of Q2 fiscal 2012, there were 11,920,409 common shares issued and outstanding. At October 31, 2011, the Company may grant up to 1,560,177 options, under the Employee and Director Stock Option Plan, of which 738,242 have been granted and are outstanding.

Adoption of International Financial Reporting Standards

The Company has prepared its October 31, 2011 Consolidated Condensed Interim Financial Statements in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards, and with IAS 34, "Interim Financial Reporting." Previously, the Company prepared its interim and annual Consolidated Financial Statements in accordance with Canadian GAAP. The adoption of IFRS has not had a material impact on the Company's operations, strategic decisions and cash flow.

The Company's IFRS accounting policies are provided in Note 3 to the Consolidated Condensed Interim Financial Statements. In addition, Note 15 to the Consolidated Condensed Interim Financial Statements presents reconciliations between the Company's previous GAAP financial results of operations and financial position to comply with IFRS 1. A summary of the significant accounting policy changes and applicable exemptions are discussed following the reconciliations. Reconciliations include the Company's Consolidated Balance Sheet as at May 1, 2010, Equity as of October 31, 2010 and April 30, 2011 and Statement of Income and Statement of Comprehensive Income for the period ended October 31, 2010 and for the year ended April 30, 2011.

The following provides summary reconciliations of the Company's Canadian previous GAAP and IFRS results, along with a discussion of the significant IFRS accounting policy changes.

Summary Net Income Reconciliation

	FY11	Q411	Q311	Q211	Q111
Net Income – Canadian GAAP	\$25,030	\$5,883	\$7,375	\$6,564	\$5,208
After tax adjustments:					
Share-based payments (IFRS 2)	(196)	121	(18)	(214)	(85)
Deferred gain on sale-leaseback (IAS 17)	(160)	(40)	(40)	(40)	(40)
Net Income – IFRS	\$24,674	\$5,964	\$7,317	\$6,310	\$5,083

The table below provides the 2011 quarterly and full year consolidated statements of income under IFRS.

	FY11	Q411	Q311	Q211	Q111
Revenues	\$80,537	\$21,876	\$20,211	\$19,962	\$18,488
Operating expenses					
Patent portfolio management	9,570	3,000	2,136	2,248	2,186
Patent licensing and litigation	12,784	5,763	2,200	2,328	2,493
Research and development	2,668	1,002	682	509	475
General and administration	4,251	1,160	1,075	961	1,055
Foreign exchange (gain) loss	(1,450)	(1,260)	(553)	(181)	544
Share-based compensation	4,168	439	1,517	1,341	871
Patent amortization	13,551	3,405	3,386	3,380	3,380
Imputed interest	2,906	670	743	747	746
	48,448	14,179	11,186	11,333	11,750
Income from operations	32,089	7,697	9,025	8,629	6,738
Investment income	1,345	391	337	275	342
Income before income tax expense	33,434	8,088	9,362	8,904	7,080
Income tax expense	8,760	2,124	2,045	2,594	1,997
Net income	\$24,674	\$ 5,964	\$ 7,317	\$ 6,310	\$ 5,083
Earnings per share					
Basic	\$2.09	\$0.50	\$0.62	\$0.54	\$0.43
Diluted	\$2.06	\$0.49	\$0.61	\$0.53	\$0.43

Summary Adjusted Net Income Reconciliation

	FY11	Q411	Q311	Q211	Q111
Adjusted Net Income – Canadian GAAP	\$34,609	\$7,300	\$ 9,383	\$9,329	\$8,597
After tax adjustments:					
Share-based payments (IFRS 2)	132	150	59	(97)	20
Reclassification of DSU expense (IFRS 2)	1,374	(75)	624	555	270
Adjusted net Income – IFRS	\$36,115	\$7,375	\$10,066	\$9,787	\$8,887

The table below provides the 2011 quarterly and full year consolidated adjusted statements of income under IFRS.

	FY11	Q411	Q311	Q211	Q111
Revenues	\$80,537	\$21,876	\$20,211	\$19,962	\$18,488
Operating expenses					
Patent portfolio management	9,570	3,000	2,136	2,248	2,186
Patent licensing and litigation	12,784	5,763	2,200	2,328	2,493
Research and development	2,668	1,002	682	509	475
General and administration	4,251	1,160	1,075	961	1,055
Foreign exchange loss (gain)	1,017	807	75	209	(74)
	30,290	11,732	6,168	6,255	6,135
Adjusted income from operations	50,247	10,144	14,043	13,707	12,353
Investment income	1,345	391	337	275	342
Adjusted income before income tax expense	51,592	10,535	14,380	13,982	12,695
Income tax expense	15,477	3,160	4,314	4,195	3,808
Adjusted net income	\$36,115	\$ 7,375	\$10,066	\$ 9,787	\$ 8,887
Adjusted earnings per share					
Basic	\$3.05	\$0.62	\$0.85	\$0.83	\$0.76
Diluted	\$3.02	\$0.61	\$0.84	\$0.82	\$0.75

Changes in Accounting Policies

The following discussion explains the significant differences between the Company's Canadian GAAP accounting policies and those applied by the Company under IFRS. IFRS policies have been retroactively and consistently applied except where specific IFRS 1 optional and mandatory exemptions permitted an alternative treatment upon transition to IFRS for first-time adopters.

