



Wi-LAN Inc.

**AUDITED FINANCIAL STATEMENTS
FOR THE FOURTEEN MONTHS ENDED DECEMBER 31, 2009 AND TWELVE
MONTHS ENDED OCTOBER 31, 2008**

AUDITORS' REPORT

To the Shareholders of Wi-LAN Inc.

We have audited the consolidated balance sheets of Wi-LAN Inc. as at December 31, 2009 and October 31, 2008, and the consolidated statements of operations and deficit, and cash flows for the fourteen months ended December 31, 2009 and twelve months ended October 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and October 31, 2008 and the results of its operations and its cash flows for fourteen months ended December 31, 2009 and twelve months ended October 31, 2008 in accordance with Canadian generally accepted accounting principles.



PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Ottawa, Ontario
March 4, 2010



Wi-LAN Inc.

Consolidated Statements of Operations and Deficit

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

	Fourteen months ended December 31,	Twelve months ended October 31,
	2009	2008
Revenues	\$ 35,425	\$ 26,564
Operating expenses		
Patent licensing	4,143	2,960
Litigation	21,275	7,502
Research and development	4,084	3,197
General and administration	7,163	5,204
Foreign exchange gain	(1,092)	(85)
Stock-based compensation (Note 10(d) (e) (f))	3,024	2,024
Depreciation & amortization	20,310	16,496
Total operating expenses	58,907	37,298
Investment income	2,710	3,228
Loss before income taxes	(20,772)	(7,506)
Provision for income tax (recovery) expense (Note 3)		
Current	2,632	2,672
Future	(21,736)	(992)
	(19,104)	1,680
Net and comprehensive loss	(1,668)	(9,186)
Deficit, beginning of period	(147,161)	(137,975)
Dividends	(2,434)	-
Reduction of stated capital	147,161	-
Deficit, end of period	\$ (4,102)	\$ (147,161)
Loss per share (Note 10(g))		
Basic	\$ (0.02)	\$ (0.10)
Diluted	\$ (0.02)	\$ (0.10)
Weighted average number of common shares		
Basic	97,011,499	93,505,899
Diluted	97,011,499	93,505,899

See accompanying notes to consolidated financial statements



Wi-LAN Inc.
Consolidated Balance Sheets
(in thousands of Canadian dollars)

	As at December 31, 2009	As at October 31, 2008
Assets		
Current assets		
Cash and cash equivalents	\$ 72,763	\$ 38,768
Short-term investments (Note 5)	22,025	62,679
Accounts receivable (Note 12)	485	3,441
Prepaid expenses and deposits	149	110
Assets held for sale (Note 6)	2,188	2,229
Current assets	97,610	107,227
Furniture and equipment, net (Note 7)	703	816
Patents and other intangibles, net (Note 8)	141,132	132,111
Goodwill (Note 9)	13,449	13,449
Assets	\$ 252,894	\$ 253,603
Liabilities and Shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 11,774	\$ 6,530
Current liabilities	11,774	6,530
Future income tax liability (Note 3)	-	21,408
Liabilities	11,774	27,938
Shareholders' equity		
Common shares (Note 10(c))	228,421	362,041
Contributed surplus	16,801	10,785
Retained deficit	(4,102)	(147,161)
Shareholders' equity	241,120	225,665
Liabilities and Shareholders' equity	\$ 252,894	\$ 253,603

Commitments and contingencies (Note 13)

See accompanying notes to consolidated financial statements

On behalf of the Board:

Richard Shorkey
Director

John Gillberry
Director



Wi-LAN Inc.

