

2009 Third Quarter  
Unaudited Interim Consolidated  
Financial Results

**WiLAN**

Interim Report



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## FORWARD-LOOKING INFORMATION

This Management's Discussion and Analysis ("MD&A"), compiled as of September 2, 2009, 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 Wi-LAN Inc. ("WiLAN" or the "Company") 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".

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 vary significantly, from a number of months to years, and could be subject to variable cycles;
- Reduced spending due to the uncertainty of economic and geopolitical conditions may negatively affect the Company;
- 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;
- 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;
- A court may determine that certain of the Company's patents 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;
- Fluctuations in foreign exchange rates impact and may continue to impact the Company's revenues and operating expenses, potentially adversely affecting financial results;
- The Company may need to acquire or develop new patents to continue to grow its current business;
- 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 V-Chip revenues and the likelihood of the Company signing additional V-Chip licenses could be negatively impacted by changes in government regulation; and
- The Company is dependent on its key officers and employees.

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.

This MD&A should be read in conjunction with WiLAN’s unaudited interim consolidated financial statements and the accompanying notes (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”) for interim financial information, including all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the financial position, operations, and cash flows for the interim periods. As the interim financial statements do not contain all the disclosures required in annual financial statements, they should be read in conjunction with the Company’s audited consolidated financial statements and accompanying notes for the year ended October 31, 2008. The tables and charts included in this document form an integral part of the MD&A.

Additional information filed by WiLAN with Canadian securities regulators, including quarterly reports, annual reports and the Company’s annual information form for the year ended October 31, 2008, is available on-line at [www.sedar.com](http://www.sedar.com) and also on WiLAN’s website at [www.WiLAN.com](http://www.WiLAN.com).

## STRATEGIC OVERVIEW

WiLAN is a technology innovation company with business operations that principally involve licensing patents. WiLAN’s principal source of revenue is from licensing its own patent portfolio or licensing portfolios on behalf of various business partners. The Company plans to sustain its licensing opportunities and grow its patent portfolio with a combination of technology innovation through internal research and development, patent acquisitions, and corporate mergers and acquisitions.

The process which WiLAN typically uses to enter into licensing agreements with companies that utilize its patented technologies is as follows:

1. The Company identifies both the prospective licensees and the products it believes are infringing the Company’s patents;
2. The Company prepares a letter identifying both the infringing products and the patents that are infringed. The Company’s letter invites the recipient to enter into licensing discussions;
3. The Company prepares for negotiations with prospective licensees by developing a business proposal. Utilizing extensive research and insight to determine the qualitative and quantitative value of the technologies to the products that infringe on the patents and considering mutual best interests of both the Company and prospective licensees, the Company establishes rates and other licensing terms that it believes represents fair compensation for the Company and meets the expectations and business interests of prospective licensees;
4. If the target licensee agrees to enter discussions, the Company presents claim charts mapping specific claims in the patents to applicable standards and/or to the recipient’s products. The first stage of discussions may focus on legal and technical issues. The second stage of discussions, if it occurs, will involve negotiating the financial terms of a license. These negotiations will typically start from the financial terms proposed in the Company’s business proposal. The third part of the discussions will generally focus on the non-financial terms of the license, which can be quite complex; and
5. As a fundamental element of its business plan and a strategic and tactical incentive, if licensing discussions break down or prospective licensees refuse to enter discussions, WiLAN may enter into litigation.

WiLAN has licensed its intellectual property to over 190 companies worldwide. Inventions in the Company’s portfolio have been licensed by companies that manufacture, sell or distribute a wide range of

communication and consumer electronics products including 3G cellular handsets, Wi-Fi-enabled laptops, Wi-Fi/DSL routers, xDSL infrastructure, WiMAX base stations and digital televisions. WiLAN has a large and growing portfolio of more than 720 issued or pending patents.

Generally, licensing agreements take into consideration rights to license the patent(s) and past infringement. Revenues, typically, include lump-sum settlements for licensing rights and/or past infringement, fixed-price agreements that are paid over a specified period of time or running royalties based on a price per-unit and/or a percentage of product sales or service revenues enjoyed by the licensee.

Royalty rates and the consideration for a license may vary significantly with different licensees since there are many factors that may make differing terms appropriate. Based on anecdotal information, the Company understands that royalties charged in similar circumstances have ranged from less than 0.1% to 7%. Factors that may affect the royalty rate include: the clarity of the reads of the patent claims on the products in question; the significance of the patented invention to the performance of the products; the profitability of the products in question; the propensity of the infringing party to resist a license or to litigate; the number of patents that are applicable; the volume of products that infringe; the geographies into which infringing products are sold; the party's future sales plans; and the infringing party's financial status.

To the extent WiLAN successfully litigates against parties infringing its patents, the appropriate rates for both past damages and royalties will be determined by the relevant Court and, where applicable, a jury, and will be subject to appeal. The Company expects that such amounts will be based on a lump sum amount for past damages and a running royalty for future royalties. The amount of any such determination of past damages and future royalties may set a standard for future royalty amounts charged by the Company.

WiLAN will continue to adapt and evolve to achieve success. Recent examples of this evolution include the

hiring of highly qualified specialists and subject matter experts in the applicable technologies, acquisition of patents that have strengthened its patent portfolio and multiple financing deals that have significantly strengthened the Company's financial position. Management believes these recent accomplishments have built a strong foundation for WiLAN's future operations and growth.

In this current volatile and uncertain economic environment 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 cautiously invests its surplus cash with the primary objective of protecting its capital. The Company does not currently invest in asset-backed commercial paper and invests primarily in highly rated investment grade financial instruments with maturities of 12 months or less in order to reduce credit and interest rate risk;
- When the Company acquires patents, it attempts to negotiate revenue sharing models and contingency payment plans to better match the expected cash inflows from licensing with purchase price outflows;
- In some instances, the Company seeks not to acquire the actual ownership of the patent but to acquire all licensing benefits through an exclusive sublicensing arrangement. These arrangements reduce the upfront investment required when acquiring patents and the cost of revenues occurs only if and when licensing revenues are earned from the patents;

- As many of the Company's revenues and expenses are denominated in US dollars and its reporting currency is Canadian dollars the Company enters into forward foreign exchange contracts from time to time, with counterparties that management believes to be credit-worthy. 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 access to additional financing.

## Key Strategic Initiatives

### Technology Innovation

Building on WiLAN's history of technology innovation which directly contributed to the commercialization of broadband wireless products more than a decade ago, WiLAN continues to engage in research and development ("R&D") activities.

The Company's internal R&D efforts seek to generate new inventions in next generation communications technologies and to identify new technology/commercial product opportunities. With the goal of growing and strengthening its intellectual property portfolio, this technology innovation complements the Company's ongoing activities to jointly license or acquire appropriate technology.

### Licensing Capability Growth

WiLAN has advanced its structure so that licensing of different technology types is managed by dedicated teams. Initial technology teams include Wireline, Wireless, and V-Chip Consumer Products. Additional technology teams will be added, as required, to address additional technology types and/or licensing opportunities. This initiative helps WiLAN address its growing licensing opportunity by increasing the number of licensing teams that are active, increasing the specialized expertise in the relevant technology areas and bringing more focus, and accountability to the generation of revenues in particular

technology areas. Growth of team capability and expertise in technology, legal and patent domains will be managed on an ongoing basis taking into account the Company's financial and operating performance.

