

Wi-LAN Inc.
2010 First Quarter
Unaudited Interim Consolidated
Financial Results

Interim Report





Wi-LAN Inc.

Management's Discussion and Analysis ("MD&A") of
Financial Condition and Results of Operations

For the Three Month Period ended March 31, 2010 and the
Three Month Period ended April 30, 2009

May 5, 2010



INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is dated May 5, 2010. It should be read in conjunction with the unaudited consolidated financial statements and notes thereto for Wi-LAN Inc. (the "Company" or "WiLAN") for the three months ended March 31, 2010. It should also be read in conjunction with the audited consolidated financial statements and notes for WiLAN for the fourteen month fiscal period ended December 31, 2009 (the "Financial Statements"). Unless otherwise indicated, all financial information is reported in thousands of Canadian dollars, with the exception of share and earnings per share data which is reported in number of shares and Canadian dollars respectively.

The Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The tables and charts included in this document form an integral part of the MD&A.

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, then by the Audit Committee of the Board of Directors (the "Board"), and subsequently by the Board.

FORWARD-LOOKING INFORMATION STATEMENTS

This MD&A contains certain forward-looking statements. All statements, other than statements of historical facts, included in this MD&A regarding the strategy, future operations, financial position, future revenues, projected costs, prospects, plans and objectives of WiLAN and its management are considered forward-looking statements. When used herein, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. The Company cannot guarantee that WiLAN will actually achieve the plans, intentions or expectations disclosed in any of these forward-looking statements or statements of "belief" and undue reliance should not be placed on any such forward-looking statements or statements of "belief". Assumptions made in preparing forward-looking statements and financial guidance includes, but are not limited to, the following:

- WiLAN's ability to sign new licensees;
- the timing and amounts of any settlement agreements that may be entered into with respect to any of WiLAN's litigation matters;
- current assumptions as to the identification of products that are unlicensed to WiLAN's patents;
- WiLAN's continued expansion of its patent portfolio through its acquisition of patents from third parties and from development of new inventions;
- WiLAN's ability to enter into strategic licensing partnerships with owners of various patent portfolios and the size and timing of any revenues generated from such programs;
- the expected growth rates of licensees and thereby the expected revenues available to WiLAN;



- the timing and amount of WiLAN's litigation expenses;
- the timing and amount of WiLAN's research and development ("R&D") expenses; and
- foreign exchange rates.

All forward-looking statements and statements of "belief" contained in this MD&A are subject to known and unknown risks, uncertainties, assumptions and other factors outside of management's control that could cause the Company's actual results to differ materially from those indicated or implied in the forward-looking statements or statements of "belief". These risks and uncertainties include, but are not restricted to:

- The time required to obtain license agreements for the Company's patents can range significantly, from a number of months to years, and could be subject to variable cycles;
- The Company is currently reliant on licensees paying royalties under existing licensing agreements and additional licensing of its patent portfolio to generate future revenues and increased cash flows;
- Reduced spending due to the uncertainty of economic and geopolitical conditions may negatively affect the Company;
- The Company may be required to establish the enforceability of the Company's patents in court to obtain material licensing revenues;
- Changes in patent laws or in the interpretation or application of existing patent laws could materially adversely affect the Company;
- The Company may need to acquire or develop new patents to continue to grow its current business;
- A court may determine that certain of the Company's patents are invalid or are not infringed by certain standards or products or may disagree with management with respect to whether one or more of the Company's patents apply to certain standards or products, which could adversely affect the Company;
- Certain of the Company's patents are, and others may be, subject to administrative proceedings that could invalidate or limit the scope of those patents;
- The Company has made and may make acquisitions of technologies or businesses which could materially adversely affect the Company;
- The Company may require additional financing to translate its intellectual property position into sustainable profit in the market;
- The generation of future revenues and the likelihood of the Company signing additional licenses could be negatively impacted by changes in government regulation; and
- The Company is dependent on its key officers and employees.



The Company has maintained or instituted practices to assist it to mitigate financial risk. These practices include but are not limited to the following:

- The Company utilizes a variety of payment structures, such as fixed payment and running royalty, with its licensees in order to provide a relatively predictable base of regular cash flow and allow for upside revenue potential as market conditions improve;
- The Company typically utilizes term-based multi-year arrangements which provide consistency and predictability in its licensing agreements and establishes the basis for terms and conditions in agreements that come up for renewal;
- The Company invests its surplus cash with the primary objective of protecting its capital. The Company does not invest in asset-backed commercial paper and only invests in highly rated investment grade financial instruments with maturities of twelve months or less in order to reduce credit and interest rate risk;
- When the Company acquires patents, it attempts to negotiate contingency arrangements to better match the asset's expected cash inflows with outflows and minimize risk of cash flows not meeting anticipated results;
- As many of the Company's revenues and expenses are denominated in U.S. dollars and its reporting currency is Canadian dollars, the Company enters into forward foreign exchange contracts from time to time, with highly credit-worthy counterparties. The Company does not hold or issue derivative financial instruments for trading or speculative purposes; and
- Management believes the Company is sufficiently capitalized to succeed in these uncertain economic times and, if required, could obtain additional financing.

Any forward-looking statements and statements of "belief" represent the Company's estimates as of the date of this MD&A only and should not be relied upon as representing the Company's estimates as of any subsequent date. WiLAN assumes no responsibility for the accuracy and completeness of any forward-looking statements and statements of "belief". Except as required by law, WiLAN does not assume any obligation to, and disclaims any intention to, update or revise any forward-looking statements or statements of "belief", whether as a result of new information, future events or otherwise.

Additional information filed by WiLAN with Canadian securities regulators, including quarterly reports, annual reports and the Company's annual information form for the fourteen month period ended December 31, 2009, is available on-line at www.sedar.com and also on WiLAN's website at www.WiLAN.com.



NON-GAAP DISCLOSURE

“Pro forma earnings” is defined by the Company as earnings from continuing operations before stock-based compensation expense, depreciation & amortization expense, unrealized foreign exchange gains or losses and provision for income taxes. The Company is reporting pro forma earnings in the belief that it may be useful for certain investors and readers of the financial statements as a measure of the Company’s performance. Pro forma earnings is not a measure of financial performance under GAAP. It does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similarly titled measures used by other companies. Pro forma earnings should not be interpreted as an alternative to net earnings and cash flows from operations as determined in accordance with GAAP or as a measure of liquidity.



RESULTS AND OUTLOOK

Overall performance

This MD&A discusses the performance of the Company for the three (3) month period ended March 31, 2010 as compared to the three (3) month period ended April 30, 2009.

	Three months ended March 31, 2010		Three months ended April 30, 2009	
	\$000's	%	\$000's	%
Revenues				
Royalties	\$ 13,917	85	\$ 10,012	1
Brokerage	2,546	15	-	-
	\$ 16,463	100	\$ 10,012	1
Operating expenses				
Patent licensing	2,218	13	980	10
Litigation	4,001	24	4,092	41
Research and development	906	6	728	7
General and administrative	1,773	11	2,175	22
Unrealized foreign exchange (gain) loss	(180)	(1)	(299)	(3)
Stock-based compensation	643	4	504	5
Depreciation & amortization	5,258	32	4,182	42
Total operating expenses	14,619	89	12,362	123
Investment income	165	1	1,238	12
Earnings (loss) before income taxes	2,009	12	(1,112)	(11)
Provision for income tax expense (recovery)				
Current	868	5	521	5
Future	-	-	(604)	(6)
Provision for income tax expense (recovery)	868	5	(83)	(1)
Net and comprehensive earnings (loss)	\$ 1,141	7	\$ (1,029)	(10)
Earnings (loss) per share				
Basic	\$ 0.01		\$ (0.01)	
Diluted	0.01		(0.01)	
Weighted average number of common shares				
Basic	102,122,809		92,837,506	
Diluted	103,603,458		92,837,506	



- Revenues for the three months ended March 31, 2010 were \$16.5 million representing an increase of \$6.5 million or 65% over the three months ended April 30, 2009;
- Operating expenses for the three months ended March 31, 2010 were \$14.6 million which represents an increase of \$2.2 million or 18% as compared to \$12.4 million for the three months ended April 30, 2009;
- Net earnings under GAAP was \$1.1 million or \$.01 per basic and diluted share for the three months ended March 31, 2010 as compared to a net loss of \$1.0 million or \$0.01 per basic and diluted share for the three months ended April 30, 2009.