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

	Fourteen Months Ended December 31, 2009	Twelve Months Ended October 31, 2008
Cash generated from (used in)		
Operations		
Net and comprehensive loss	\$ (1,668)	\$ (9,186)
Non-cash items		
Stock-based compensation	3,024	2,024
Depreciation & amortization	20,310	16,496
Provision for income tax recovery	(21,736)	(216)
	(70)	9,118
Change in non-cash working capital balances		
Accounts receivable	2,956	(525)
Prepaid expenses and deposits	(39)	101
Net assets held for sale	41	1,467
Accounts payable and accrued liabilities	(2,762)	2,051
Cash generated from continuing operations	126	12,212
Cash generated from operations	126	12,212
Financing		
Mortgage repayment	-	(518)
Proceeds on sale of common shares	16,899	-
Common shares repurchased in Normal Course Issuer Bid	(944)	(266)
Dividends	(2,434)	-
Common shares issued for cash on the exercise of options	712	109
Common shares issued for cash from Employee Share Purchase Plan	118	51
Cash generated from (used in) financing	14,351	(624)
Investing		
Sale (purchase) of short-term investments	40,654	(62,679)
Purchase of furniture and equipment	(319)	(320)
Purchase of patents	(20,817)	(1,363)
Cash generated from (used in) investing	19,518	(64,362)
Net cash and cash equivalents generated (used) in the period	33,995	(52,774)
Cash and cash equivalents, beginning of period	38,768	91,542
Cash and cash equivalents, end of period	\$ 72,763	\$ 38,768

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

fourteen months ended December 31, 2009 and twelve months ended October 31, 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") was continued under the Canada Business Corporations Act on August 7, 2007. The Company was previously incorporated under the Business Corporations Act (Alberta).

WiLAN develops, acquires, and licenses a range of intellectual property that drives products in communications and consumer electronics markets. The Company has licensed patents to companies that sell products utilizing the following technologies: Wi-Fi, WiMAX, CDMA, DSL, DOCSIS, Mesh, multi-mode wireless, Bluetooth and V-Chip.

On October 1, 2009, the Company amalgamated with its wholly-owned subsidiaries Wi-LAN V-Chip Corp., Wi-LAN Technologies Corporation and 7248091 Canada Inc. pursuant to a "vertical short-form" amalgamation under the provisions of the Canada Business Corporations Act. On June 4, 2009, the Company announced that it would change its fiscal year end from October 31 to December 31. This change was intended to provide better alignment with the royalty reporting periods of the Company's licensees and to better align with industry peers for comparison purposes. As a result, the Company has included the period from November 1, 2009 to December 31, 2009 in its fourteen month period then ended.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated 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"). All inter-company transactions and balances have been eliminated.

The significant accounting policies are summarized below:

Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the years. Actual results could differ from those estimates.

Revenue Recognition

The Company licenses rights to its patent portfolio and recognizes revenue when it is earned. The Company considers revenue to be earned when it has persuasive evidence of an arrangement, the obligation has been fulfilled in accordance with the terms of the licensing agreement, including delivery and acceptance and collection is reasonably assured.

Revenues from licensing arrangements with extended payment terms, where fees are fixed in one or more instalments of cash or in-kind property, such as patents and which contain terms that could impact the amounts ultimately collected, are generally recognized as collection becomes assured.

Revenues from royalties based on the licensee's sale of products incorporating or using the Company's patents, often referred to as "running royalties," are recognized based on royalties due to WiLAN as reported by licensees during the period.

Stock-based Compensation

The Company has a share option plan ("Option Plan") for certain employees, directors and consultants. The Company accounts for stock options using the fair value method. Compensation expense is measured at the estimated fair value of the options at the date of grant and charged to earnings on a straight-line basis over the vesting periods. The amount expensed is credited to contributed surplus in the period. Upon the exercise of stock options, cash received is credited to share capital together with any amount previously credited to contributed surplus related to the options exercised.

Deferred Stock Units (DSUs)

The Company has a DSU plan for certain employees and directors. The Company has the right to settle the DSUs in either cash or by the issuance of common shares. The liability for outstanding units and related expense for the DSUs are adjusted to reflect the market value of the common shares at each balance sheet date.

Restricted Share Units (RSUs)

The Company has a RSU plan for certain employees and directors and has granted RSUs pursuant to certain employment agreements and in exchange for surrendered stock options. Under the RSU plan, units are settled in cash based on the market value of WiLAN's common shares on dates 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.

Income Taxes

The Company uses the liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on the difference between the accounting and tax bases of the assets and liabilities and measured using the substantively enacted tax rates that are expected to be in effect when the differences are estimated to be reversed.