Leases

During fiscal 2008 the Company entered into a sale of its corporate headquarters and then entered into an operating lease for a portion of the office space. Under previous GAAP, the gain on sale has been deferred and was being amortized over the term of the lease. Under IAS 17, "Leases," the gain is recognized immediately because it meets the criteria for immediate recognition. Therefore, the Company transferred the unamortized amount of the gain, previously included in Deferred Revenue, to retained earnings at the transition date (May 1, 2010). The unamortized amount at May 1, 2010 is \$1,039,000 of which \$211,000 is current deferred revenue and \$828,000 was long-term, resulting in a \$776,000 after tax increase to retained earnings on transition.

For the fiscal year end 2011, the amount of the gain transferred from discontinued operations to retained earnings was \$160,000 respectively.

Share-based payments

Under previous GAAP, the fair value of share-based awards with graded vesting and service conditions was treated as one grant by the Company and the expense recognized on a straight-line basis over the vesting period. Under IFRS, each tranche of a share-based award with graded vesting is considered a separate grant for the calculation of fair value, and the related expense is recognized on a straight line basis over the vesting period of each tranche of the award.

Under previous GAAP the Company had elected to account for forfeitures as they occurred. Under IFRS, the Company is required to estimate forfeitures as of the date of grant and revise this estimate if subsequent information indicates that actual forfeitures are likely to differ from the estimate.

Under previous GAAP shares granted to employees under the DSU plan were measured using the intrinsic method. Under IFRS the obligations for cash-settled plans are accounted for using the fair value method. The Company has elected to take the IFRS 1 exemption and not apply IFRS 2 to equity settled awards that were granted on or before November 7, 2002 or those granted after this date that had vested before the date of transition. The Company also did not apply IFRS 2 to cash settled awards that were settled before the date of transition to IFRS.

These differences resulted in \$890,000 after tax decrease in retained earnings, a \$701,000 increase in contributed surplus, a \$487,000 increase in the DSU liability and a \$298,000 increase in deferred income tax asset on May 1, 2010, the date of transition.

For fiscal year end 2011, these differences resulted in a share-based compensation increase \$115,000. As well, DSU expense has also been reclassified from patent licensing and litigation, research and development and general and administration to share-based compensation. For fiscal year end 2011, \$298,000 was transferred from patent licensing and litigation, \$306,000 was transferred from research and development, and \$1,359,000 was transferred from general and administration to share-based compensation.

Impairment of Long-lived Assets

Under IAS 36 Impairment of Assets ("IAS 36"), impairment testing of assets is based on comparing the carrying amount of the asset or group of assets to their recoverable amount. Recoverable amount is calculated as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Value in use is calculated based upon a discounted cash flow analysis. In addition, IAS 36 requires, under certain circumstances, the reversal of impairment losses.

Under Canadian GAAP, recoverable amount is initially based on undiscounted cash flows. If the recoverable amount is less than the carrying value then the asset or asset group is written down to fair value. Impairment losses cannot be reversed under current Canadian GAAP.

There was no impact on the opening balance sheet.

Impairments may be recognized more frequently under IFRS, which may be reversed in certain circumstances in future periods.

Other Exemptions

Other significant IFRS 1 exemptions taken by the Company at May 1, 2010 include the following:

- Business combinations entered into prior to May 1, 2010 were not retrospectively restated under IFRS.
- Borrowing costs directly attributable to the acquisition or construction of qualifying assets were not retrospectively restated prior to May 1, 2010.
- Leases were assessed to determine whether an arrangement contained a lease under IFRIC 4 based on facts and circumstances existing at the date of transition. Contracts that were already assessed under previous GAAP were not reassessed.

Recent Pronouncements Issued Not Yet Adopted

All accounting standards effective for periods beginning on or after January 1, 2011 have been adopted as part of the transition to IFRS. The following new IFRS pronouncements have been issued but are not effective and may have an impact on the Company:

IAS 12 Income Taxes (“IAS 12”)

IAS 12 was amended in December 2010 to remove subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. The amendment to IAS 12 is effective for reporting periods beginning on or after January 1, 2012. The Company is currently evaluating the impact of this amendment to IAS 12 on its consolidated financial statements.

IAS 27 Separate Financial Statements (“IAS 27”)

IAS 27 replaced the existing IAS 27 “Consolidated and Separate Financial Statements.” IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. IAS 27 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IAS 28 Investments in Associates and Joint Ventures (“IAS 28”)

IAS 28 was amended in 2011 which prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this amendment to IAS 28 on its consolidated financial statements.