### Licensing Process Execution

Management believes WiLAN's licensing program has delivered encouraging results. Companies such as: Nokia Corporation, Samsung Electronics, Fujitsu Limited, Matsushita Electric Industrial Co., Ltd., Research in Motion Limited (RIM), Infineon Technologies AG, Hyundai IT Corporation, Acer Incorporated, Qingdao Haier Electronics Co., Ltd., Amtran Technology Co., Ltd., and ASUSTeK Computer Inc., joined earlier licensees including Cisco Systems, in reaching negotiated patent licensing agreements. We expect that lessons learned from these licensing activities will help the Company improve its ongoing licensing process.

Complementing the Company's determination to reach licensing agreements through negotiation is its resolve to receive fair compensation for its patented inventions. The Company has stated previously that it is prepared to take all necessary steps including investing in litigation, to ensure it receives fair value for its patented inventions. The Company's resolve was demonstrated in October 2007 when it launched two legal actions in the state of Texas. The product types that are the subject of the litigation are laptop computers, wireless routers, and DSL modems. A large number of targets including chip suppliers, equipment suppliers, and retailers are defendants in the litigation. The Company's resolve was demonstrated again in June 2008 when it launched a legal action in the state of Texas for infringement of CDMA-related technologies, against various handset vendors. Although the Company cannot anticipate how any litigation will affect ongoing settlement discussions, the Company believes it is likely that settlement discussions with parties named in the legal action will continue and some parties may be inclined to take licenses. To the extent WiLAN is successful in any of these suits, the relevant Court and, where applicable, a jury, may award the Company damages for past infringement and order future royalty payments, although any such awards will be subject to appeal.

## NON-GAAP DISCLOSURE

“Pro forma earnings” is defined by the Company as earnings from continuing operations before stock-based compensation expense, unrealized loss on foreign exchange, depreciation & amortization expense, 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 an important 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 OF OPERATIONS – COMPARISON OF QUARTERLY RESULTS

### Significant items included in WiLAN’s earnings for the three and nine months ended July 31, 2009 (“Q3/09”) and 2008 (“Q3/08”):

Three months ended July 31,	2009		2008	
Revenues	\$9,636		\$4,829	
Operating expenses before depreciation and amortization				
Stock-based compensation	511	7%	483	9%
Other compensation expenses	2,053	29%	1,694	30%
Unrealized (gain) on foreign exchange contracts	(327)	-4%	-	0%
Other operating expenses	4,831	68%	3,403	61%
<b>Total operating expenses before depreciation and amortization</b>	<b>7,068</b>	<b>100%</b>	<b>5,580</b>	<b>100%</b>
Depreciation & amortization	4,451		4,055	
Interest income, net	730		763	
Loss before income taxes	(1,153)		(4,043)	
Provision for income tax expense (recovery)	163		(584)	
<b>Net and comprehensive loss</b>	<b>\$(1,316)</b>		<b>\$(3,459)</b>	
<b>Pro forma earnings (1)</b>	<b>\$3,482</b>		<b>\$495</b>	
Earnings (loss) per share - basic and diluted				
Basic	\$(0.01)		\$(0.04)	
Diluted	\$(0.01)		\$(0.04)	
Pro forma earnings per share - basic and diluted				
Basic	\$0.04		\$0.01	
Diluted	\$0.04		\$0.01	
Weighted average number of shares				
Basic	94,375,558		93,505,167	
Diluted (2)	94,375,558		93,505,167	

(1) Pro forma earnings represents net earnings before stock-based compensation, unrealized loss on foreign exchange contracts, depreciation & amortization, and provision for income taxes.

(2) Pro forma weighted average diluted number of shares outstanding are 95,463,650 and 94,304,375 for the three and nine months ended July 31, 2009.

Nine months ended July 31,	2009		2008	
Revenues	\$25,970		\$12,815	
Operating expenses before depreciation and amortization				
Stock-based compensation	1,476	7%	1,500	10%
Other compensation expenses	5,974	27%	5,235	35%
Unrealized (gain) on foreign exchange contracts	(247)	-1%	-	0%
Other operating expenses	14,817	67%	8,161	55%
<b>Total operating expenses before depreciation and amortization</b>	<b>22,020</b>	<b>100%</b>	<b>14,896</b>	<b>100%</b>
Depreciation & amortization	12,803		12,259	
Interest income, net	2,385		2,543	
Loss before income taxes	(6,468)		(11,797)	
Provision for income tax expense (recovery)	(288)		(2,334)	
<b>Net and comprehensive loss</b>	<b>\$(6,180)</b>		<b>\$(9,463)</b>	
<b>Pro forma earnings (1)</b>	<b>\$7,564</b>		<b>\$1,962</b>	
Earnings (loss) per share - basic and diluted				
Basic	\$(0.07)		\$(0.10)	
Diluted	\$(0.07)		\$(0.10)	
Pro forma earnings per share - basic and diluted				
Basic	\$0.08		\$0.02	
Diluted	\$0.08		\$0.02	
Weighted average number of shares				
Basic	93,408,528		93,492,765	
Diluted (2)	93,408,528		93,492,765	

(1) Pro forma earnings represents net earnings before stock-based compensation, unrealized loss on foreign exchange contracts, depreciation & amortization, and provision for income taxes.

(2) Pro forma weighted average diluted number of shares outstanding are 95,463,650 and 94,304,375 for the three and nine months ended July 31, 2009.

## Revenues

Licensing revenues earned by the Company for Q3/09 and Q3/08 totalled \$9,636 and \$4,829 respectively and included a combination of running royalties and payments for paid-up licensing agreements. For the nine months ended July 31, 2009 and 2008, licensing revenues totalled \$25,970 and \$12,815 respectively.

As the Company continues to monetize and increase licensing revenues from its patent portfolio, the emphasis remains on agreements for past damages settlements and running royalties that deliver recurring revenues. Paid-up licensing agreements that include a one-time fee, a series of fixed payments, patents or a combination of, will continue to be considered.

## Total Operating Expenses Before Depreciation and Amortization

Operating expenses before depreciation and amortization comprise: stock-based compensation expense; other compensation costs including restricted share units (“RSUs”), deferred stock units (“DSUs”), contractors and consultants, commissions, bonuses, salaries and benefits;

unrealized gain/loss on foreign exchange contracts resulting from forward foreign exchange derivatives held as at the period end; and other operating expenses that include legal costs, patent management expenses, royalties, realized gains/losses on foreign exchange and other expenses relating to facilities, public company reporting and stock-exchange listing costs.

**Stock-based Compensation**

Stock-based compensation expense is a non-cash expense driven in part by the number, fair value and vesting rights of options granted. The stock-based compensation expense in Q3/09 and Q3/08 was \$511 and \$483, and totalled \$1,476 and \$1,500 for the nine months ended July 31, 2009 and 2008, respectively.

Total options outstanding as at July 31, 2009 were 6,552,416 (2008 - 6,540,499) and the weighted average fair value per option was \$1.96 (2008 - \$1.28).

During the three and nine months ended July 31, 2009, pursuant to the Option Plan, the Company granted 1,463,000 and 1,664,000 respectively (573,000 and 1,315,500 respectively during the three and nine months ended July 31, 2008) stock options at exercise prices ranging between \$1.42 and \$1.88 (2008 - \$1.91 and \$2.25). The options have a five year life and vest over three years. The weighted average fair value per option granted during the three and nine months ended July 31, 2009 is \$0.91 and \$0.89 respectively (2008 - \$1.07 and \$1.13, respectively).

During the three and nine months ended July 31, 2009, 25,000 and 206,500 stock options expired (47,500 and 531,666 during the three and nine months ended July 31, 2008) respectively.