Per Share Amounts

Basic earnings/loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for calculation of diluted net earnings/loss per share.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date. The gains and losses resulting from the translation of these amounts have been reflected in net earnings/loss for the year. Non-monetary items and any related amortization of such items are measured at the rate of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses denominated in foreign currencies are translated at the relevant exchange rates prevailing during the year. Exchange gains and losses are included in net earnings/loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

fourteen months ended December 31, 2009 and twelve months ended October 31, 2008

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

Financial Instruments

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

The Company has made the following classifications of its financial instruments:

Cash and cash equivalents	Held for trading
Short-term investments	Held to maturity
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Forward foreign exchange contracts	Held for trading

Held for Trading

Cash and cash equivalents "held for trading" are measured at fair value at the end of the period being reported on. Changes to fair value including interest earned, interest accrued, gains and losses on disposal and unrealized gains and losses are included in net earnings/loss.

Held to Maturity

Short-term investments "held to maturity" are accounted for at amortized cost using the effective interest rate method.

Loans and Receivables

Accounts receivable are designated as "loans and receivables" and are accounted for at amortized cost using the effective interest rate method. Subsequent measurement of accounts receivable is at amortized cost, less an allowance for doubtful accounts.

Other Financial Liabilities

Accounts payable and accrued liabilities are designated as "other financial liabilities" and are accounted for at amortized cost using the effective interest rate method.

The Company enters into forward foreign exchange contracts, from time to time, to manage its exposure to currency rate fluctuations related primarily to future cash inflows and outflows of US dollars. The Company does not hold or issue derivative financial instruments for trading or speculative purposes and it has chosen not to designate them as hedges. Therefore these contracts must be designated as "held for trading" on the balance sheet and fair valued each quarter. The resulting gain or loss on the valuation of these financial instruments is included in net earnings/loss.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in bank accounts, term deposits and Guaranteed Investment Certificates ("GICs") with maturities of three months or less at the date of the investment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

fourteen months ended December 31, 2009 and twelve months ended October 31, 2008

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

Assets Held For Sale

Assets are reported as assets held for sale when management determines that the carrying amount will be recovered principally through a sale transaction, rather than through continuing use and liabilities related to assets held for sale are those that are directly associated with those assets that will be transferred in the transaction. Long-lived assets are recorded as assets held for sale at the lower of cost or fair value less costs to sell and are no longer amortized or depreciated.

Furniture and Equipment

Furniture and equipment are carried at cost less accumulated depreciation. Depreciation is calculated over the estimated useful lives of the assets as follows:

Computer equipment and software	3 years
Furniture and equipment	5 years
Leasehold improvements	term of the lease

The carrying value of furniture and equipment is reviewed for impairment when events or circumstances indicate that the carrying amount may not be recoverable. Impairments are determined by comparing the carrying value to the estimated undiscounted future cash flows to be generated by those assets. If this assessment indicates that the carrying value of the furniture and equipment is not recoverable, the carrying value is then compared with the estimated fair value of the assets and the carrying value is written down to the estimated fair value.

Patents and Other Intangibles

Patents and other intangibles are carried at cost less accumulated amortization. Amortization is calculated on the straight-line basis over the estimated useful life or the remaining term of the patent (up to 20 years), whichever is less. The carrying value of patents and other intangibles is reviewed for impairment when events or circumstances indicate that the carrying amount may not be recoverable. Impairments are determined by comparing the carrying value to the estimated undiscounted future cash flows to be generated by those assets. If this assessment indicates that the carrying value of the patents and other intangibles is not recoverable, the carrying value is then compared with the estimated fair value of the assets and the carrying value is written down to the estimated fair value.

Goodwill

Goodwill is recorded as at the date of the business combination and represents the excess of the purchase price of acquired businesses over the fair value assigned to identifiable assets acquired and liabilities assumed. Goodwill is not amortized, but is tested for impairment annually or more frequently if events or changes in circumstances indicate the asset might be impaired.

The impairment test is carried out in two steps. In the first step, the carrying value of the reporting unit including goodwill is compared with its fair value. When the fair value of a reporting unit exceeds its carrying value, goodwill of the reporting unit is considered not to be impaired and the second step is unnecessary. The Company has one reporting unit.

In the event the fair value of the reporting unit, including goodwill, is less than the carrying value, the implied fair value of the reporting unit's goodwill is compared with its carrying value to measure the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

fourteen months ended December 31, 2009 and twelve months ended October 31, 2008

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

amount of any impairment loss. When the carrying value of goodwill in the reporting unit exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the consolidated statements of operations and deficit.