The table below reconciles the GAAP net and comprehensive earnings/loss to the pro forma earnings reported by the Company. Pro forma earnings is defined as net earnings before stock-based compensation expense, depreciation & amortization expense, unrealized gain/loss on foreign exchange contracts, and provision for income taxes. The Company reports pro forma earnings believing that it may be useful for certain investors and readers of the financial statements as a measure of our performance. This measure does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similarly titled measures used by other companies. Pro forma earnings should not be interpreted as an alternative to net earnings and cash flows from operations as determined in accordance with GAAP, as a measure of liquidity.

Reconciliation of Proforma earnings	Three months ended March 31, 2010 \$000's	Three months ended April 30, 2009 \$000's
Net and comprehensive earnings (loss) under GAAP	\$ 1,141	\$ (1,029)
Adjusted for:		
Unrealized foreign exchange gain	(180)	(299)
Depreciation and amortization	5,258	4,182
Stock based compensation	643	504
Income tax expense (recovery)	868	(83)
Proforma earnings	\$ 7,730	\$ 3,275
Proforma earnings per share	\$ 0.07	\$ 0.04
Weighted average number of common shares		
Diluted	103,603,458	92,837,506

Pro forma earnings for the three month period ended March 31, 2010 were \$7.7 million as compared to \$3.3 million for the three months ended April 30, 2009. This increase in pro forma earnings is a result of the \$6.5 million increase in revenues.



Revenues

Revenues for the three months ended March 31, 2010 amounted to \$16.5 million representing a \$6.5 million or 65% increase over the \$10.0 million for the three months ended April 30, 2009.

	Three months ended March 31, 2010	Three months ended April 30, 2009
	\$000's	\$000's
Revenues	\$ 16,463	\$ 10,012
Increase from comparative period	64%	

The Company's revenues are derived from four principal sources: (i) running royalty agreements whereby the licensee pays WiLAN a royalty that is based on either a percentage of the net selling price of any licensed products or a fixed fee per licensed product sold; (ii) fixed fee royalties consisting of a set quarterly or annual amount for all licensed products sold by the licensee; (iii) one-time lump sum fees to cover the sale of all licensed products by a particular licensee; or (iv) the outright sale of patents providing the acquirer exclusive rights to the technology. License agreements are generally for a five to eight year period but can be significantly longer. Revenues for each of the reported timeframes noted in the table above included a combination of all four sources of revenue.

Revenues can vary significantly from quarter to quarter depending upon the type of royalty agreement with the licensees, the timing of royalty reporting by licensees, the cyclical nature of the licensees' market and fluctuations in foreign currency.

Revenue is comprised as follows:

	Three months ended March 31, 2010	Three months ended April 30, 2009
	%	%
Royalties	85%	100%
Brokerage	15%	0%
	<u>100%</u>	<u>100%</u>

Three licensees each accounted for more than 10% of revenues from royalties for the three month period ended March 31, 2010 whereas two licensees each accounted for more than 10% of revenues from royalties for the three month period ended April 30, 2009. For the three month period ended March 31, 2010, the top ten licensees accounted for 87% of revenues from royalties, whereas in the three month period ended April 30, 2009 the top ten accounted for approximately 85% of revenues from royalties.



Patent licensing expense

Patent licensing expense includes all costs associated with the Company's patent licensing activities including any third party payments required under revenue share arrangements, staff costs, and other costs incurred in conducting license negotiations. WiLAN also includes any business development costs related to sourcing new patent portfolios or developing new strategic partnerships.

	Three months ended March 31, 2010	Three months ended April 30, 2009
	\$000's	\$000's
Patent licensing	\$ 2,218	\$ 980
Percent of revenue	13%	10%
Increase from comparative period	126%	

Patent licensing expenses for the three month period ended March 31, 2010 were \$2.2 million or 13% of revenues as compared to \$0.9 million or 10% of revenues incurred in the three month period ended April 30, 2009. The increase in expenses over this period relates principally to the creation of the business development group, payment of commissions to third parties related to the brokerage revenue recorded in the period, and third party payments related to revenue share arrangements. These expenses are proportional to the breadth and depth of the Company's licensing programs; therefore, they should be expected to increase as the Company adds licensing programs to its business operations.

Litigation expense

Litigation expense consists of all expenses related to managing and conducting litigation activities. These include the costs of internal resources assigned to the litigation management function, external legal counsel and third party costs including those of expert witnesses and other service providers required during the course of the litigations.

	Three months ended March 31, 2010	Three months ended April 30, 2009
	\$000's	\$000's
Litigation	\$ 4,001	\$ 4,092
Percent of revenue	24%	41%
Decrease from comparative period	-2%	

During the three months ended March 31, 2010, litigation expenses, amounting to \$4.0 million, were marginally lower than those experienced in the three months ended April 30, 2009. This decrease in expenses is related to the level of activities in the Company's patent enforcement actions currently underway in Texas, a declaratory judgment action filed by Intel against the Company in California, and other smaller litigation matters, all more fully discussed below.



The Company, in the course of its normal operations, is subject to claims, lawsuits and contingencies. Accruals are made in instances where it is probable that liabilities may be incurred and where such liabilities can be reasonably estimated. Although it is possible that liabilities may be incurred in instances for which no accruals have been made, WiLAN has no reason to believe that the ultimate outcome of these matters would have a significant impact on its consolidated financial position. The significant legal proceedings in which the Company is involved are summarized below.

WiLAN had a commitment to pay a minimum success fee to McKool Smith only if proceeds from the litigations McKool Smith worked on exceed a base amount. The minimum success fee was comprised of total litigation proceeds divided by that base amount multiplied by amounts reserved in exchange for certain discounts agreed upon between the Company and McKool Smith (the "Reserve Amount"). As at March 31, 2010, the balance in the Reserve Amount is nil.

In September 2002, WiLAN, its former Chairman and Wi-Com Technologies Inc. (a private Alberta company), among others, were served with two statements of claim alleging the defendants are liable for failing to deliver certain share certificates in a timely manner to the claimants. The claimants are former shareholders of Wi-Com Technologies Inc. The Company maintains that it has defences to these claims and does not believe that it will ultimately be found liable. WiLAN is defending these actions, has filed a statement of defence and has also filed a counterclaim against the claimants. To date, it has not been determined if legal liability exists, and accordingly, no provision has been made in the Company's financial statements.

In August 2009, the Company's wholly-owned subsidiary WiLAN V-Chip Corp. filed suit in the Superior Court of the Province of Ontario against Apex Digital Inc. with respect to unpaid licensing royalties estimated at over US\$1,800 for devices containing or utilizing V-chip technology and manufactured and/or sold by Apex in the United States. Apex filed its defense on September 25, 2009. On March 11, 2010, WiLAN obtained summary judgment against Apex in the amount of approximately \$1,180 and reached a settlement on all matters with Apex on March 30, 2010.

WiLAN is currently involved in litigation with D-Link Systems Inc. and D-Link Canada Inc., together "D-Link" in the Federal Court of Canada concerning the alleged infringement by D-Link of Canadian patent No. 2,064,975. In April 2007, D-Link filed a statement of defence and counterclaim against the Company and, following certain procedural matters, D-Link filed amended statements of defence and counterclaim in December 2007. WiLAN filed its reply and statement of defence to D-Link's pleadings in February 2008, to which D-Link has filed a reply. This case continues to proceed through the discovery phase.

In October 2007, the Company filed claims against 22 major companies including Acer Inc., Apple, Inc., Best Buy Co. Inc., Circuit City Stores, Inc., Dell Inc., Gateway Inc., Hewlett-Packard Company, Intel Corporation, Sony Corporation, Texas Instruments Incorporated and Toshiba Corporation in two separate actions in the U.S. District Court for the Eastern District of Texas, Marshall Division ("EDTX Court"). WiLAN has claimed that these companies have infringed and continue to infringe its U.S. patent Nos. 5,282,222, RE37,802 and 5,956,323 by making and/or selling various products including wireless routers, modems and personal computers that use technology derived from these patents which relate to Wi-Fi and power consumption in DSL products. These actions have been dismissed against certain defendants with the Company's consent and WiLAN has settled with five of the initial defendants including settling with Infineon Technologies AG in May 2009 and Buffalo Technology (USA) Inc. in December 2009. All seventeen remaining defendants have filed answers and claims for declaratory judgment to the Company's complaints and WiLAN has filed answers to all such declaratory judgment claims. In October 2008, the Company amended its complaints to include claims against these



defendants for products that utilize WiMAX and Bluetooth technologies and to assert U.S. patent No. 6,549,759 against these defendants. The “claims construction” hearing in these actions involving the U.S. Patent Nos. 5,282,222 (the “222 patent”) and RE37,802 (the “802 patent”), was held on March 11, 2010 but no decision has yet been rendered. The claims construction hearing for the other two patents in the laptop and router cases, U.S. Patent Nos. 5,956,323 and 6,549,759, is to occur on September 1, 2010. The trial of these actions has is set to start on January 4, 2011. These actions are currently continuing through an expedited discovery phase.