**Other Compensation Expenses**

Other compensation expense for Q3/09 totalled \$2,053 or 29% of operating expenses before depreciation and amortization. By comparison, other compensation expense for Q3/08 was \$1,694 or 30% of operating expenses before depreciation and amortization. Other compensation expense for the nine months ended July 31, 2009 totalled \$5,974 or 27% of operating expenses

before depreciation and amortization. By comparison, other compensation expense for the same period in fiscal 2008 was \$5,235 or 35% of operating expenses before depreciation and amortization.

**Items included in "Other Compensation Expenses":**

<b>Three months ended July 31,</b>	<b>2009</b>	2008
Other compensation expenses		
RSUs and DSUs	<b>\$24</b>	\$56
Bonuses and commissions	<b>439</b>	310
Compensation	<b>1,590</b>	1,328
<b>Total other compensation expenses</b>	<b>\$2,053</b>	\$1,694
<b>Nine months ended July 31,</b>	<b>2009</b>	2008
Other compensation expenses		
RSUs and DSUs	<b>\$184</b>	\$27
Bonuses and commissions	<b>1,007</b>	760
Compensation	<b>4,783</b>	4,448
<b>Total other compensation expenses</b>	<b>\$5,974</b>	\$5,235

Expenses related to RSUs and DSUs were \$24 in Q3/09 compared with \$56 in Q3/08. For the nine months ended July 31, 2009 and 2008, expenses were \$184 and \$27, respectively. The value of RSUs and DSUs is based on the price of WiLAN's shares, and the expense recorded in a quarter reflects both the change in the price of WiLAN's shares and the number of RSUs and DSUs accruing. RSUs are settled in cash and DSUs may be settled by the issue of common shares. During Q2/09, RSUs were settled resulting in a decreased number of outstanding RSUs and corresponding decrease in expense in Q3/09 compared to Q3/08.

The applicable quarter-ending closing prices for WiLAN's shares on the Toronto Stock Exchange were:

April 30, 2008	\$1.90
July 31, 2008	\$1.63
October 31, 2008	\$1.26
January 31, 2009	\$1.63
April 30, 2009	\$1.58
July 31, 2009	\$2.21

Bonuses and commission expenses amounted to \$439 in Q3/09 and \$1,007 for the nine months ended July 31, 2009, and totalled \$310 and \$760 in the comparable 2008 fiscal periods. Bonuses and commissions relate to the Company's financial results including the revenues recognized from licensing agreements. Bonuses and commissions for Q3/09 and the nine months ended July 31, 2009 include accruals for estimated bonuses to be paid at year-end totalling \$245 and \$471 respectively.

Compensation includes salaries and benefits for employees plus the cost of contractors and consultants. These costs increased as the Company added personnel to key positions that are required to pursue the business opportunities available to the Company. The total number of employees plus contractors and consultants increased year over year explaining the difference in the comparative period expenses.

#### Unrealized Gain/Loss on Foreign Exchange Contracts

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 on 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 July 31, 2009:

Type	USD \$	Currency	Maturity	Equivalent	Fair Value
				CAD \$	Gain (Loss)
Sell	2,500	USD	< 3 months	2,940	247

The total unrealized gain on foreign exchange contracts for Q3/09 was \$327. The total unrealized gain on foreign exchange contracts for the nine months ended July 31, 2009 was \$247. The Company did not hold forward foreign exchange contracts for the three and nine months ended July 31, 2008.

#### Other Operating Expenses

Other operating expenses amounted to \$4,831 in Q3/09 and \$14,817 for the nine months ended July 31, 2009, representing an increase of \$1,428 and \$6,656 over Q3/2008 and the nine months ended July 31, 2008. Legal expenses related to the actions against a number of identified targets in the Eastern District of Texas, Marshall Division and complaints filed in the Northern District of California by a number of identified targets in the Texas actions seeking declaratory relief against the Company, accounted for an increase of \$1,107 in Q3/09 and \$5,139 for the nine months ended July 31, 2009. The Company realized foreign exchange gain of \$621 in Q3/09 and a foreign exchange loss of \$3 for the nine months ended July 31, 2009, compared with a foreign exchange gain of \$103 in Q3/08 and \$312 for the nine months ended July 31, 2008. The remaining increase in other operating expenses was attributable to patent licensing, and other general and administration activities.

#### Depreciation & Amortization

Depreciation & amortization ("D&A") expense reflects principally the amortization of the Company's patent portfolio and other intangible assets.

In Q3/09, D&A expense amounted to \$4,451, an increase of \$396 over Q3/08. For the nine months ended July 31, 2009, D&A expense totalled \$12,803, an increase of \$544 over the comparable fiscal 2008 period. The increase in D&A expense is attributable to the growth in the Company's patent portfolio.

The Company has acquired patents with a value of \$173,998 since November 1, 2006. The acquisitions include \$93,264 in V-Chip patents, \$50,169 in wireline related patents and \$30,565 worth of patents that are applicable to the wireless market.

These individual groups of patents are being amortized on a straight-line basis over the remaining lives of their constituent patents or their estimated useful lives, whichever is less. Management reviews the Company's licensing and other activities at least quarterly for events that may trigger impairment to the fair value of the patents. Management does not believe there has been impairment to the value of the Company's patents.

### Income Tax Recovery

In Q3/09, the Company recorded a net income tax expense of \$163 compared to a recovery of \$584 in Q3/08 on a loss before income taxes of \$1,153 (Q3/08 - \$4,043). For the nine months ended July 31, 2009, income taxes resulted in a recovery of \$288 on a loss before income taxes of \$6,468 and for the comparable 2008 period, a recovery of \$2,334 on a loss before taxes of \$11,797.

The tax provision for Q3/09 and Q3/08 is net of \$891 and \$562 respectively for foreign taxes withheld on royalties received in foreign tax jurisdictions. For the nine months ended July 31, 2009 and 2008, the tax provision is net of \$1,810 and \$1,104 respectively for foreign taxes withheld on royalties received in foreign tax jurisdictions. These withholding taxes can be offset against future taxes otherwise payable and form a portion of the total valuation allowance for unrecorded tax assets held by the Company.

At October 31, 2008, the Company had unused non-capital tax losses and SR&ED expenditure pools carried forward in the amount of \$63,067. The carryforward balances may be used to offset future taxable income.

The amount of the future tax assets considered realizable could change materially in the near term, based on projections of future taxable income during the carryforward period. Management assesses the valuation allowance against tax losses carried forward and other temporary differences on a quarterly basis in order to determine when it may be appropriate to recognize additional future income tax benefits in the Company's financial statements.

The acquisition of Tri-Vision on June 29, 2007 resulted in a future income tax liability totalling \$25,721 relating to the excess of the accounting value of the acquired identifiable intangible assets over the tax bases of these assets. This future income tax liability is reduced by the tax effect of the excess of the accounting amortization of these assets over the amount deductible for income tax purposes in each period resulting in a future tax recovery.

During the three months and nine months ended July 31, 2009, the future income tax liability arising from the Tri-Vision acquisition was reduced by \$974 and \$2,835 respectively, and a future income tax recovery was recorded.

### FINANCIAL GUIDANCE

The following guidance for the fiscal year ending October 31, 2009 reflects our current business indicators and expectations and is subject to fluctuations in foreign currency exchange rates. Due to their nature, certain income and expense items, such as significant settlements from companies involved in current enforcement actions, new significant litigation or defense actions that could arise during the course of the year, losses on asset impairments or realized foreign exchange gains or losses cannot be accurately forecast. Accordingly, we exclude forecasts of such items from our guidance. Additionally, the Company's revenues result from the licensing of intellectual property which, by its very nature, is directly affected by the timing of the closure of license agreements, the nature and extent of the license including actual rates, the product sales by licensees which can be subject to seasonality and overall market demands as well as the timeliness of the receipt of licensee royalty reports. In addition, certain revenues may be of a one-time

nature. Thus, quarter-to-quarter fluctuations in revenue are normal and should be expected. WiLAN's imperative is to negotiate the best possible license as measured over the long-term and accordingly, the timing of actual license signings may vary from that forecasted. Actual results may vary materially from the guidance provided as a consequence of the above noted factors.