Business Segment Information

The Company has one operating segment; Intellectual Property. The Company generates the majority of its revenues in United States dollars from several geographic regions; however it has allocated its revenues to the location in which the license originated. All licenses are issued in Canada and therefore all revenues are attributed to Canada.

Adoption of New Accounting Pronouncements

Goodwill and Intangible Assets

On November 1, 2008, the Company adopted CICA Handbook Section 3064, "Goodwill and Intangible Assets". This Section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets clarifying the criteria for recognition of an asset.

The Company voluntarily changed its accounting policy for the impairment test of goodwill. The annual test for goodwill impairment was performed on October 31, 2009 and it was determined that there was no impairment at that date. The impairment test must be carried out annually or more frequently if events or changes in circumstances indicate the asset might be impaired.

To coincide with the Company's change in year end to December 31 and revised planning cycle, the Company conducted another impairment test as at December 31, 2009 and determined that there was no impairment as at that date. The Company will conduct its annual impairment test on December 31 for future periods.

3. INCOME TAXES

A reconciliation of the expected provision for income tax recovery/expense to the actual provision for income tax recovery/expense reported in the consolidated statements of operations is as follows:

	2009	2008
Earnings (loss) before income taxes	\$ (20,772)	\$ (7,506)
Expected income tax recovery (expense) at Canadian statutory income tax rate of 33.07% (2008 - 34.77%)	6,869	2,610
Permanent differences	(695)	(694)
Effect of change in tax rates on opening balance and changes to current year	3,149	(265)
Effect of change in tax rates from Ontario income tax harmonization adjustment	-	594
Foreign withholding taxes paid	(2,632)	(1,896)
Expiring Non-Capital Losses	(1,635)	
Decrease (increase) in valuation allowance	14,048	(2,029)
Provision for income tax recovery (expense)	\$ 19,104	\$ (1,680)

On October 1, 2009, the Company completed a "vertical, short-form" amalgamation with certain of its wholly-owned subsidiaries including WiLAN V-Chip Corp. ("WiLAN V-Chip"). WiLAN V-Chip is the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

fourteen months ended December 31, 2009 and twelve months ended October 31, 2008

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

corporate entity that arose from the acquisition of Tri-Vision International Ltd/Ltee ("Tri-Vision") in 2007. Since the Company's acquisition of Tri-Vision, WiLAN V-Chip has maintained a significant deferred tax liability resulting from the excess of the accounting value of Tri-Vision's patents over the tax value of those patents. As a result of the amalgamation, all of the Company's tax assets and liabilities are now held solely within WiLAN. Accordingly, the deferred tax liability previously recorded could be offset against deferred tax assets previously unrecorded. The net effect of this is to reverse the deferred tax liability and record a one-time recovery of \$19,638.

The significant components of the Company's future income tax assets and liabilities are as follows:

	2009	2008
Tax loss carryforwards	\$ 14,550	\$ 20,228
Scientific research and experimental development ("SR&ED") carryforwards	4,751	5,853
Harmonization asset	756	-
Share issue costs	684	1,081
Foreign tax credits	4,394	1,896
Investment tax credits	-	565
Accounts payable and other	10	12
Difference between tax and book value of capital assets	(12,665)	(27,147)
Total future income tax asset	12,480	2,488
Valuation allowance	(12,480)	(23,896)
Net future income tax liability	\$ -	\$ (21,408)

In assessing the realizability of future income tax assets, management considers whether it is more likely than not that some portion or all of the future income tax assets will be realized. The realization of future income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are deductible. Management assigned probabilities to the Company's expected future taxable income based on significant risk factors, sensitivity analysis and timing of non-capital tax losses resulting in the release of the valuation allowance. The amount of the future income tax asset considered realizable could change materially in the near term, based on future taxable income during the carryforward period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

fourteen months ended December 31, 2009 and twelve months ended October 31, 2008

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

As at December 31, 2009, the Company had unused non-capital tax losses of approximately \$41,947 (2008 - \$61,662) and SR&ED expenditure pool totalling \$17,780 (2008 - \$18,173) that are due to expire as follows:

	SR&ED Expenditure Pool	Tax Losses
2010		\$ 293
2011		138
2012		5,825
2013		16,533
2023		702
2024		368
2025		12,557
2026		1,592
2027		-
2029		3,939
Indefinite	\$ 17,780	-
	\$ 17,780	\$ 41,947

The Company also has investment tax credits of \$5,473, that expire in various amounts from 2016 to 2029, and \$24,045 of capital losses carried forward with no expiry date.