In June 2008, the Company filed claims against Research In Motion Corporation, Research In Motion, Ltd., Motorola, Inc., and UTStarCom, Inc. in the EDTX. WiLAN has claimed that these companies have infringed and continue to infringe the 222 patent and the 802 by making and/or selling various products including mobile handheld devices and other equipment that use technology derived from these patents which relate to Wi-Fi and CDMA. In October 2008, the Company added LG Electronics, Inc. and LG Electronics Mobilecomm U.S.A., Inc. as defendants in this action. In August 2008, the Company announced that it had reached an agreement to settle all matters under dispute in this complaint as against Research In Motion Corporation and Research In Motion, Ltd. only, the terms of which settlement are confidential. On August 31, 2009, the Company added Personal Communications Devices LLC as a defendant in this action. The “claims construction” hearing involving the 222 patent and 802 patent was held on March 11, 2010 but no decision has yet been rendered. The trial of this action is set to start on January 4, 2011. This action is currently continuing through an expedited discovery phase.

Intel, one of the defendants in WiLAN’s Texas actions, filed a complaint in the U.S. District Court for the Northern District of California (the “NDCAL Court”) in November 2008, seeking a declaratory judgment that 18 of the Company’s U.S. patents are invalid. WiLAN brought a motion to dismiss this case or have it transferred from the NDCAL Court to the EDTX Court in January 2009. On June 4, 2009, U.S. District Judge Ware granted the Company’s motion in part by ordering that Intel’s complaint relating to U.S. patent No. 6,549,759 be transferred to the EDTX Court, and denied the motion in part, by ruling not to dismiss this case or transfer Intel’s complaints relating to the 17 other U.S. patents at issue. On June 25, 2009, Judge Ware ordered WiLAN and Intel to file a joint submission summarizing the patents and products relevant to this case by August 24, 2009, to appear for a case management hearing on September 1, 2009 and to appear for a hearing on September 28, 2009 to consider the Company’s motions to certify an interlocutory appeal or reconsider the Court’s June 4, 2009 order. On September 24, 2009, U.S. District Judge Ware issued an Order denying WiLAN’s Motion for Certification of Interlocutory Appeal and Motion to Stay. On October 20, 2009, WiLAN filed a petition in the U.S. Court of Appeals for the Federal Circuit seeking a Writ of Mandamus directing the NDCAL Court (i) to vacate its Order dated June 4, 2009 denying WiLAN’s Motion to dismiss this case and (ii) to dismiss this case for want of subject matter jurisdiction. On December 17, 2009 The U.S. Court of Appeals for the Federal Circuit issued a ruling denying WiLAN’s Petition for Writ of Mandamus to direct the NDCAL Court to vacate its Order denying WiLAN’s motion to dismiss Intel Corporation’s declaratory judgment action. On January 25, 2009, Judge Ware issued an order confirming that a claims construction hearing was scheduled for May 28, 2010 in relation to seven patents described by the Court as the “Adaptive Allocation” patents (U.S. Patent Nos. 6693887, 7006530, 7023798, 7289467, 7317704, 6925068 and 6956834). On March 16, 2010, WiLAN filed a motion to dismiss the declaratory judgment claims of Intel, which is scheduled to be heard by the Court on June 21, 2010. The May 28, 2010 claims construction hearing has now been cancelled.



Certain of the defendants in the actions initiated by the Company in the EDTX Court, have also filed actions in the NDCAL Court requesting declaratory judgments that WiLAN's U.S. patent No. 6,549,759 is invalid and has not been infringed. In June 2009, these actions as brought by most of the complainants were voluntarily dismissed without prejudice. Complainants Broadcom Corporation, Atheros Communications, Inc., Marvell and Apple Inc. have continued their respective actions against the Company, with respect to which, WiLAN filed a motion against these companies on August 24, 2009 to transfer their actions to the EDTX Court. On October 15, 2009 U.S. District Judge Ware issued an Order granting WiLAN's Motions to Transfer to the EDTX Court the remaining Declaratory Judgment actions of Broadcom, Atheros, Apple and Marvell concerning WiLAN's U.S. Patent No. 6,549,759. On November 12, 2009, Broadcom Corporation, Atheros Communications, Inc., Marvell and Apple Inc. each filed a Notice of Voluntary Dismissal Without Prejudice of their claims for declaratory relief against WiLAN.

On December 28, 2009, Calix Networks, Inc. filed a Complaint in the NDCAL Court for Declaratory Relief against WiLAN regarding U.S. patent Nos 5,956,323 and 6,763,019. On March 22, 2010, WiLAN filed a motion to dismiss this action for lack of personal jurisdiction and/or to transfer this action to the EDTX Court, which is expected to be heard on June 11, 2010. On April 1, 2010, the Company filed claims against Calix in the EDTX Court. WiLAN has claimed that Calix has infringed and continues to infringe its U.S. patent Nos. U.S. patent Nos 5,956,323 and 6,763,019 by making and/or selling various products relating to certain DSL technologies.

In January 2010, WiLAN learned that TELUS Corporation and TELUS Communications Inc. (collectively, "TELUS") had filed a claim in the Court of Queen's Bench in Calgary, Alberta in April 2009 against WiLAN, Dr. Michel Fattouche and Dr. Hatim Zaghloul regarding the ownership of several patents including, amongst others, the Company's 222 patent and 802 patent. WiLAN and TELUS signed a definitive agreement to settle this matter in April 2010.

On January 10, 2010, the Company commenced an action against LG Electronics, Inc. and LG Electronics U.S.A., Inc. (collectively, "LGE") in the U.S. District Court for the Southern District of New York. WiLAN has claimed that LGE has committed fraud, breached its contract with the Company infringed the Company's U.S. patent No. 5,828,402 with respect to televisions sold by LGE in the United States. On April 15, 2010, LGE filed a motion to stay this action pending a USPTO Ex Parte Re-examination of U.S. patent No. 5,828,402. WiLAN opposed this motion in materials filed with the Court on May 3, 2010.

In April 2010, the Company filed claims against 19 major companies including Acer Inc., Apple, Inc., Dell Inc., Gateway Inc., Hewlett-Packard Company, Intel Corporation, Sony Corporation, Texas Instruments Incorporated and Toshiba Corporation in the EDTX Court. WiLAN has claimed that these companies have infringed and continue to infringe its U.S. patent No. 5,515,369 by making and/or selling various products that use technology derived from this patent relating to Bluetooth technology.



Research and development expense

	Three months ended March 31, 2010	Three months ended April 30, 2009
	\$000's	\$000's
Research and development	\$ 906	\$ 728
Percent of revenue	6%	7%
Increase from comparative period	24%	

The Company has designed, developed and sold or licensed a variety of advanced digital wireless technologies, systems and products since its inception in the early 1990s until 2006. Over the course of the Company's history, its strength has been its ability to explore emerging technologies, identify needs created by the development of advanced wireless systems and build technologies for those new requirements. Today, WiLAN is focusing its R&D efforts on advanced wireless technologies and in particular technologies applicable to the use of whitespace frequencies (those previously occupied by analog television broadcast signals) for broadband access. These efforts have fostered inventions that form the basis of a number of new patent applications for the Company. The costs associated with these efforts, principally staff costs and certain external consultants, are classified as research and development. Management considers these investments modest and does not expect them to increase materially in the foreseeable future.

The Company also considers the expenses related to the management of its patent portfolio as R&D costs as they directly relate to the single most important asset – the patents. The management of the portfolio involves filing patent applications, prosecuting patent applications to obtain issued patents, documenting infringement, assessing validity of issued patents, conducting due diligence on patents and applications to be acquired and other general administrative tasks related thereto. Many of these costs are directly related to the size and depth of the patent portfolio.

