



PRESS RELEASE

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FOR IMMEDIATE RELEASE

MathStar Announces Second Quarter 2007 Financial Results

Revenues of 120,000; \$40 Million Follow-On Offering Completed

HILLSBORO, Ore., August 7, 2007 – MathStar, Inc. (NASDAQ: MATH), a fabless semiconductor company specializing in high-performance programmable logic, today announced results for its second quarter of 2007, ended June 30, 2007. Revenues in the second quarter were \$120,000, compared with \$10,000 in the same period last year. Net loss per share was \$0.19 in the second quarter of 2007, compared with \$0.31 per share in the same quarter a year ago.

"In the second quarter, we successfully completed a follow-on offering of 25 million shares of common stock, which netted the company \$36.5 million," said Doug Pihl, president and chief executive officer. "We believe that the funds raised are sufficient to get us to cash flow breakeven," he said.

The company reported second quarter gross margins of 55 percent.

Research and development expenses decreased \$593,000 or 19 percent to \$2.6 million, down from the \$3.2 million reported in the same quarter a year ago. The decrease was a result of reductions in engineering material, lower design tools costs, lower contracted services and lower administrative costs. The decrease was partially offset by the increase in employee related expenses.

For the quarter ended June 30, 2007, selling, general and administrative expenses decreased \$241,000 or 10 percent to \$2.1 million, compared with \$2.3 million in the same period a year ago. The decrease was a result of lower non-cash charges related to restricted stock issued in earlier periods offset by increased employee recurring charges.

The company will present a full business update during a conference call today, Tuesday, Aug. 7, at 1:30 p.m. PDT. To listen to the call, please dial (303) 262-2075 or (800) 218-0713 (toll free). A replay of the call will be available on the company's website at <http://www.mathstar.com>.

About MathStar, Inc.

MathStar is a fabless semiconductor company offering best-in-class, high performance programmable logic solutions. MathStar's Field Programmable Object Array (FPOA) can process arithmetic and logic operations at clock rates at 1 gigahertz, which is up to four times faster than even the most advanced FPGA architectures in many applications. MathStar's Arrix family of FPOAs are high-performance programmable solutions that enable customers in the machine vision, high-performance video, medical imaging, security & surveillance and military markets to rapidly and cost effectively innovate and differentiate their products. FPOAs are available now and are supported by development tools, IP libraries, application notes and technical documentation. For more information, please visit www.mathstar.com.

Statements in this press release, other than historical information, may be "forward-looking" in nature within the meaning of Section 21E the Private Securities Litigation Reform Act of 1995 and are subject to various risks, uncertainties and assumptions. These statements are based on management's current expectations, estimates and projections about MathStar and its industry and include, but are not limited to, those set forth in the section of MathStar's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2007 under the heading "Risk Factors." MathStar undertakes no obligation to update any forward-looking statements in order to reflect events or circumstances that may arise after the date of this release.

MathStar Announces Q2 Financial Results for 2007

MathStar, Inc.
Condensed Balance Sheets
(Unaudited)

	December 31,	June 30,
	2006	2007
	(In Thousands,)	
Assets		
Current assets		
Cash and cash equivalents	\$ 12,891	\$ 38,583
Restricted cash	103	105
Accounts receivable	14	131
Inventory	610	736
Prepaid expenses and other current assets	1,231	750
Total current assets	14,849	40,305
Property and equipment, net	487	461
Other assets	278	444
Total assets	<u>\$ 15,614</u>	<u>\$ 41,210</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 1,791	\$ 993
Deferred revenue – Net	—	139
Accrued expenses	1,206	999
Total liabilities	<u>2,997</u>	<u>2,131</u>
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.01 par value; 10,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.01 par value; 90,000 shares authorized; 20,922 and 45,907 shares issued and outstanding at December 31, 2006 and June 30, 2007, respectively	209	459
Additional paid-in capital	118,545	154,759
Accumulated deficit	(106,137)	(116,139)
Total stockholders' equity	<u>12,617</u>	<u>39,079</u>
Total liabilities and stockholders' equity	<u>\$ 15,614</u>	<u>\$ 41,210</u>

MathStar Announces Q2 Financial Results for 2007

MathStar, Inc.
Condensed Statements of Operations
(Unaudited)
(in thousands except for per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2007	2006	2007
Revenue	\$ 10	\$ 120	\$ 18	\$ 212
Cost of goods sold	5	54	6	123
Gross margin	5	66	12	89
Operating expenses:				
Research and development	3,200	2,607	6,026	5,732
Selling, general and administrative	2,348	2,107	4,551	4,569
	5,548	4,714	10,577	10,301
Operating loss	(5,543)	(4,648)	(10,565)	(10,212)
Interest income	160	107	350	226
Other income /(loss), net	—	(14)	—	(16)
Net loss	\$ (5,383)	\$ (4,555)	\$ (10,215)	\$ (10,002)
Basic and diluted net loss per share	\$ (0.31)	\$ (0.19)	\$ (0.60)	\$ (0.44)
Weighted average basic and diluted shares outstanding	17,104	24,135	17,037	22,525

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