For the fourteen months ended December 31, 2009, the Company incurred research and development ("R&D") costs totalling \$883 (2008 - \$594) that it believes will qualify for SR&ED deductions and ITCs. R&D costs are comprised primarily of salaries and benefits.

In addition, the Company has approximately US\$1,423 of net operating loss carryforwards available for US income tax purposes to reduce taxable income of future years.

4. CREDIT FACILITIES

The Company has available a revolving credit facility in the amount of \$8,000 or USD equivalent and a further \$2,000 for foreign exchange facility. Canadian or USD amounts advanced under this credit facility are payable on demand and bear interest at the bank's Canadian prime rate plus 1.0% per annum or US Base rate plus 1.0% per annum. Borrowings under this facility are collateralized by a general security agreement over the Company's and its subsidiaries' cash and cash equivalents, receivables and, present and future personal property. As at December 31, 2009, drawings against the line were nil.

5. SHORT-TERM INVESTMENTS

Short-term investments are comprised of GICs issued by a Canadian chartered financial institution and acquired by the Company on various dates from March 13, 2009 to November 9, 2009. The GICs mature on various dates from March 15, 2010 to November 11, 2010 and pay interest at rates ranging from 0.25% to 1.75%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

fourteen months ended December 31, 2009 and twelve months ended October 31, 2008

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

6. ASSETS HELD FOR SALE

The assets held for sale as at December 31, 2009 consist of land and a building. The property was put on the market in October 2008 and in November 2009 the Company accepted an offer to purchase the land and building subject to certain conditions to be fulfilled by the Company and the Purchaser. The sale of the land and building is expected to be completed in April 2010. They are carried at \$2,188 (2008 - \$2,229), which is management's estimate of the net recoverable value of these assets based on the offer to purchase and expected closing costs.

7. FURNITURE AND EQUIPMENT

	Cost	Accumulated Depreciation	Net Book Value
As at December 31, 2009			
Leasehold improvements	\$ 434	\$ 210	\$ 224
Computer equipment and software	776	516	260
Furniture and equipment	468	249	219
	\$ 1,678	\$ 975	\$ 703
As at October 31, 2008			
Leasehold improvements	\$ 434	\$ 109	\$ 325
Computer equipment and software	573	271	302
Furniture	352	163	189
	\$ 1,359	\$ 543	\$ 816

The Company purchased furniture and equipment totalling \$ 319 during 2009 (2008 - \$320).

8. PATENTS AND OTHER INTANGIBLES

	Cost	Accumulated Depreciation	Net Book Value
As at December 31, 2009			
Patents	\$ 186,287	\$ 45,170	\$ 141,117
Trademarks	18	3	15
	\$ 186,305	\$ 45,173	\$ 141,132
As at October 31, 2008			
Patents	\$ 157,387	\$ 25,291	\$ 132,096
Trademarks	18	3	15
	\$ 157,405	\$ 25,294	\$ 132,111

The Company purchased patents totalling \$28,900 during 2009 (2008 - \$1,363).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

fourteen months ended December 31, 2009 and twelve months ended October 31, 2008

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

9. GOODWILL

At October 31, 2009, the carrying value of the reporting unit exceeded the fair value; accordingly, the Company compared the implied fair value of the reporting unit's goodwill to its carrying value and determined that goodwill was not impaired. The Company used a cashflow model with a discount rate of 16.3% to determine the reporting unit's implied fair value.

As discussed in Note 2, the Company changed the date of its annual impairment test to December 31 to coincide with the Company's revised year-end and planning cycle. At December 31, 2009, the fair value of the reporting unit exceeded its carrying value. Accordingly, the Company determined that goodwill was not impaired and no further testing was performed.