Revenues for the fiscal year ending October 31, 2009 are expected to be within the range of \$34.0 million to \$36.0 million. Operating expenses, excluding stock based compensation and unrealized exchange gains or losses, are expected to be in the range of \$28.0 million to \$29.0 million. Pro forma earnings are expected to be within the range of \$9.5 million to \$10.5 million.

**LIQUIDITY**

As at	July 31, 2009	October 31, 2008	July 31, 2008
Cash and cash equivalents	\$76,054	\$38,768	\$30,275
Short-term investments	26,092	62,679	62,193
Working capital	94,008	100,697	92,823

Cash, cash equivalents and short-term investments decreased by \$699 since October 31, 2008 to \$102,146 at July 31, 2009, comprised of \$27,834 used to purchase patents, \$944 to repurchase common shares of the Company through a normal course issuer bid, \$1,164 of dividends and \$277 for purchases of capital assets offset, in part, by \$16,899 generated by the issuance of shares from a bought deal financing, \$6,001 generated by operations, \$430 generated by the issuance of shares from the exercise of options and \$60 generated by the issuance of shares under the Employee Share Purchase Plan. By comparison, cash, cash equivalents and short term investments increased by \$926 to \$92,468 in the comparable 2008 fiscal period, comprised of; \$2,955 from operations and \$72 from options exercised, partially offset by \$518 mortgage repayment and \$1,583 for purchases of patents and capital assets.

Working capital decreased by \$6,689 in the nine months ended July 31, 2009 to \$94,008.

WiLAN had no long-term debt at July 31, 2009.

The Company's cash equivalents consist of T-bills, term deposits and Guaranteed Investment Certificates with a maturity of 90 days or less. Short-term investments consist of investment instruments with a maturity of greater than 90 days.

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 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.

The Company expects that it will be required to litigate from time to time with parties that infringe its patents but refuse to pay what the Company considers fair consideration either for a license or as compensation for past infringement. It is important that target licensees know that, if necessary, the Company has sufficient funds to fight a protracted litigation, otherwise a party may be more reluctant to take a license.

Patent acquisitions will depend on the quality and fit of the patents that become available to WiLAN and may be achieved by various business structures including acquisitions for cash or WiLAN shares, corporate acquisitions, sharing the net revenues generated from the patents (i.e. on a contingency basis) and the acquisition of patents as consideration for licensing WiLAN's current portfolio of patents. During the nine months ended July 31, 2009, the cost of patents purchased for cash amounted to \$27,834.

**CAPITAL EXPENDITURE**

WiLAN will have two main types of capital investment going forward. The acquisition of new patents to support continuing growth in the Company’s licensing business, and capital assets necessary to support staff requirements. The extent of patent acquisition expenditures could be significant if the right opportunities are available and the acquisitions fit WiLAN’s financial capacity and strategic direction in communications and consumer electronics markets. Expenditures for capital assets will match the Company’s growth.

The funding for WiLAN’s capital investment will come from a combination of cash, cash equivalents on hand, short-term investments, cash generated from licensing activities and external financing as appropriate.

**OUTSTANDING COMMON SHARE DATA**

As at	July 31, 2009	October 31, 2008
Common shares	101,970,150	93,355,367
Securities convertible into common shares		
Stock options	6,552,416	5,518,499
Deferred stock units (DSUs)	26,348	26,348
	108,548,914	98,900,214

**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 July 31, 2009, three licensees each account for 10% or more of total accounts receivable (October 31, 2008 - four).

**Financial assets past due**

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

As at	July 31, 2009	October 31, 2008
Not past due	\$2,908	\$742
Past due under 90 days	531	2,587
Over 91 days past due	815	298
Less allowance for doubtful accounts	(461)	(186)
Total accounts receivable	\$3,793	\$3,441

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, September 2, 2009 approximately \$201 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 July 31, 2009, the Company had a provision for doubtful accounts of \$461 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 July 31, 2009, the Company has cash, cash equivalents and short-term investments of \$102,146 and accounts receivable of \$3,793 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 \$260 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 July 31, 2009:

Type	USD \$	Currency	Maturity	Equivalent	Fair Value
				CAD \$	Gain (Loss)
Sell	2,500	USD	< 3 months	2,940	247

For the nine months ended July 31, 2009, the Company had revenues and expenses denominated in US dollars of approximately \$21,500 and \$11,900 respectively. In addition, as at July 31, 2009, the Company had US dollar denominated cash, cash equivalents and accounts receivable balances of approximately \$1,900 and \$3,600 respectively, offset by accounts payable and accrued liabilities totalling approximately \$10,400. 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.

**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, 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 vigorously 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 September 2006, the Company was advised of an action initiated in France by a former WiLAN customer that was claiming €661 for the cost of defective product, remediation efforts and compensatory damages. This matter has been settled on a confidential basis and a related amount was paid in full and final settlement in March 2009.

In December 2008, WiLAN filed suit against PCT International, Inc. and its related parties with respect to unpaid amounts totalling \$576 relating to their purchase of the Company's Think Broadband operations. This matter has been settled on a confidential basis in February 2009.

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 must respond to this suit by late September 2009 or face default judgment.

WiLAN is currently involved in litigation with 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 May 2007, Tri-Vision sued TigerDirect. In addition to a declaration of past infringement by TigerDirect, Tri-Vision sought an interim, introductory and permanent injunction

to prevent future infringement of its Canadian patent No. 2,179,474 and damages, including compensation plus interest and legal costs. This case has now been settled on terms that are confidential.

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 US Federal Court for the Eastern District of Texas, Marshall Division. WiLAN has claimed that these companies have infringed and continue to infringe its US 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 four of the initial defendants including settling with Infineon Technologies AG in May 2009. All eighteen 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 US patent No. 6,549,759 against these defendants. The "claims construction" hearing in these actions has been set down for September 1, 2009 and the trial of these actions has been set to start on January 4, 2011. These cases continue to proceed through the discovery phase.

Marvell, one of the defendants in WiLAN's Texas actions referred to above, also filed a complaint in the US Federal Court for the Northern District of California in November 2007, seeking a declaratory judgment that certain of the Company's US patents were invalid. This complaint was settled by the parties in June 2008. Marvell continues to be a defendant in the Company's Texas actions and in the California action discussed below.

Also in June 2008, the Company filed claims against Research In Motion Corporation, Research In Motion, Ltd., Motorola, Inc., and UTStarCom, Inc. in the US Federal Court for the Eastern District of Texas, Marshall Division. WiLAN has claimed that these companies have infringed and continue to infringe its US patent Nos. 5,282,222 and RE37,802 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 July 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. A status conference was held in this case on July 28, 2009, at which conference the "claims construction" hearing in this action was set down for March 11, 2010 and the trial of this action was set to start on January 4, 2011. This case is currently continuing through an expedited discovery phase.

Intel, one of the defendants in WiLAN's Texas actions, filed a complaint in the US Federal Court for the Northern District of California in November 2008, seeking a declaratory judgment that 18 of the Company's US patents are invalid. WiLAN brought a motion to dismiss this case or have it transferred from the US Federal Court for the Northern District of California to the US Federal Court for the Eastern District of Texas in January 2009. On June 4, 2009, US District Judge Ware granted the Company's motion in part by ordering that Intel's complaint relating to US patent No. 6,549,759 be transferred to the US Federal Court for the Eastern District of Texas, Marshall Division, and denied the motion in part, by ruling not to dismiss this case or transfer Intel's complaints relating to the 17 other US 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. WiLAN continues to vigorously protect its rights in this action.