IFRS 7 Financial Instruments: Disclosures (“IFRS 7”)

IFRS 7 was amended in October 2010 to provide additional disclosure on the transfer of financial assets including the possible effects of any residual risks that the transferring entity retains. These amendments are effective as of October 1, 2011. The Company is currently evaluating the impact of these amendments to IFRS 7 on its consolidated financial statements.

IFRS 9 Financial Instruments (“IFRS 9”)

IFRS 9 was issued in November 2009 and is the first step to replace current IAS 39, “Financial Instruments: Recognition and Measurement.” IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

IFRS 10 Consolidated Financial Statements (“IFRS 10”)

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 “Consolidated and Separate Financial Statements” and SIC-12 “Consolidation—Special Purpose Entities” and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 11 Joint Arrangements (“IFRS 11”)

IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31 “Interests in Joint Ventures and SIC-13 Jointly Controlled Entities—Non-Monetary Contributions by Venturers” and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities (“IFRS 12”)

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 13 Fair Value Measurements ("IFRS 13")

IFRS 13 defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

Critical Accounting Estimates

Management is required to make judgments, assumptions and estimates in applying its accounting policies and practices, which have a significant impact on the financial results of the Company. The preceding discussion outlines the Company's significant accounting policies and practices adopted under IFRS. The following outlines the accounting policies and practices involving the use of professional judgment and estimates that are critical to determining the Company's financial results.

Functional Currency

Revenue contracts are predominately priced and billed in US dollars whereas the cost structure inputs are primarily in Canadian dollars. Secondary indicators including financing and cash holdings are primarily Canadian dollars. As the indicators of functional currency do not clearly indicate a specific currency, the indicators as a whole have been judged to indicate the Canadian dollar is the functional currency of the parent and its subsidiaries.

Share-Based Payments

The Company has a stock option plan for employees, officers and directors. The compensation expense recorded is based on the fair-value of the stock using the Black-Scholes option pricing model. Judgment is required to estimate the term of the stock options, the volatility of the stock and future dividends. In addition, judgment is required in estimating the amount of the stock option awards that are expected to be forfeited. If actual results differ significantly from these estimates, share-based payment expense and our operating results could be materially impacted.

Investment Tax Credits

At October 31, 2011, the Company has approximately \$16.4 million (April 30, 2011 - \$16.1 million) of non-refundable investment tax credits carried forward, relating primarily to research and development. These credits can be applied against future income tax payables and are subject to a 20 year carry forward period. Judgment is required in determining the amount of unutilized investment tax credits to accrue. In assessing the potential utilization of investment tax credits, the Company has considered whether it is probable that some portion or all of the unutilized investment tax credits will be realized based upon estimates of our anticipated income tax position in future periods. The Company will continue to evaluate the future income tax position quarterly and record any necessary adjustments in that period.

Valuation of Deferred Income Tax Assets and Future Income Tax Expense (Recovery)

As at October 31, 2011, the Company had accumulated \$42.5 million of unused R&D expenditures for income tax purposes. These deductions are available without expiry to reduce future year's taxable income.

As of October 31, 2011, the Company had a deferred income tax asset of \$3.7 million (April 30, 2011 – \$2.0 million). Judgment is required in determining the amounts of deferred income tax assets and liabilities and the related valuation allowance recorded against the net deferred income tax assets. In assessing the potential realization of deferred income tax assets, we have considered whether it is "probable" that some portion or all of the deferred income tax assets will be realized. Management assesses the probability that deferred income tax assets will be recovered from future taxable income, and whether a valuation allowance is required to reflect any uncertainty. The Company will continue to evaluate its future income tax position quarterly and record any adjustment necessary in that period.

Current Income Tax Expense

On an ongoing basis, management reviews the estimated current tax position and the use of accumulated tax deductions. Based on this review, we recognized a current income tax recovery of \$820,000 for Q2 fiscal 2012.

Acquired Intangible Assets

Acquired intangible assets consist of patents and exclusive patent rights and software. The Company reviews the carrying amount of tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. An impairment loss is recorded if the recoverable amount, determined as the higher of its fair value less costs to sell and the value in use of the individual asset or the cash generating unit as appropriate, is less than its carrying value.

When appropriate, the Company engages an independent professional valuator to assist in the calculation of the fair value of certain intangible assets, primarily patents, at the time of acquisition. Such valuation typically involves judgment related to items, including but not limited to, timing and magnitude of cash flows, market interest rates, comparable licensing rates, and risk premiums. The amortization period for acquired intangible assets is established by management after consideration of factors including legal life remaining for the intangible asset, potential impact of obsolescence, and the expected useful life of the asset.

Estimation Uncertainty

Significant estimates and assumptions included in these financial statements relate to the useful lives of acquired intangible assets, measurement of deferred taxes and investment tax credits, valuation of equity instruments granted under share based payment transactions and allowance for doubtful accounts.

Other MD&A Requirements

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

Business Risks and Uncertainties

As described in the "Risk Factors" section included in the Company's annual MD&A for the year ended April 30, 2011, 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 second quarter of fiscal 2012.

Dated this 23rd day of November, 2011.