During the year ended October 31, 2008, goodwill was reduced by \$2,951 on the recognition of tax assets of Tri-Vision against which a full valuation allowance had been applied at the date of acquisition (Note 3).

10. SHARE CAPITAL

a) Authorized

Unlimited number of no par value voting common shares.

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

An unlimited number of preferred shares, issuable in series.

b) Issued and Outstanding

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

	As at December 31, 2009	As at October 31, 2008
Common shares	102,043,885	93,355,367
Securities convertible into common shares		
Stock options	7,845,898	5,518,499
Deferred stock units	26,657	26,348
	109,916,440	98,900,214

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

fourteen months ended December 31, 2009 and twelve months ended October 31, 2008

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

c) Common Shares

Common shares	Number	Amount
October 31, 2007	93,469,833	\$ 362,094
Issued on sale of shares under Employee Share Purchase Plan	35,200	51
Exercise of stock options	65,334	109
Repurchased under normal course issuer bid	(215,000)	(266)
Transfer from contributed surplus on options exercised	-	53
October 31, 2008	93,355,367	\$ 362,041
Issued on sale of shares under Employee Share Purchase Plan	104,000	118
Exercise of stock options	706,601	712
Repurchased under normal course issuer bid	(668,600)	(944)
Issued on sale of shares in July 2009	8,800,000	16,899
Transfer to contributed surplus pursuant to acquisition of Tri-Vision	(253,483)	(1,295)
Reduction in stated capital	-	(147,161)
Transfer to contributed surplus pursuant to normal course issuer bid	-	(2,217)
Transfer from contributed surplus on options exercised	-	268
December 31, 2009	102,043,885	\$ 228,421

During fiscal 2009, 104,000 (2008 – 35,200) common shares were issued pursuant to the Employee Share Purchase Plan.

During fiscal 2009, 706,601 (2008 - 65,334) common shares were issued pursuant to the exercise of stock options.

During fiscal 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 had the right 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 was completed on April 10, 2009. During fiscal 2009, the Company repurchased 668,600 (2008 - 215,000) common shares under the NCIB for a total cost of \$944 (2008 - \$266).

In July 2009, the Company raised net cash of \$16,899 (gross proceeds of \$18,040) through the sale of 8,800,000 common shares offered by way of short form prospectus. The financing was priced at \$2.05 per common share.

During fiscal 2009, the Company paid two quarterly cash dividends totaling \$2,434 (2008 - nil). The dividend rate per quarter was \$0.0125 per common share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

fourteen months ended December 31, 2009 and twelve months ended October 31, 2008

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

d) Stock Options

Wi-LAN has a Share Option Plan, a Deferred Stock Unit Plan, an Employee Stock Purchase Plan and a Restricted Share Unit Plan for its directors, employees and consultants. The current RSU plan calls for settlement only in cash. The Share Option Plan, the DSU Plan and the Employee Stock Purchase Plan are considered "security based compensation arrangements" for the purposes of the Toronto Stock Exchange. The Company is authorized to issue up to an aggregate of 10% of its outstanding common shares under these "security based compensation arrangements", with the common shares authorized for issuance under the DSU Plan limited to 246,348 and under the Employee Purchase Plan limited to 360,800. In addition, 850,000 options granted to the CEO on joining the Company in May 2006 are treated as "inducement options" for the purposes of the Toronto Stock Exchange and are excluded from the 10% cap.

The options vest at various times ranging from immediate vesting on grant to vesting over a four-year period. Options generally have five-year lives.

Option activity for the fourteen months ending December 31, 2009 and twelve months ending October 31, 2008 was as follows:

	Number of options	Price per share			Exercisable Options	
		Price range	Weighted average	Number	Weighted average	
October 31, 2007	5,881,999	\$ 0.70 \$ 7.26	\$ 2.56	2,006,555	\$ 2.16	
Granted	1,575,500	1.49 2.25	1.98			
Exercised	(65,334)	1.18 2.06	1.64			
Surrendered	(1,200,000)	1.91 7.26	4.38			
Cancelled	(673,666)	0.70 6.34	3.23			
October 31, 2008	5,518,499	\$ 0.70 \$ 6.34	\$ 1.96	2,778,460	\$ 1.93	
Granted	3,320,500	1.42 2.53	2.18			
Exercised	(706,601)	0.70 2.13	1.00			
Cancelled	(286,500)	1.45 6.34	2.41			
December 31, 2009	7,845,898	\$ 0.70 \$ 6.34	\$ 2.12	4,011,929	\$ 2.08	