Certain of the defendants in the actions initiated by the Company in the US Federal Court in Texas, have also filed actions in the Northern District of California requesting declaratory judgments that WiLAN's US 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 US Federal Court for the Eastern District of Texas, Marshall Division, which motion is expected to be heard on September 28, 2009. The Company continues to vigorously protect its rights in these actions.

#### b. Operating lease

The Company has a commitment for future minimum annual lease payments for its Ottawa and Toronto premises totalling approximately \$1,500 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.

Included in the engagement letter between the Company and McKool Smith ("McKools") for litigations involving certain of WiLAN's patents, is a commitment from the Company to pay a success fee to McKools providing litigation proceeds exceed a certain threshold.

### SELECTED QUARTERLY INFORMATION

The following is a summary of WiLAN's quarterly financial results for the past eight quarters.

#### Financial Position

Fiscal quarter	Q3/09	Q2/09	Q1/09	Q4/08
As at	Jul 31/09	Apr 30/09	Jan 31/09	Oct 31/08
Cash and cash equivalents	<b>\$76,054</b>	\$69,762	\$99,353	\$38,768
Short-term investments	<b>26,092</b>	28,814	-	62,679
Patents and other intangibles, net	<b>147,414</b>	137,059	128,024	132,111
Goodwill	<b>13,449</b>	13,449	13,449	13,449
Total assets	<b>270,347</b>	255,466	247,797	253,603
Future income tax liability	<b>19,637</b>	20,366	20,970	21,408
Total liabilities	<b>34,294</b>	34,716	26,232	27,938
Shareholders' equity	<b>236,053</b>	220,750	221,565	225,665
Shares outstanding (end of period)	<b>101,970</b>	92,717	92,886	93,355

Fiscal quarter	Q3/08	Q2/08	Q1/08	Q4/07
As at	July 31/08	Apr 30/08	Jan 31/08	Oct 31/07
Cash and cash equivalents	\$30,275	\$91,835	\$92,467	\$91,542
Short-term investments	62,193	-	-	-
Patents and other intangibles, net	136,220	140,224	144,227	146,955
Goodwill	16,400	16,400	16,400	16,400
Total assets	251,697	253,865	258,483	262,505
Future income tax liability	21,137	22,283	23,429	24,575
Total liabilities	26,547	25,739	26,787	29,464
Shareholders' equity	225,150	228,126	231,696	233,041
Shares outstanding (end of period)	93,505	93,505	93,470	93,470

In Q3/07, the Company acquired Tri-Vision in exchange for shares and received net assets and liabilities including patents valued at \$93,264, goodwill and a future income tax liability.

## Operating Highlights

Fiscal quarter	Q3/09	Q2/09	Q1/09	Q4/08
<b>Three months ended</b>	<b>Jul 31/09</b>	<b>Apr 30/09</b>	<b>Jan 31/09</b>	<b>Oct 31/08</b>
Revenues	\$9,636	\$10,012	\$6,322	\$13,749
Operating expenses	11,519	12,362	10,942	10,143
Provision for income tax (recovery)/expense	163	(83)	(367)	4,014
Net earnings (loss)	\$(1,316)	\$(1,029)	\$(3,835)	\$277
<b>Pro forma earnings (loss) (1)</b>	<b>\$3,482</b>	<b>\$3,275</b>	<b>\$808</b>	<b>\$9,052</b>
Earnings (loss) per share - basic and diluted				
Basic	\$(0.01)	\$(0.01)	\$(0.04)	\$-
Diluted	\$(0.01)	\$(0.01)	\$(0.04)	\$-
Pro forma earnings (loss) per share - basic and diluted				
Basic	\$0.04	\$0.04	\$0.01	\$0.10
Diluted (2)	\$0.04	\$0.04	\$0.01	\$0.10
<b>Fiscal quarter</b>	<b>Q3/08</b>	<b>Q2/08</b>	<b>Q1/08</b>	<b>Q4/07</b>
<b>Three months ended</b>	<b>July 31/08</b>	<b>Apr 30/08</b>	<b>Jan 31/08</b>	<b>Oct 31/07</b>
Revenues	\$4,828	\$3,246	\$4,741	\$7,169
Operating expenses	9,634	9,086	8,435	8,127
Provision for income tax (recovery) expense	(584)	(962)	(788)	(1,106)
Net earnings (loss)	\$(3,459)	\$(4,089)	\$(1,915)	\$1,231
<b>Pro forma earnings (1)</b>	<b>\$494</b>	<b>\$(539)</b>	<b>\$2,007</b>	<b>\$4,865</b>
Earnings (loss) per share - basic and diluted				
Basic	\$(0.04)	\$(0.04)	\$(0.02)	\$0.01
Diluted	\$(0.04)	\$(0.04)	\$(0.02)	\$0.01
Pro forma earnings (loss) per share - basic and diluted				
Basic	\$(0.01)	\$(0.01)	\$0.02	\$0.05
Diluted (2)	\$(0.01)	\$(0.01)	\$0.02	\$0.05

(1) Pro forma earnings represents net earnings before stock-based compensation, unrealized loss on foreign exchange, depreciation & amortization, and provision for income taxes.

(2) Pro forma weighted average diluted number of shares outstanding are 95,463,650 and 94,304,375 for the three and six months ended April 30, 2009.

## ACCOUNTING POLICIES AND CRITICAL ESTIMATES

The Company has prepared its consolidated interim financial statements following the same accounting policies disclosed in the Company's audited consolidated financial statements for the year ending October 31, 2008, with the exception of items noted in the Recent Accounting Standards section below.

Critical accounting estimates are discussed in the Company's annual MD&A for the fiscal year ended October 31, 2008.

Critical accounting estimates and accounting policies are reviewed annually or more often if needed, by the Audit Committee of the Board of Directors.

## 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 September 4, 2008, 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 January 2006, Canada's Accounting Standards Board ("AcSB") ratified a strategic plan calling for the evolution and convergence of Canadian GAAP with IFRS, after a specified transition period, by publicly accountable enterprises in Canada. The AcSB has more recently confirmed January 1, 2011 as the date IFRS will replace current Canadian standards and interpretations as GAAP for this category of reporting entity.

Canadian GAAP will be converged with IFRS through a combination of two methods: as current joint-convergence projects of the United States' Financial Accounting Standards Board and the International Accounting Standards Board are agreed upon, they will be adopted by the AcSB and may be introduced in Canada before the complete changeover to IFRS; and standards not subject to a joint-convergence project will be exposed in an omnibus manner for introduction at the time of the complete changeover to IFRS.

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. On June 3, 2009, the Company changed its year end to December 31 which will result in the application of IFRS for the fiscal year beginning January 1, 2011. On February 13, 2008, the Canadian Securities Administrators issued, for public comment, a Concept Paper proposing that listed companies be permitted to adopt IFRS earlier, for financial years beginning on or after January 1, 2009. The Company is currently developing an implementation plan and assessing the impacts of the conversion on the consolidated financial statements and disclosures of the Company.

#### **General Standards of Financial Statement Presentation**

In June 2007, CICA amended Section 1400, "General Standards of Financial Statement Presentation" to include requirements for management to assess and disclose an entity's ability to continue as a going concern.

The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. This standard did not have any effect on the Company's consolidated financial statements.

#### **Goodwill and Intangible Assets**

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets" which supersedes Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs".