During the three months ended March 31, 2010, R&D expenses, amounting to \$0.9 million, were higher than those experienced in the three months ended April 30, 2009. This increase in expenses is a result of the significant growth in the patent portfolio.

On December 24, 2009, a law firm filed a request for Ex Parte re-examination at the U.S. Patent and Trademark Office ("USPTO") in respect of U.S. Patent No. 5,828,402 owned by WiLAN. WiLAN does not know the identity of the real party in interest who made this re-examination request. On March 2, 2010, the USPTO granted this request. It is expected that the USPTO will issue its first office action in relation to this matter within the next 3 months.

On January 21, 2010, Broadcom Corporation and Intel Corporation filed a Request for Inter Parties Re-examination at the USPTO in respect of U.S. Patent No. 6,549,759 owned by WiLAN. On February 26, 2010, the USPTO granted this request and also issued its first office action rejecting the claims of this patent. This is the typical first step in the inter parties re-examination process. WiLAN will file its response in due course and the re-examination process will continue for approximately 18-24 months. The '759 patent remains valid and enforceable unless and until a final contrary determination has been made by the USPTO and all appeal rights have been exhausted.



General and administrative expense

	Three months ended March 31, 2010	Three months ended April 30, 2009
	\$000's	\$000's
General and administrative	\$ 1,773	\$ 2,175
Percent of revenue	11%	22%
Decrease from comparative period	-18%	

General and administrative expenses represent the cost of corporate services including facilities, executive management, finance, corporate legal, human resources, office administration, communications and information technology and all costs associated with being a public company. For the three month period ended March 31, 2010 these expenses amounted to \$1.8 million or 11% of revenues as compared to \$2.2 million or 22% of revenues for the three month period ended April 30, 2009. The decrease in absolute dollars principally relates to \$0.2 million of foreign exchange gains realized in the three months ended March 31, 2010 as compared to \$0.3 million of foreign exchange losses realized in the three months ended April 30, 2009. These gains and losses were primarily attributable to the revaluation of the Company's U.S. dollar denominated cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities.

Other than executive compensation tied to commissions (directly related to revenues) and restricted share units (directly tied to share price), management does not expect these costs to increase substantially in the foreseeable future as all principal roles are presently staffed, facilities are sufficient and administrative activities in for the three months ended March 31, 2010 are believed to be comparable to those expected in the foreseeable future.

Stock-based compensation expense

	Three months ended March 31, 2010	Three months ended April 30, 2009
	\$000's	\$000's
Stock-based compensation	\$ 643	\$ 504
Percent of revenue	4%	5%
Increase from comparative period	28%	

Stock-based compensation expense relates to options granted under the Company's share option plan. The Company recorded an expense of \$0.6 million in the three month period ended March 31, 2010 as compared to \$0.5 million for the three month period ended April 30, 2009.

During the three months ended March 31, 2010, the Company issued 322,500 common shares pursuant to the exercise of stock options for proceeds totalling \$417.

During the three months ended March 31, 2010, 81,667 stock options expired.



Depreciation and amortization expense

	Three months ended March 31, 2010	Three months ended April 30, 2009
	\$000's	\$000's
Depreciation & amortization	\$ 5,258	\$ 4,182
Percent of revenue	32%	42%
Increase from comparative period	26%	

Depreciation and amortization expense represents the amortization charge related to acquired patents and capital equipment. The Company recorded \$5.3 million in depreciation and amortization for the three month period ended March 31, 2010 as compared to \$4.2 million for the three month period ended April 30, 2009. The increase in absolute dollar is a result of the acquisitions completed during fiscal 2009. During fiscal 2009, the Company acquired patents with a cost of \$28.9 million.

A key element of the Company's strategy involves acquiring additional patents or obtaining exclusive licensing arrangements through business partnerships with patent owners that may be accounted for as acquisitions. Any further acquisitions will increase this depreciation and amortization expense from its current levels. The Company has acquired \$178 million in patents since November 1, 2006 consisting of \$93 million in V-Chip patents, \$51 million in wireline related patents and \$34 million worth of patents applicable to the wireless market.

Other items affecting Net Earnings/Loss

Investment income recorded by the Company for the three month period ended March 31, 2010 was \$0.2 million which represents a decline over the investment income of \$1.2 million recorded for the three month period ended April 30, 2009 of approximately 83%. The decline is attributable to the lower overall yields available on the Company's short term investments. The Company maintains a conservative investment policy focusing on the preservation of capital against undue financial and market risk. The investments generally will consist of a mix of cash-equivalent instruments such as Government of Canada Treasury Bills and Guaranteed Investment Certificates. During the three months ended April 30, 2009, as a result of a particular corporate initiative, the Company undertook to acquire certain marketable securities with an average cost of \$1.6 million. As at April 30, 2009, the value of the marketable securities was \$2.8 million resulting in an unrealized gain of approximately \$1.2 million being recognized during the three months ended April 30, 2009.

Income tax expense for the three month period ended March 31, 2010 was \$868 compared to an income tax recovery of \$83 for the comparative period. Income tax expense for the three month period ended March 31, 2010 consists of foreign taxes withheld for royalty and brokerage revenues in foreign tax jurisdictions for which there is no treaty relief. The income tax recovery for the three months ended April 30, 2009, was net of \$521 for foreign taxes withheld on royalty revenues in foreign tax jurisdictions for which there is no treaty relief. Withholding tax expense for the three month period ended March 31, 2010 was 5.0% of revenue which is consistent with the three month period ended April 30, 2009.



Summary of quarterly performance

Selected quarterly data, dollars in thousands except per share data	Three months ended March 31, 2010	Two months ended December 31, 2009	Three months ended October 31, 2009	Three months ended July 31, 2009	Three months ended April 30, 2009
Revenues					
Royalties	\$ 13,917	\$ 374	\$ 9,081	\$ 9,636	\$ 10,012
Brokerage	2,546	-	-	-	-
	\$ 16,463	\$ 374	\$ 9,081	\$ 9,636	\$ 10,012
Operating expenses					
Patent licensing	2,218	652	811	983	980
Litigation	4,001	6,074	4,345	4,011	4,092
Research and development	906	746	1,029	737	728
General and administrative	1,773	794	331	1,153	2,175
Unrealized foreign exchange (gain) loss	(180)	-	247	(327)	(299)
Stock-based compensation	643	1,050	498	511	504
Depreciation & amortization	5,258	3,004	4,503	4,451	4,182
Total operating expenses	14,619	12,320	11,764	11,519	12,362
Investment income	165	161	163	730	1,238
Earnings (loss) before income taxes	2,009	(11,785)	(2,520)	(1,153)	(1,112)
Provision for income tax expense (recovery)					
Current	868	170	652	891	521
Future	-	(1)	(19,638)	(728)	(604)
Provision for income tax expense (recovery)	868	169	(18,986)	163	(83)
Net and comprehensive earnings (loss)	1,141	(11,954)	16,466	(1,316)	(1,029)
Retained earnings (deficit), beginning of period	(4,102)	7,852	(7,344)	(4,864)	(150,996)
Dividends	(2,303)	-	(1,270)	(1,164)	-
Reduction of stated capital	-	-	-	-	147,161
Retained earnings (deficit), end of period	\$ (5,264)	\$ (4,102)	\$ 7,852	\$ (7,344)	\$ (4,864)
Earnings (loss) per share					
Basic	\$ 0.01	\$ (0.12)	\$ 0.16	\$ (0.01)	\$ (0.01)
Diluted	\$ 0.01	\$ (0.12)	\$ 0.16	\$ (0.01)	\$ (0.01)
Proforma earnings (loss)	\$ 7,730	\$ (7,757)	\$ 2,728	\$ 3,482	\$ 3,275
Pro forma earnings per share					
Basic	\$ 0.08	\$ (0.08)	\$ 0.03	\$ 0.04	\$ 0.04
Diluted	\$ 0.07	\$ (0.08)	\$ 0.03	\$ 0.04	\$ 0.04
Weighted average number of common shares					
Basic	102,122,809	101,854,048	101,777,058	94,375,558	92,837,506
Diluted	103,603,458	101,854,048	102,853,902	94,375,558	92,837,506