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

	2009	2008
Risk free interest rate	1.6%	3.3%
Volatility	73%	81%
Expected option life (in years)	3.0	3.0
Dividend yield	0.5%	0.0%

The weighted average fair value per option granted during fiscal 2009 is \$2.18 (2008 - \$1.07).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

fourteen months ended December 31, 2009 and twelve months ended October 31, 2008

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

Details of the outstanding options at December 31, 2009 are as follows:

Range of Exercise Prices	Outstanding Stock Options at December 31, 2009	Remaining Term of Options in Years	Weighted Average	Exercisable Stock Options at December 31, 2009	Weighted Average
\$ - \$ 1.00	950,000	1.25	\$ 0.72	950,000	\$ 0.72
1.01 2.00	3,058,398	3.49	1.70	971,746	1.43
2.01 3.00	3,362,500	4.38	2.59	1,683,933	2.64
3.01 4.00	180,000	2.78	3.28	135,000	3.28
4.01 5.62	295,000	2.42	5.00	271,250	5.00
\$ 0.70 \$ 5.62	7,845,898	3.55	\$ 2.12	4,011,929	\$ 2.08

The Company has recorded total stock-based compensation expense of \$3,024 (2008 - \$2,024) for fiscal 2009. Contributed surplus has been increased by the amount of the stock-based compensation costs.

The Company transferred \$267 from contributed surplus to capital stock for the options exercised in fiscal 2009 (2008 - \$53).

During fiscal 2009, pursuant to the Option Plan, the Company granted 3,320,500 stock options at various exercise prices ranging from \$1.42 to \$2.53. The options have a five-year life and vest over periods ranging from three to four years.

During the year ended October 31, 2008, 1,200,000 stock options were surrendered. On October 16, 2008, the Company's Board of Directors approved the issue of RSUs in exchange for stock options at the discretion of the Company's employees. Under this arrangement, a total of 1,200,000 stock options were surrendered in exchange for 300,000 RSUs that were issued immediately following year-end. The surrender of these options and the subsequent issue of RSUs has been accounted for as a modification of the stock options surrendered resulting in \$108, 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 of \$1,154 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. The liability recorded in respect of these outstanding RSUs was \$148 as at December 31, 2009

During the year ended December 31, 2009, 286,500 stock options were cancelled. The cancelled stock options related to former employees.

e) Deferred Stock Units ("DSUs")

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 may be awarded and will become due when the conditions of retention have been met and employment terminated or completed. The value of each DSU is determined in reference to the Company's common share price, and the DSU value is payable

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

fourteen months ended December 31, 2009 and twelve months ended October 31, 2008

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

in either cash or shares, at the Company's option. In order to conserve cash, the Company has settled DSUs in shares since April 20, 2006.

DSUs issued and outstanding as at December 31, 2009 were 26,657 (2008 – 26,348). The liability recorded in respect of the outstanding DSUs was \$70 as at December 31, 2009 (2008 - \$33). On January 8, 2010, 18,146 DSUs were granted to certain directors in lieu of cash for their quarterly retainers for the period ended December 31, 2009.

f) Restricted Share Units ("RSUs")

The Company implemented a RSU plan for certain employees and directors in January 2007, and as at December 31, 2009, has granted 1,060,000 RSUs under the plan. Under the RSU plan, units are settled in cash based on the market value of WiLAN's common shares on dates the RSUs vest. The accrued liability and related expense for the RSUs are adjusted to reflect the market value of the common shares at each balance sheet date. During fiscal 2009, the Company settled in cash 349,590 RSUs for \$618.

RSUs outstanding as at December 31, 2009 were 195,826.

g) Per Share Amounts

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

	2009	2008
Basic weighted average common shares outstanding	97,011,499	93,505,899
Effect of stock options and warrants	-	-
Diluted weighted average common shares outstanding	97,011,499	93,505,899

The effect of stock options, totalling 977,706 for fiscal 2009 (2008 – 1,060,198), was anti-dilutive.