This Section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets clarifying the criteria for recognition of an asset. The provisions relating to the definition and initial recognition of intangible assets, including internally generated intangible assets, are equivalent to the corresponding provisions of International Financial Reporting Standards IAS 38, "Intangible Assets". Section 1000, "Financial Statement Concepts" was amended to provide consistency with this new standard.

The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. This standard did not have any effect on the Company's consolidated financial statements.

**Wi-LAN Inc.**
**Consolidated Statements of Operations and Deficit**

(Unaudited)

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

	Three months ended July 31,		Nine months ended July 31,	
	2009	2008	2009	2008
Revenues	<b>\$9,636</b>	\$4,829	<b>\$25,970</b>	\$12,815
Operating expenses				
Patent licensing	<b>983</b>	824	<b>2,680</b>	2,250
Litigation	<b>4,011</b>	2,420	<b>10,856</b>	5,235
Research and development	<b>737</b>	838	<b>2,309</b>	2,525
General and admin	<b>1,774</b>	1,118	<b>4,942</b>	3,698
Foreign exchange gain	<b>(948)</b>	(103)	<b>(243)</b>	(312)
Stock-based compensation	<b>511</b>	483	<b>1,476</b>	1,500
Depreciation & amortization	<b>4,451</b>	4,055	<b>12,803</b>	12,259
Total operating expenses	<b>11,519</b>	9,635	<b>34,823</b>	27,155
Investment income	<b>730</b>	763	<b>2,385</b>	2,543
Loss before income taxes	<b>(1,153)</b>	(4,043)	<b>(6,468)</b>	(11,797)
Provision for income tax expense (recovery)	<b>163</b>	(584)	<b>(288)</b>	(2,334)
Net and comprehensive loss	<b>(1,316)</b>	(3,459)	<b>(6,180)</b>	(9,463)
Deficit, beginning of period	<b>(4,864)</b>	(143,979)	<b>(147,161)</b>	(137,975)
Dividends	<b>(1,164)</b>	-	<b>(1,164)</b>	-
Reduction of stated capital	-	-	<b>147,161</b>	-
Deficit, end of period	<b>\$(7,344)</b>	\$(147,438)	<b>\$(7,344)</b>	\$(147,438)
Loss per share - basic and diluted (Note 5 (h))				
Basic	<b>\$(0.01)</b>	\$(0.04)	<b>\$(0.07)</b>	\$(0.10)
Diluted	<b>\$(0.01)</b>	\$(0.04)	<b>\$(0.07)</b>	\$(0.10)
Weighted average number of common shares				
Basic	<b>94,375,558</b>	93,505,167	<b>93,408,528</b>	93,492,765
Diluted	<b>94,375,558</b>	93,505,167	<b>93,408,528</b>	93,492,765

See accompanying notes to consolidated financial statements

**Wi-LAN Inc.**
**Consolidated Balance Sheets**

(Unaudited)

(in thousands of Canadian dollars)

As at	July 31, 2009	October 31, 2008
Assets		
Current assets		
Cash and cash equivalents	<b>\$76,054</b>	\$38,768
Short-term investments	<b>26,092</b>	62,679
Accounts receivable (Note 7)	<b>3,793</b>	3,441
Prepaid expenses and deposits	<b>371</b>	110
Assets held for sale (Note 4)	<b>2,353</b>	2,229
Current assets	<b>108,663</b>	107,227
Furniture and equipment, net	<b>821</b>	816
Patents and other intangibles, net	<b>147,414</b>	132,111
Goodwill	<b>13,449</b>	13,449
Assets	<b>\$270,347</b>	\$253,603
Liabilities and Shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	<b>\$14,657</b>	\$6,530
Current liabilities	<b>14,657</b>	6,530
Future income tax liability	<b>19,637</b>	21,408
Liabilities	<b>34,294</b>	27,938
Shareholders' equity		
Common shares (Note 5(c))	<b>231,324</b>	362,041
Contributed surplus	<b>12,073</b>	10,785
Deficit	<b>(7,344)</b>	(147,161)
Shareholders' equity	<b>236,053</b>	225,665
Liabilities and Shareholders' equity	<b>\$270,347</b>	\$253,603

Commitments and contingencies (Note 8)

See accompanying notes to consolidated financial statements

**Wi-LAN Inc.**
**Consolidated Statements of Cash Flows**

(Unaudited)

(in thousands of Canadian dollars)

	Three months ended July 31,		Nine months ended July 31,	
	2009	2008	2009	2008
Cash generated from (used in)				
Operations				
Net and comprehensive loss	<b>\$(1,316)</b>	\$(3,459)	<b>\$(6,180)</b>	\$(9,463)
Non-cash items				
Stock-based compensation	<b>511</b>	483	<b>1,476</b>	1,500
Depreciation & amortization	<b>4,451</b>	4,055	<b>12,803</b>	12,259
Provision for income tax recovery	<b>(728)</b>	(1,146)	<b>(2,098)</b>	(3,438)
	<b>2,918</b>	(67)	<b>6,001</b>	858
Change in non-cash working capital balances				
Accounts receivable	<b>(745)</b>	(1,053)	<b>(352)</b>	(464)
Prepaid expenses and deposits	<b>(185)</b>	(110)	<b>(261)</b>	54
Net assets held for sale	<b>(65)</b>	-	<b>(124)</b>	1,468
Accounts payable and accrued liabilities	<b>(7,872)</b>	1,954	<b>184</b>	1,039
Cash generated from (used in) operations	<b>(5,949)</b>	724	<b>5,448</b>	2,955
Financing				
Mortgage repayment	-	-	-	(518)
Proceeds on sale of common shares	<b>16,899</b>	-	<b>16,899</b>	-
Common shares repurchased in Normal Course Issuer Bid	-	-	<b>(944)</b>	-
Dividends	<b>(1,164)</b>	-	<b>(1,164)</b>	-
Common shares issued for cash on the exercise of options	<b>408</b>	-	<b>430</b>	72
Common shares issued for cash from Employee Share Purchase Plan	<b>60</b>	-	<b>60</b>	-
Cash generated from (used in) financing	<b>16,203</b>	-	<b>15,281</b>	(446)
Investing				
Sale (purchase) of short-term investments	<b>2,722</b>	(62,193)	<b>36,587</b>	(62,193)
Purchase of furniture and equipment	<b>(55)</b>	(91)	<b>(277)</b>	(220)
Purchase of patents	<b>(6,629)</b>	-	<b>(19,753)</b>	(1,363)
Cash (used in) generated from investing	<b>(3,962)</b>	(62,284)	<b>16,557</b>	(63,776)
Net cash and cash equivalents generated (used) in the period	<b>6,292</b>	(61,560)	<b>37,286</b>	(61,267)
Cash and cash equivalents, beginning of period	<b>69,762</b>	91,835	<b>38,768</b>	91,542
Cash and cash equivalents, beginning of period	<b>\$76,054</b>	\$30,275	<b>\$76,054</b>	\$30,275

See accompanying notes to consolidated financial statements

**Wi-LAN Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**Three and nine months ended July 31, 2009 and 2008**

(thousands of Canadian dollars, except share and per share amounts, unless otherwise stated)

**1. NATURE OF BUSINESS**

Wi-LAN Inc. ("WiLAN" or the "Company") develops, acquires, and licenses a range of intellectual property that drives products in communications and consumer electronics markets. WiLAN has licensed its intellectual property to over 190 companies worldwide. Inventions in our portfolio have been licensed by companies that manufacture or sell a wide range of communication and consumer electronics products including 3G cellular handsets, Wi-Fi-enabled laptops, Wi-Fi/DSL routers, xDSL infrastructure, WiMAX base stations and digital televisions. WiLAN has a large and growing portfolio of more than 720 issued or pending patents.