Selected quarterly data, dollars in thousands except per share data	Three months ended January 31, 2009	Three months ended October 31, 2008	Three months ended July 31, 2008	Three months ended April 30, 2008
Revenues				
Royalties	\$ 6,322	\$ 13,749	\$ 4,829	\$ 3,245
Brokerage	-	-	-	-
	\$ 6,322	\$ 13,749	\$ 4,829	\$ 3,245
Operating expenses				
Patent licensing	717	710	824	775
Litigation	2,753	2,267	2,420	1,388
Research and development	844	672	838	932
General and admin	1,618	1,733	1,015	1,479
Unrealized foreign exchange loss	379	-	-	-
Stock-based compensation	461	524	483	450
Depreciation & amortization	4,170	4,237	4,055	4,061
Total operating expenses	10,942	10,143	9,635	9,085
Investment income	418	685	763	789
Earnings (loss) before income taxes	(4,202)	4,291	(4,043)	(5,051)
Provision for income tax expense (recovery)				
Current	398	1,568	562	184
Future	(765)	2,446	(1,146)	(1,146)
Provision for income tax expense (recovery)	(367)	4,014	(584)	(962)
Net and comprehensive earnings (loss)	(3,835)	277	(3,459)	(4,089)
Deficit, beginning of period	(147,161)	(147,438)	(143,979)	(139,890)
Deficit, end of period	\$ (150,996)	\$ (147,161)	\$ (147,438)	\$ (143,979)
Earnings (loss) per share				
Basic	\$ (0.04)	\$ -	\$ (0.04)	\$ (0.04)
Diluted	\$ (0.04)	\$ -	\$ (0.04)	\$ (0.04)
Proforma earnings (loss)	\$ 808	\$ 9,052	\$ 494	\$ (538)
Proforma earnings (loss) per share				
Basic	\$ 0.01	\$ 0.10	\$ (0.01)	\$ (0.01)
Diluted	\$ 0.01	\$ 0.10	\$ (0.01)	\$ (0.01)
Weighted average number of common shares				
Basic	92,993,318	93,545,015	93,505,167	93,502,574
Diluted	92,993,318	94,301,402	93,505,167	93,502,574



CAPITAL AND LIQUIDITY

Cash, cash equivalents and short-term investments amounted to \$97.0 million at March 31, 2010 representing an increase of \$2.2 million from the \$94.8 million held at December 31, 2009. The Company tracks two non GAAP financial measures, Standardized Free Cash Flows and Adjusted Free Cash Flows which are noted in the table below:

	Three months ended March 31, 2010	Three months ended April 30, 2009
	\$000's	\$000's
Standardized Free Cash Flow	\$ 1,824	\$ (519)
Adjusted Free Cash Flow	\$ 4,972	\$ 12,883

“Standardized Free Cash Flow”, a non-GAAP financial measure, represents an indication of the Company’s capacity to generate discretionary cash from operations, comprising cash flows from operating activities less net capital expenditures and those dividends that are more representative of interest costs. It does not necessarily represent the cash flow in the period available for management to use at its discretion, which may be affected by other sources and non-discretionary uses of cash. Management believes it is important for investors and other interested parties to also consider an alternate view of free cash flow which the Company refers to as “Adjusted Free Cash Flow”, also a non-GAAP financial measure.

In determining Adjusted Free Cash Flow, the Company adds back to the Standardized Free Cash Flow the costs of patents acquired, the amounts expended on dividends, and if applicable, amounts expended on various share repurchase programs as management believes this is representative measure of the cash flows generated by the Company, after normal capital expenditure programs, that are available for investment in growth or return to shareholders. In the three month period ended March 31, 2010, the Company generated an Adjusted Free Cash Flow of \$5.0 million as compared to \$12.9 million for the three months ended April 30, 2009. From these funds, for the three month period ended March 31, 2010, the Company acquired patents with a value of \$3.1million.

The Company had working capital of \$87.5 million and no long-term debt at March 31, 2010.

The Company has available a revolving credit facility in the amount of \$8 million or the equivalent in United States Dollars (“USD”) for general corporate purposes and a further \$2 million for foreign exchange facility. Canadian or USD amounts advanced under this credit facility are payable on demand and bear interest at the bank’s Canadian prime rate plus 1.0% per annum or U.S. base rate plus 1.0% per annum. Borrowings under this facility are collateralized by a general security agreement over the Company and its subsidiaries’ cash and cash equivalents, receivables and, present and future personal property. As at March 31, 2010, the Company had no borrowings under this facility.

WiLAN plans to use its cash resources to fund its operations and any litigation that might be required, and purchase additional high quality patent portfolios and patent licensing businesses that are identified and fit the Company’s strategic direction in communications and consumer electronics markets.



The Company's ability to generate cash from operations going forward is based entirely on licensing its patent portfolio to companies around the world who sell equipment in the consumer electronics and other markets. It is difficult to predict the timing and nature of future licenses.

WiLAN plans to finance its cash requirements for operating expenses, litigation costs and technology acquisitions by a combination of cash generated from licensing its patent portfolio and, when desirable based on market conditions, by selling common shares to the public.

OUTSTANDING COMMON SHARE DATA

The Company is authorized to issue an unlimited number of common shares, 6,350.9 special preferred, redeemable, retractable, non-voting shares and an unlimited number of preferred shares, issuable in series. As of March 31, 2010, there were 102,366,385 common shares and no special or preferred shares issued and outstanding. The Company also maintains a Share Option Plan, an Employee Share Purchase Plan and a Deferred Stock Unit Plan. Under all these plans, the Company can issue a maximum of 10,236,638 shares combined. As at March 31, 2010, the Company has 7,441,731 Share Options outstanding and 44,803 Deferred Stock Units outstanding.

FINANCIAL INSTRUMENTS

Financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities and may include forward foreign exchange contracts. Financial instruments are initially recognized at fair value with subsequent measurement depending on classification as described below. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments.

The Company is exposed to a number of risks related to changes in foreign currency exchange rates, interest rates, collection of accounts receivable, settlement of liabilities and management of cash and cash equivalents. The Company enters into forward foreign exchange contracts, from time to time, to manage its exposure to currency rate fluctuations related primarily to future cash inflows and outflows of U.S. dollars. The Company does not hold or issue derivative financial instruments for trading or speculative purposes and it has chosen not to designate them as hedges. Therefore, as required under Section 3865, these contracts must be designated as "held for trading" on the balance sheet and fair valued each quarter. The resulting gain or loss on the valuation of these financial instruments is included in net earnings/loss in the consolidated statement of operations and deficit.

Credit risk

Credit risk is the risk of financial loss to the Company if a licensee or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, short-term investments and accounts receivable.

The Company's cash and cash equivalents and short-term investments consist primarily of deposit investments that are held only with chartered Canadian financial institutions and are not considered a material credit risk to the Company.



The Company's exposure to credit risk with its accounts receivable from licensees is influenced mainly by the individual characteristics of each licensee. The Company's licensees are for the most part, manufacturers and distributors of telecommunications and consumer electronics products primarily located in the United States, Canada, Taiwan and China. Credit risk from accounts receivable encompasses the default risk of the Company's licensees. The Company manages its exposure to credit risk by only working with companies management considers reputable. Prior to entering into licensing agreements with new licensees the Company assesses the risk of default associated with the particular company. In addition, on an ongoing basis, management monitors the level of accounts receivable attributable to each licensee and the length of time taken for amounts to be settled and where necessary, takes appropriate action to follow up on those balances considered overdue.

Management does not believe that there is significant credit risk arising from any of the Company's licensees. However, should one of the Company's major licensees be unable to settle amounts due, the impact on the Company could be significant. The maximum exposure to loss arising from accounts receivable is equal to their total carrying amounts. At March 31, 2010, one licensee accounts for 10% or more of total accounts receivable (December 31, 2009 – four licensees).

Financial assets past due

The following table provides information regarding the aging and collectability of the Company's accounts receivable balances as at March 31, 2010 and, December 31, 2009:

	As at March 31, 2010	As at December 31, 2009
	\$000's	\$000's
Not past due	\$ 30	\$ 104
Past due 1-30 days	156	68
Past due 31-60 days	32	31
Past due 61-90 days	-	3
Over 91 days past due	739	708
Less allowance for doubtful accounts	(550)	(429)
Total accounts receivable	<u>\$ 407</u>	<u>\$ 485</u>

The definition of items that are past due is determined by reference to terms agreed with individual licensees. As at the date of this report, May 5, 2010, approximately \$21,000 of past due amounts have been collected. None of the remaining amounts outstanding have been challenged by the respective licensees and the Company continues to conduct business with them on an ongoing basis. Accordingly, management has no reason to believe that this balance is not fully collectable in the future.