**2. BASIS OF PRESENTATION**

The consolidated interim financial statements of WiLAN include the accounts of WiLAN and its subsidiaries and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial information, including all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the financial position, operations and cash flows for the interim periods. As the interim financial statements do not contain all the disclosures required in annual financial statements, they should be read in conjunction with the Company's audited consolidated financial statements for the year ended October 31, 2008 and the accompanying notes. All inter-company transactions and balances have been eliminated.

**3. SIGNIFICANT ACCOUNTING POLICIES**

These consolidated interim financial statements have been prepared following the same accounting policies disclosed in the Company's audited consolidated financial statements for the year ending October 31, 2008, with the exception of Recent Accounting Standards (Note 10).

**4. ASSETS HELD FOR SALE**

The Company acquired assets and liabilities in the acquisition of Tri-Vision on June 29, 2007, that related to Tri-Vision's Think Broadband Solutions Inc. cable television products and distribution operations which it identified as assets held for sale. On November 30, 2007, the Company sold its Think Broadband operations to PCT International, Inc. ("PCT") for approximately \$1.2 million. Under the terms of the agreement, PCT agreed to acquire certain inventory and capital assets, and all applicable customer contracts, agreements and existing sales prospects relating to Think Broadband.

The assets held for sale as at July 31, 2009 are the remaining land and building. They are carried at \$2,353, which is management's estimate of the net recoverable value of these assets. The land and building were classified as held for sale in the fiscal year ended October 31, 2007, at which time management intended to market the property for sale. Management identified and accepted an opportunity to rent the building in fiscal 2008. This tenancy was terminated on September 30, 2008. The property was put on the market in October 2008 and is expected to be sold before the end of fiscal 2009.

**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:

<b>As at</b>	<b>July 31, 2009</b>	<b>October 31, 2008</b>
Common shares	<b>101,970,150</b>	93,355,367
Securities convertible into common shares		
Stock options	<b>6,552,416</b>	5,518,499
Deferred stock units (DSUs)	<b>26,348</b>	26,348
	<b>108,548,914</b>	98,900,214

As at July 31, 2009, no preferred shares or special preferred shares were issued or outstanding.

### c) Common Shares

Common shares	Number	Amount
October 31, 2008	93,355,367	\$362,041
Exercise of stock options	424,583	430
Repurchased under normal course issuer bid	(668,600)	(944)
Issued on sale of shares under Employee Share Purchase Plan	58,800	60
Issued on sale of shares in July 2009	8,800,000	16,899
Reduction in stated capital	-	(147,161)
July 31, 2009	101,970,150	\$231,324

On October 8, 2008, the Company announced that it had received regulatory approval to make a normal course issuer bid ("NCIB") through the facilities of the Toronto Stock Exchange ("TSX"). Under the NCIB, the Company planned to purchase up to 4,678,519 common shares, representing up to 5% of the common shares issued and outstanding when the TSX approved the arrangement. The NCIB commenced on October 15, 2008 and expired on April 10, 2009. The Company repurchased 668,600 common shares under the NCIB for a total of \$944.

During the nine months ended July 31, 2009, the Company issued 424,583 common shares pursuant to the exercise of stock options for proceeds totalling \$430 and 58,800 common shares under the Employee Share Purchase Plan for proceeds totalling \$60.

On July 16, 2009 the Company completed a bought deal financing by way of short form prospectus and issued 8,800,000 common shares for net proceeds of \$16,899 (gross proceeds of \$18,040). The financing was priced at \$2.05 per common share.

### d) Reduction of Stated Capital

At the annual and special meeting of the shareholders held March 12, 2009, the shareholders approved a non cash reduction in the stated capital account of the Company's common shares in the amount of \$147,161. Upon that reduction to the stated capital account of the common shares, the Company eliminated an equivalent amount from its accumulated deficit as at October 31, 2008, reducing the accumulated deficit of the Company

to nil. During the nine months ended July 31, 2009, the Company's accumulated deficit has increased to \$7,344 as a result of net losses of \$6,180 and dividends of \$1,164 for the nine months ended July 31, 2009.

### e) Stock Options

During the three and nine months ended July 31, 2009, pursuant to the Company's stock option plan, the Company granted 1,463,000 and 1,664,000 stock options at exercise prices ranging between 1.42 and \$1.88. The options have a five year life and vest over three years.

The Company uses the Black-Scholes model for estimating the fair value of options granted, with the following weighted average assumptions:

Three months ended July 31,	2009	2008
Risk free interest rate	1.0%	3.1%
Volatility	74%	81%
Expected option life (in years)	3.0	3.0
Dividend yield	0%	0%

Nine months ended July 31,	2009	2008
Risk free interest rate	1.1%	3.3%
Volatility	74%	81%
Expected option life (in years)	3.0	3.0
Dividend yield	0%	0%

The weighted average fair value per option granted during the three and nine months ended July 31, 2009 is \$0.91 and \$0.89 respectively (2008 - \$1.07 and \$1.13, respectively).

During the three and nine months ended July 31, 2009, 25,000 and 206,500 stock options expired, respectively.

Stock-based compensation expense for the three and nine months ended July 31, 2009 was \$511 and \$1,476 respectively (2008 - \$483 and \$1,500 respectively).

On October 16, 2008, the Company's Board of Directors approved the issue of Restricted Share Units ("RSUs") in exchange for stock options at the discretion of the Company's employees and directors. Under this arrangement, a total of 1,200,000 stock options were surrendered in exchange for 300,000 RSUs. The surrender of these stock options and the subsequent issue of RSUs has been accounted for as a modification of the stock

options surrendered resulting in \$297, representing the earned portion of the RSU liability, being reclassified from contributed surplus to accounts payable and accrued liabilities. Accordingly, the previously unrecognized compensation expense related to the surrendered stock options will be charged to earnings over the life of the RSUs. Any increase in the value of the RSUs above the original fair value of the options surrendered will also be charged to earnings over the life of the RSUs. As the RSUs issued must be settled in cash, they have been recorded as a liability and will be re-measured on each balance sheet date based on the trading price of the Company's common shares. For the three and nine months ended July 31, 2009, \$176 and \$536, respectively, was recognized and included in stock-based compensation expense.

**f) Deferred Stock Units**

The Company has a 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 were awarded and became due when the conditions of retention were met and employment terminated or completed. The value of each DSU was determined in reference to the Company's common share price, and the DSU value was payable (a) in cash, less applicable income taxes withheld for the period through April 20, 2006, and (b) in either cash or shares, at the employee's option, after April 20, 2006. In order to conserve cash, the Company has settled DSUs in shares since that date.

DSUs issued and outstanding as at July 31, 2009 were 26,348 (2008 – 26,348). The liability recorded in respect of the outstanding DSUs was \$57 as at July 31, 2009 (2008 – \$43).

**g) Restricted Share Units**

The Company implemented an RSU plan for certain employees and directors in January 2007, and has 300,000 RSUs outstanding under the RSU plan as at April 30, 2009. 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.

The Company paid cash totalling \$408 and \$1,162 in nine months ended July 31, 2009 and 2008 respectively to settle 250,000 and 253,334 RSUs per period respectively. There were no settlements during the third quarter.

**h) 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:

<b>Three months ended July 31,</b>	<b>2009</b>	2008
Basic weighted average common shares outstanding	<b>94,375,558</b>	93,505,167
Effect of stock options and warrants	-	-
<b>Diluted weighted average common shares outstanding</b>	<b>94,375,558</b>	93,505,167
<b>Nine months ended July 31,</b>	<b>2009</b>	2008
Basic weighted average common shares outstanding	<b>93,408,528</b>	93,492,765
Effect of stock options and warrants	-	-
<b>Diluted weighted average common shares outstanding</b>	<b>93,408,528</b>	93,492,765

The effect of stock options, totalling 1,088,092 for the three months ended July 31, 2009 (2008 – 944,781) and 895,847 for the nine months ended July 31, 2009 (2008 – 1,180,084) was anti-dilutive and therefore excluded from the computation of EPS.