The Company reviews financial assets past due on an ongoing basis with the objective of identifying potential matters which could delay the collection of funds at an early stage. Once items are identified as being past due, contact is made with the respective company to determine the reason for the delay in payment and to establish an agreement to rectify the breach of contractual terms. At March 31, 2010, the Company had a provision for doubtful accounts of \$550,000 (December 31, 2009 - \$429,000) which was made against accounts receivable which are in excess of three months past due and where collection efforts to date have been unsuccessful.



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 objective in managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due.

At March 31, 2010, the Company has cash and cash equivalents and short-term investments of \$97.0 million, credit facilities of \$8.0 million, and accounts receivable of \$407,000 with which to meet its obligations.

Market risk

Market risk is the risk to the Company that the fair value of future cash flows of financial instruments will fluctuate due to changes in interest rates and foreign currency exchange rates. Market risk arises as a result of the Company generating revenues in foreign currencies.

Interest rate risk

The only financial instruments that expose the Company to interest rate risk are its cash and cash equivalents and short-term investments. The Company's objectives of managing its cash and cash equivalents are to ensure sufficient funds are maintained on hand at all times to meet day to day requirements and to place any amounts which are considered in excess of day to day requirements on short-term deposit with the Company's banks so that they earn interest. When placing amounts of cash and cash equivalents on short-term deposit, the Company only places deposits with Canadian chartered banks and ensures that access to the amounts placed can be obtained on short-notice.

Currency risk

The Company generates revenues primarily in U.S. dollars and incurs expenditures primarily in Canadian and U.S. dollars, and is therefore exposed to risk from changes in foreign currency rates. Excess U.S. dollar balances are converted into Canadian dollars on a regular basis. The Company enters into forward foreign exchange contracts, from time to time, to manage its exposure to currency rate fluctuations related primarily to future cash inflows and outflows of U.S. dollars. The Company does not use forward foreign exchange derivatives for speculative or trading purposes.

The forward foreign exchange contracts primarily require the Company to sell U.S. dollars for Canadian dollars at prescribed rates. The Company held the following forward foreign exchange contracts at March 31, 2010:

Type	USD	Currency	Maturity	Equivalent CAD	Fair Value Gain (Loss)
Sell \$	1,416	USD	< 3 months	\$ 1,500	\$ 61
Sell	2,836	USD	3 - 12 months	3,000	119
\$	4,252			\$ 4,500	\$ 180

For the three months ended March 31, 2010, the Company had total revenues and expenses denominated in US dollars of approximately \$15,794 and \$6,488 respectively. In addition, as at March 31, 2010, the Company had US dollar denominated cash and cash equivalents and accounts receivable balances of approximately \$2,074 and \$397 respectively, offset by accounts payable and accrued liabilities totalling approximately \$7,109. A one cent increase/decrease in foreign currency rates between the US and Canadian dollars could have resulted in an approximate increase/decrease to net and comprehensive loss of \$47.



CRITICAL ACCOUNTING POLICIES, INCLUDING INITIAL ADOPTION OF POLICIES, AND CRITICAL ESTIMATES

The accounting policies used preparing these interim financial statements are consistent with those used in preparing the fiscal 2009 annual financial statements.

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles, which require management estimates and assumptions that affect the amounts reported in the Company's consolidated financial statements. The policies described in the Company's fiscal 2009 annual MD&A are considered critical to the Company's business operations and the understanding of its results of operations. The application of these and other accounting policies are described in Note 2 to the annual consolidated financial statements. The preparation of these financial statements requires estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the statements, and the reported amounts of revenue and expenses during the reporting period. There can be no assurance that actual results will not differ from those estimates.

DISCLOSURE CONTROLS AND PROCEDURES

In conformance with the Canadian Securities Administrators Multilateral Instrument 52-109, WiLAN has filed certificates signed by the President & Chief Executive Officer and Chief Financial Officer that, among other things, deal with the matter of disclosure controls and procedures.

Management has evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2010, and based on its evaluation has concluded that these are effective.

The evaluation took into consideration the Company's corporate disclosure policy and the functioning of its executive officers, Board of Directors and Board Committees. In addition, the evaluation covered the Company's processes, systems and capabilities relating to regulatory filings, public disclosures and the identification and communication of material information.

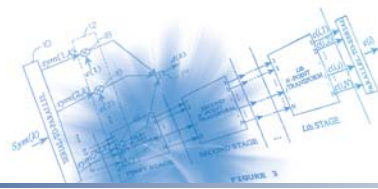
Critical accounting estimates are defined as estimates that are very important to the portrayal of WiLAN's financial position and operating results and require management to make judgments based on underlying assumptions about future events and their effects.

These underlying assumptions are based on historical experience and other factors that management believes to be reasonable under the circumstances and are subject to change as events occur, as additional information is obtained and as the environment in which WiLAN operates changes.

RECENT ACCOUNTING STANDARDS

Convergence with International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board announced that the use of International Financial Reporting Standards ("IFRS") established by the International Accounting Standards Board will be required for fiscal years beginning January 1, 2011, for publicly accountable profit-oriented enterprises.



Prior to June 3, 2009, the Company was operating with a fiscal year end of October 31 which determined that the Company's first quarter under the IFRS reporting standards would be the Company's first quarter of fiscal 2012 ending January 1, 2012. Accordingly, the Company's IFRS transition plan was working towards the application of IFRS on November 1, 2011. On June 4, 2009, the Company announced it would be changing its year end to December 31. As a result, the Company will be required to prepare its consolidated financial statements in accordance with IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, which advanced the Company's first quarter under the IFRS reporting standards, by ten months, to the quarter ending March 31, 2011.

The Company has implemented an IFRS transition plan to facilitate the application of IFRS on January 1, 2011 that evaluates the impact of adopting these new standards on the consolidated financial statements. The Company is in the process of preparing component evaluations with respect to revenue recognition and impairment of long-lived assets; however, no final conclusions have been reached and additional differences may be identified in the future as a result of changes in the Company's business or as IFRS standards are further developed. The Company expects to have these component evaluations completed by the end of the second quarter of fiscal 2010.

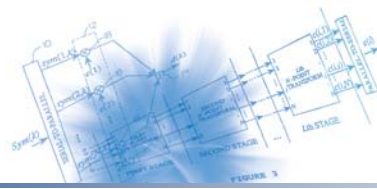
BUSINESS RISK FACTORS

As described in the "Risk Factors" section included in the Company's MD&A for the fourteen months ended December 31, 2009, numerous factors could cause the Company's results to differ materially from those in forward-looking statements. These factors did not change significantly in the three months ended March 31, 2010.

SUBSEQUENT EVENTS

Subsequent to the end of the quarter, the Company completed the sale of the assets held for sale consisting of land and a building in April 2010.

Subsequent to the end of the quarter, WiLAN and TELUS signed a definitive agreement, in April 2010, to settle TELUS's claim against WiLAN, Dr. Michel Fattouche and Dr. Hatim Zaghoul regarding the ownership of several patents including, amongst others, the Company's 222 patent and 802 patent. The Company has recorded the amount payable as per the definitive agreement in the three months ended March 31, 2010.


Wi-LAN Inc.
Consolidated Statements of Operations and Retained Earnings (Deficit)

(Unaudited)

(in thousands of Canadian dollars, except per share amounts)

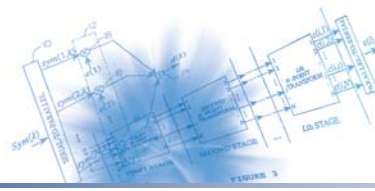
	Three Months Ended March 31, 2010	Three Months Ended April 30, 2009
Revenues		
Royalties	\$ 13,917	\$ 10,012
Brokerage	2,546	-
	16,463	10,012
Operating expenses		
Patent licensing	2,218	980
Litigation	4,001	4,092
Research and development	906	728
General and administration	1,773	2,175
Unrealized foreign exchange gain	(180)	(299)
Stock-based compensation	643	504
Depreciation & amortization	5,258	4,182
Total operating expenses	14,619	12,362
Investment income	165	1,238
Earnings (loss) before income taxes	2,009	(1,112)
Provision for income tax expense (recovery)	868	[83]
Net and comprehensive earnings (loss)	1,141	(1,029)
Deficit, beginning of period	(4,102)	(150,996)
Dividends	(2,303)	-
Reduction of stated capital	-	147,161
Deficit, end of period	\$ (5,264)	\$ (4,864)
Earnings (loss) per share (Note 5 (g))		
Basic	\$ 0.01	\$ (0.01)
Diluted	\$ 0.01	\$ (0.01)
Weighted average number of common shares		
Basic	102,122,809	92,837,506
Diluted	103,603,458	92,837,506