**6. SUPPLEMENTAL CASH FLOW INFORMATION**

<b>Three months ended July 31,</b>	<b>2009</b>	2008
Net interest received in cash	<b>\$56</b>	\$645
Taxes paid	<b>1,037</b>	24
Patents acquired under deferred financing arrangement	<b>8,081</b>	-
<b>Nine months ended July 31,</b>	<b>2009</b>	2008
Net interest received in cash	<b>\$627</b>	\$1,590
Taxes paid	<b>2,134</b>	382
Patents acquired under deferred financing arrangement	<b>8,081</b>	-

**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 July 31, 2009, three licensees each account for 10% or more of total accounts receivable (October 31, 2008 – four).

### Financial assets past due

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

As at	July 31, 2009	October 31, 2008
Not past due	\$2,908	\$742
Past due under 90 days	531	2,587
Over 91 days past due	815	298
Less allowance for doubtful accounts	(461)	(186)
Total accounts receivable	\$3,793	\$3,441

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, September 2, 2009, approximately \$201 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 July 31, 2009, the Company had a provision for doubtful accounts of \$461 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 July 31, 2009, the Company has cash, cash equivalents and short-term investments of \$102,146 and accounts receivable of \$3,793 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 \$260 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 July 31, 2009:

Type	USD \$	Currency	Maturity	Equivalent	Fair Value
				CAD \$	Gain (Loss)
Sell	2,500	USD	< 3 months	2,940	247

For the nine months ended July 31, 2009, the Company had revenues and expenses denominated in US dollars of approximately \$21,500 and \$11,900 respectively. In addition, as at July 31, 2009, the Company had US dollar denominated cash, cash equivalents and accounts receivable balances of approximately \$1,900 and \$3,600 respectively, offset by accounts payable and accrued liabilities totalling approximately \$10,400. 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, 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 vigorously 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 September 2006, the Company was advised of an action initiated in France by a former WiLAN customer that was claiming €661 for the cost of defective product, remediation efforts and compensatory damages. This matter has been settled on a confidential basis and a related amount was paid in full and final settlement in March 2009.

In December 2008, WiLAN filed suit against PCT International, Inc. and its related parties with respect to unpaid amounts totalling \$576 relating to their purchase of the Company's Think Broadband operations. This matter has been settled on a confidential basis in February 2009.

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 must respond to this suit by late September 2009 or face default judgment.

WiLAN is currently involved in litigation with 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 May 2007, Tri-Vision sued TigerDirect. In addition to a declaration of past infringement by TigerDirect, Tri-Vision sought an interim, introductory and permanent injunction to prevent future infringement of its Canadian patent No. 2,179,474 and damages, including compensation plus interest and legal costs. This case has now been settled on terms that are confidential.

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 US Federal Court for the Eastern District of Texas, Marshall Division. WiLAN has claimed that these companies have infringed and continue to infringe its US 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 four of the initial defendants including settling with Infineon Technologies AG in May 2009. All eighteen 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 US patent No. 6,549,759 against these defendants. The "claims construction" hearing in these actions has been set down for September 1, 2010 and the trial of these actions has been set to start on January 4, 2011. These cases continue to proceed through the discovery phase.

Marvell, one of the defendants in WiLAN's Texas actions referred to above, also filed a complaint in the US Federal Court for the Northern District of California in November 2007, seeking a declaratory judgment that certain of the Company's US patents were invalid. This complaint was

settled by the parties in June 2008. Marvell continues to be a defendant in the Company's Texas actions and in the California action discussed below.

Also in June 2008, the Company filed claims against Research In Motion Corporation, Research In Motion, Ltd., Motorola, Inc., and UTStarCom, Inc. in the US Federal Court for the Eastern District of Texas, Marshall Division. WiLAN has claimed that these companies have infringed and continue to infringe its US patent Nos. 5,282,222 and RE37,802 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 July 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. A status conference was held in this case on July 28, 2009, at which conference the "claims construction" hearing in this action was set down for March 11, 2010 and the trial of this action was set to start on January 4, 2011. This case is currently continuing through an expedited discovery phase.

Intel, one of the defendants in WiLAN's Texas actions, filed a complaint in the US Federal Court for the Northern District of California in November 2008, seeking a declaratory judgment that 18 of the Company's US patents are invalid. WiLAN brought a motion to dismiss this case or have it transferred from the US Federal Court for the Northern District of California to the US Federal Court for the Eastern District of Texas in January 2009. On June 4, 2009, US District Judge Ware granted the Company's motion in part by ordering that Intel's complaint relating to US patent No. 6,549,759 be transferred to the US Federal Court for the Eastern District of Texas, Marshall Division, and denied the motion in part, by ruling not to dismiss this case or transfer Intel's complaints relating to the 17 other US 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 and to transfer related Bluetooth actions to the US Federal Court for the Eastern District of Texas. WiLAN continues to vigorously protect its rights in this action.

Certain of the defendants in the actions initiated by the Company in the US Federal Court in Texas, have also filed actions in the Northern District of California requesting declaratory judgments that WiLAN's US 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 US Federal Court for the Eastern District of Texas, Marshall Division, which motion is expected to be heard on September 28, 2009. The Company continues to vigorously protect its rights in these actions.

#### b) Operating lease

The Company has a commitment for future minimum annual lease payments for its Ottawa and Toronto premises totalling approximately \$1,500 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.

Included in the engagement letter between the Company and McKool Smith ("McKools") for litigations involving certain of WiLAN's patents, is a commitment from the Company to pay a success fee to McKools providing litigation proceeds exceed a certain threshold.

## 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 and a NCIB commenced on October 15 (Note 5(c)).

With the exception of the NCIB, which has now terminated, 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 January 2006, Canada's Accounting Standards Board ("AcSB") ratified a strategic plan calling for the evolution and convergence of Canadian GAAP with IFRS, after a specified transition period, by publicly accountable enterprises in Canada. The AcSB has more recently confirmed January 1, 2011 as the date IFRS will replace current Canadian standards and interpretations as GAAP for this category of reporting entity.

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. On June 3, 2009, the Company changed its year end to

December 31 which will result in the application of IFRS for the fiscal year beginning January 1, 2011. On February 13, 2008, the Canadian Securities Administrators issued, for public comment, a Concept Paper proposing that listed companies be permitted to adopt IFRS earlier, for financial years beginning on or after January 1, 2009. The Company is currently developing an implementation plan and assessing the impacts of the conversion on the consolidated financial statements and disclosures of the Company.

### General Standards of Financial Statement Presentation

In June 2007, CICA amended Handbook Section 1400, "General Standards of Financial Statement Presentation" to include requirements for management to assess and disclose an entity's ability to continue as a going concern.

The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. This standard did not have any effect on the Company's consolidated financial statements.

### Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets" which supersedes Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". This Section establishes standards for the recognition, measurement, and disclosure of goodwill and intangible assets clarifying the criteria for recognition of an asset. The provisions relating to the definition and initial recognition of intangible assets, including internally generated intangible assets, are equivalent to the corresponding provisions of International Financial Reporting Standards IAS 38, "Intangible Assets". Section 1000, "Financial Statement Concepts" was amended to provide consistency with this new standard.

The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. This standard did not have any effect on the Company's consolidated financial statements.



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**WiLAN**