Wi-LAN Inc.
Consolidated Balance Sheets

(in thousands of Canadian dollars)

	As at March 31, 2010	As at December 31, 2009
Assets		
Current assets		
Cash and cash equivalents	\$ 70,195	\$ 72,763
Short-term investments	26,834	22,025
Accounts receivable (Note 7)	407	485
Prepaid expenses and deposits	404	149
Assets held for sale (Note 4)	2,188	2,188
Current assets	100,028	97,610
Furniture and equipment, net	651	703
Patents and other intangibles, net	139,188	141,132
Goodwill	13,449	13,449
Assets	\$ 253,316	\$ 252,894
Liabilities and Shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 12,486	\$ 11,774
Current liabilities	12,486	11,774
Liabilities	12,486	11,774
Shareholders' equity		
Common shares (Note 5(c))	229,046	228,421
Contributed surplus	17,048	16,801
Retained deficit	(5,264)	(4,102)
Shareholders' equity	240,830	241,120
Liabilities and Shareholders' equity	\$ 253,316	\$ 252,894

Commitments and contingencies (Note 8)



Wi-LAN Inc.
Consolidated Statements of Cash Flows
(in thousands of Canadian dollars)

	Three Months ended March 31, 2010	Three Months ended April 30, 2009
Cash generated from (used in)		
Operations		
Net and comprehensive earnings (loss)	\$ 1,141	\$ (1,029)
Non-cash items		
Stock-based compensation	643	504
Depreciation & amortization	5,258	4,182
Provision for income tax recovery	-	(604)
	7,042	3,053
Change in non-cash working capital balances		
Accounts receivable	78	589
Prepaid expenses and deposits	(255)	32
Net assets held for sale	-	-
Accounts payable and accrued liabilities	(1,779)	9,056
Cash generated from operations	5,086	12,730
Financing		
Common shares repurchased in Normal Course Issuer Bid	-	(279)
Common shares issued for cash on the exercise of options	417	21
Cash generated from (used in) financing	417	(258)
Investing		
Purchase of short-term investments	(4,809)	(28,814)
Purchase of furniture and equipment	(114)	(126)
Purchase of patents	(3,148)	(13,123)
Cash used in investing	(8,071)	(42,063)
Net cash and cash equivalents used in the period	(2,568)	(29,591)
Cash and cash equivalents, beginning of period	72,763	99,353
Cash and cash equivalents, end of period	\$ 70,195	\$ 69,762

See accompanying notes to consolidated financial statements



4. ASSETS HELD FOR SALE

The assets held for sale as at March 31, 2010 consist of land and a building. The property was put on the market in October 2008 and in November 2009 the Company accepted an offer to purchase the land and building subject to certain conditions to be fulfilled by the Company and the Purchaser. The property is carried at \$2,188 (December 31, 2009 - \$2,188), which is management's estimate of the net recoverable value of these assets based on the offer to purchase and expected closing costs. Subsequent to the end of the quarter, the sale of the land and building was completed in April 2010.

5. SHARE CAPITAL

a) Authorized

Unlimited number of common shares.

6,350.9 special preferred, redeemable, retractable, non-voting shares.

An unlimited number of preferred shares, issuable in series.

b) Issued and Outstanding

The issued and outstanding common shares of WiLAN, along with equity instruments convertible into common shares, are as follows:

As at	March 31, 2010	December 31, 2009
Common shares	102,366,385	102,043,885
Securities convertible into common shares		
Stock options	7,441,731	7,845,898
Deferred stock units (DSUs)	44,803	26,657
	109,852,919	109,916,440

As at March 31, 2010, no preferred shares or special preferred shares were issued or outstanding.

c) Common Shares

Common shares	Number	Amount
December 31, 2009	102,043,885	\$ 228,421
Exercise of stock options	322,500	417
Transfer from contributed surplus on options exercised	-	208
March 31, 2010	102,366,385	\$ 229,046

During the three months ended March 31, 2010, the Company issued 322,500 common shares pursuant to the exercise of stock options for proceeds totalling \$417.

d) Stock Options

During the three months ended March 31, 2010, 81,667 stock options expired.

Stock-based compensation expense for the three months ended March 31, 2010 was \$643 (three months ended April 30, 2009 - \$504).



e) Deferred Stock Units

The Company has a Deferred Stock Unit ("DSU") plan as a tool to assist in the retention of selected employees and directors and to help conserve the Company's cash position. Under the plan, DSUs may be awarded and will become due when the conditions of retention have been met and employment terminated or completed. The value of each DSU is determined in reference to the Company's common share price, and the DSU value is payable in either cash or shares, at the Company's option. In order to conserve cash, the Company has settled DSUs in shares since April 20, 2006.

DSUs issued and outstanding as at March 31, 2010 were 44,803 (December 31, 2009 – 26,657). The liability recorded in respect of the outstanding DSUs was \$117 as at March 31, 2010 (December 31, 2009 - \$70). During the three months ended March 31, 2010, 18,146 DSUs were granted to certain directors in lieu of cash for their quarterly fees for the period ended December 31, 2009.

f) Restricted Share Units

The Company implemented a Restricted Share Unit ("RSU") plan for certain employees and directors in January 2007. Under the RSU plan, units are settled in cash based on the market value of WiLAN's common shares on the dates when the RSUs vest. The accrued liability and related expense for the RSUs are adjusted to reflect the market value of the common shares at each balance sheet date.

During the three months ended March 31, 2010, the Company issued 496,110 RSUs. RSUs outstanding as at March 31, 2010 were 691,942. The liability recorded in respect of these outstanding RSUs was \$454 as at March 31, 2010 (December 31, 2009 - \$150).

g) Per Share Amounts

The weighted average number of common shares outstanding, as well as a reconciliation of the weighted average number of common shares outstanding used in the basic earnings per share ("EPS") computation to the weighted average number of common shares outstanding used in the diluted EPS computation, are as follows:

	Three months ended March 31, 2010	Three months ended April 30, 2009
Basic weighted average common shares outstanding	102,122,809	92,837,506
Effect of stock options	1,480,649	-
Diluted weighted average common shares outstanding	103,603,458	92,837,506

The effect of stock options totalling 783,547 for the three months ended April 30, 2009 was anti-dilutive and therefore excluded from the computation of EPS.

6. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31, 2010	Three months ended April 30, 2009
Net interest received in cash	\$ 433	\$ 192
Taxes paid	\$ 987	\$ 650



7. FINANCIAL INSTRUMENTS

The Company is exposed to a number of risks related to changes in foreign currency exchange rates, interest rates, collection of accounts receivable, settlement of liabilities and management of cash and cash equivalents.

Credit risk

Credit risk is the risk of financial loss to the Company if a licensee or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments, accounts receivable and forward foreign exchange contracts.

The Company's cash and cash equivalents, short-term investments and forward foreign exchange contracts consist primarily of deposit investments that are held only with Canadian chartered banks. Management does not expect any counter-parties to fail to meet their obligations.

The Company's exposure to credit risk with its accounts receivable from licensees is influenced mainly by the individual characteristics of each licensee. The Company's licensees are for the most part, manufacturers and distributors of telecommunications and consumer electronics products primarily located in the United States, Canada, Taiwan, and China. Credit risk from accounts receivable encompasses the default risk of the Company's licensees. The Company manages its exposure to credit risk by only working with companies management considers reputable. Prior to entering into licensing agreements with new licensees the Company assesses the risk of default associated with the particular company. In addition, on an ongoing basis, management monitors the level of accounts receivable attributable to each licensee and the length of time taken for amounts to be settled and where necessary, takes appropriate action to follow up on those balances considered overdue. The Company has had no significant bad debts for any periods presented.

Management does not believe that there is significant credit risk arising from any of the Company's licensees. However, should one of the Company's major licensees be unable to settle amounts due, the impact on the Company could be significant. The maximum exposure to loss arising from accounts receivable is equal to their total carrying amounts. At March 31, 2010, one licensee accounts for 10% or more of total accounts receivable [December 31, 2009 – four].

Financial assets past due

The following table provides information regarding the aging and collectability of the Company's accounts receivable balances:

	March 31, 2010	December 31, 2009
Not past due	\$ 30	\$ 104
Past due 1 - 30 days	156	68
Past due 31 - 60 days	32	31
Past due 61 - 90 days	-	3
Over 91 days past due	739	708
Less allowance for doubtful accounts	(550)	(429)
Total accounts receivable	\$ 407	\$ 485



The definition of items that are past due is determined by reference to terms agreed with individual licensees. As at the date of this report, May 5, 2010, approximately \$21 of past due amounts have been collected. None of the amounts outstanding have been challenged by the respective licensees and the Company continues to conduct business with them on an ongoing basis. Accordingly, management has no reason to believe that this balance is not fully collectable in the future.

The Company reviews financial assets past due on an ongoing basis with the objective of identifying potential matters which could delay the collection of funds at an early stage. Once items are identified as being past due, contact is made with the respective company to determine the reason for the delay in payment and to establish an agreement to rectify the breach of contractual terms. At March 31, 2010, the Company had a provision for doubtful accounts of \$550 which was made against accounts receivable where collection efforts to date have been unsuccessful.

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 objective in managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due.

At March 31, 2010, the Company had cash and cash equivalents and short-term investments of \$97,029 and accounts receivable of \$407 with which to meet its obligations.

Market risk

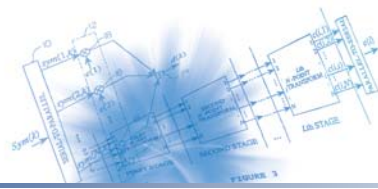
Market risk is the risk to the Company that the fair value of future cash flows from its financial instruments will fluctuate due to changes in interest rates and foreign currency exchange rates. Market risk arises as a result of the Company generating revenues in foreign currencies.

Interest rate risk

The only financial instruments that expose the Company to interest rate risk are its cash and cash equivalents and short-term investments. The Company's objectives of managing its cash and cash equivalents and short-term investments are to ensure sufficient funds are maintained on hand at all times to meet day to day requirements and to place any amounts which are considered in excess of day to day requirements on short-term deposit with the Company's banks so that they earn interest. When placing amounts of cash and cash equivalents into short-term investments, the Company only places investments with Canadian chartered banks and ensures that access to the amounts placed can be obtained on short-notice. A 1% increase/decrease to the prevailing interest rate would result in an approximate \$243 effect on the fair value of the cash and cash equivalents and short term investments as at the reporting date.

Currency risk

A significant amount of WiLAN's revenues and operating expenses are denominated in US dollars. Because the Company reports its financial performance in Canadian dollars, WiLAN's operating results are subject to changes in the exchange rate of the US dollar relative to the Canadian dollar. Any decrease in the value of the Canadian dollar relative to the US dollar has a favourable impact on US denominated revenues and an unfavourable impact on US denominated operating expenses. Recently, increases in the value of the Canadian dollar relative to the US dollar have had a negative impact on WiLAN's revenues but have also reduced the impact of its operating expenses. The Company may manage the risk associated with foreign exchange rate fluctuations by, from time to time, entering into forward foreign exchange contracts and engaging in other



hedging strategies. To the extent that WiLAN engages in risk management activities related to foreign exchange rates, it may be subject to credit risks associated with the counterparties with whom it contracts.

The Company's objective in obtaining forward foreign exchange contracts is to manage its risk and exposure to currency rate fluctuations related primarily to future cash inflows and outflows of US dollars and secures the Company's profitability on anticipated future cash flows. The Company does not use forward foreign exchange contracts for speculative or trading purposes.

The forward foreign exchange contracts primarily require the Company to sell US dollars for Canadian dollars at prescribed rates. The Company held the following forward foreign exchange contracts at March 31, 2010:

Type	USD	Currency	Maturity	Equivalent CAD	Fair Value Gain (Loss)
Sell \$	1,416	USD	< 3 months	\$ 1,500	\$ 61
Sell	2,836	USD	3 -12 months	3,000	119
\$	4,252			\$ 4,500	\$ 180

For the three months ended March 31, 2010, the Company had revenues and expenses denominated in US dollars of approximately \$15,794 and \$6,488 respectively. In addition, as at March 31, 2010, the Company had US dollar denominated cash and cash equivalents and accounts receivable balances of approximately \$2,074 and \$397 respectively, offset by accounts payable and accrued liabilities totalling approximately \$7,109. A one cent increase/decrease in foreign currency rates between the US and Canadian dollars could have resulted in an approximate increase/decrease to net and comprehensive loss of \$47.

8. COMMITMENTS AND CONTINGENCIES

a) Litigation

The Company, in the course of its normal operations, is subject to claims, lawsuits and contingencies. Accruals are made in instances where it is probable that liabilities may be incurred and where such liabilities can be reasonably estimated. Although it is possible that liabilities may be incurred in instances for which no accruals have been made, WiLAN has no reason to believe that the ultimate outcome of these matters would have a significant impact on its consolidated financial position. The significant legal proceedings in which the Company is involved are summarized below.

In September 2002, the Company, its former Executive Chairman and Wi-Com Technologies Inc. (a private Alberta company), among others, were served with two statements of claim alleging the defendants are liable for failing to deliver certain share certificates in a timely manner to the claimants. The claimants are former shareholders of Wi-Com Technologies Inc. The Company maintains that it has defences to these claims and does not believe that it will ultimately be found liable. The Company is defending these actions, has filed a statement of defence and has also filed a counterclaim against the claimants. To date, it has not been determined if legal liability exists, and accordingly, no provision has been made in the Company's financial statements.

In January 2010, WiLAN learned that TELUS Corporation and TELUS Communications Inc. (collectively, "TELUS") had filed a claim in the Court of Queen's Bench in Calgary, Alberta in April 2009 against WiLAN, Dr. Michel Fattouche and Dr. Hatim Zaghoul regarding the ownership of several patents including, amongst others, the Company's 222 patent and 802 patent. WiLAN and TELUS signed a definitive agreement to settle this matter in April 2010 (see note 11).



b) Operating lease

The Company has a commitment for future minimum annual lease payments for its Ottawa and Toronto premises totalling approximately \$537 over the next five years.

c) Other

As partial consideration for patents acquired in September 2007, the Company agreed to future additional payments, not to exceed US\$4,000, contingent upon the ongoing enforceability of the patents and based on revenues produced from licensing or selling the patents. To date, there have been no licensing revenues produced from these patents and no amounts have been accrued to this counterparty in respect of this commitment.

WiLAN had a commitment to pay a minimum success fee to McKool Smith (the "Firm") only in the event that proceeds from the litigations the Firm worked on exceed a base amount. The minimum success fee was comprised of total litigation proceeds divided by that base amount multiplied by amounts reserved in exchange for certain discounts agreed upon between the Company and the Firm (the "Reserve Amount"). As at March 31, 2010, the balance in the Reserve Amount is nil.

9. CAPITAL DISCLOSURES

The Company considers share capital and contributed surplus as capital. The Company's objectives when managing its capital structure are to provide sufficient capital to protect the Company's patent and license portfolio, through litigation if necessary, and to support the Company's Technology Acquisition Program, which provides for the acquisition of additional patents when the right opportunities are available and such acquisitions fit the Company's strategic direction in communications and consumer electronics markets. The Company has no externally imposed capital restrictions.

The Company's Officers and senior management take full responsibility for managing the Company's capital and do so through quarterly meetings and regular review of financial information. The Company's Board of Directors are responsible for overseeing this process.

Methods used by the Company to manage its capital include the issuance of new share capital, dividends and a normal course issuer bid that was commenced on October 15, 2008 and was completed on April 10, 2009.

The Company's capital management objectives have remained unchanged over the periods presented.

10. RECENT ACCOUNTING STANDARDS

Convergence with International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board announced that the use of International Financial Reporting Standards (IFRS) established by the International Accounting Standards Board will be required for fiscal years beginning January 1, 2011, for publicly accountable profit-oriented enterprises.

Prior to June 3, 2009, the Company was operating with a fiscal year end of October 31 which determined that the Company's first quarter under the IFRS reporting standards would be the Company's first quarter of fiscal 2012 ending January 1, 2012. Accordingly, the Company's IFRS transition plan was working towards the application of IFRS on November 1, 2011. On June 4, 2009, the Company announced it would be changing its year end to December 31. As a result, the Company will be required to prepare its consolidated financial statements in accordance with IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, which advanced the Company's first quarter under the IFRS reporting

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