11. SUPPLEMENTAL CASH FLOW INFORMATION

	2009	2008
Net interest received in cash, included in operations	\$ 725	\$ 2,510
Taxes paid	3,163	1,705
Patents acquired under deferred financing arrangement	8,081	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

fourteen months ended December 31, 2009 and twelve months ended October 31, 2008

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

12. 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 of cash and cash equivalents, short-term investments and accounts receivable.

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

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

Management does not believe that there is significant credit risk arising from any of the Company's licensees. However, should one of the Company's major licensees be unable to settle amounts due, the impact on the Company could be significant. The maximum exposure to loss arising from accounts receivable is equal to their total carrying amounts. At December 31, 2009, 4 licensees each account for 10% or more of total accounts receivable (2008 – 4 licensees).

As at October 31, 2008, the Company also held a promissory note that was included in accounts receivable. The promissory note paid interest at the rate of 6% per year and had a balance outstanding of \$576 as at October 31, 2008. In March 2009, the promissory note was settled under terms which were confidential.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

fourteen months ended December 31, 2009 and twelve months ended October 31, 2008

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

Financial assets past due

The following table provides information regarding the aging and collectability of the Company's accounts receivable balances as at December 31, 2009 and October 31, 2008:

	2009	2008
Not past due	\$ 104	\$ 822
Past due 1 - 30 days	68	2,092
Past due 31 - 60 days	31	391
Past due 61 - 90 days	3	24
Over 91 days past due	708	298
Less allowance for doubtful accounts	(429)	(186)
Total accounts receivable	\$ 485	\$ 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, March 4, 2010, approximately \$66 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 December 31, 2009, the Company had a provision for doubtful accounts of \$429 (2008 - \$186) which was made against accounts receivable in excess of three months past due and where collection efforts to date have been unsuccessful.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due.

At December 31, 2009, the Company has cash and cash equivalents and short-term investments of \$94,788, credit facilities of \$8,000, and accounts receivable of \$485 with which to meet its obligations.

Market risk

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

Interest rate risk

The only financial instruments that expose the Company to interest rate risk are its cash and cash equivalents and short-term investments. The Company's objectives of managing its cash and cash

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

fourteen months ended December 31, 2009 and twelve months ended October 31, 2008

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

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

Currency risk

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

The forward foreign exchange contracts primarily require the Company to sell US dollars for Canadian dollars at prescribed rates. The Company held the following forward foreign exchange contracts at December 31, 2009:

Type	Notional	Currency	Maturity	Equivalent CAD	Fair Value Gain (Loss)
Sell	\$ 2,123	USD	< 3 months	\$ 2,250	\$ 18
Sell	4,253	USD	3 - 12 months	4,500	30
	\$ 6,376			\$ 6,750	\$ 48

The Company had revenues and expenses denominated in US dollars of approximately \$30.4 million and \$23.5 million respectively. Fluctuations in foreign currency rates between the US and Canadian dollars could impact the net exposure approximating \$6.9 million and adversely effect net earnings of the Company.

At December 31, 2009, the Company had US dollar denominated cash and cash equivalents, and accounts receivable balances of approximately \$393 and \$400 respectively, offset by accounts payable and accrued liabilities totalling approximately \$9,471. Fluctuations in foreign currency rates between the US and Canadian dollars could impact the net exposure approximating \$8,678 and adversely effect net earnings of the Company.

13. 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, the Company has no reason to believe that the ultimate outcome of these matters would have a significant impact on its consolidated financial position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

fourteen months ended December 31, 2009 and twelve months ended October 31, 2008

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

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

b) Operating lease

The Company has lease agreements for office space and equipment with terms extending to 2014. The aggregate minimum annual lease payments under these agreements are as follows:

	Amount
2010	\$ 253
2011	230
2012	179
2013	17
2014 and thereafter	15
	\$ 694

c) Other

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

WiLAN has a commitment to pay a minimum success fee to McKool Smith (the "Firm") only in the event that proceeds from the litigations the Firm worked on exceed a base amount. The minimum success fee was comprised of total litigation proceeds divided by that base amount multiplied by amounts reserved in exchange for certain discounts agreed upon between the Company and the Firm (the "Reserve Amount"). On November 3, 2009, WiLAN made a payment in the amount of \$2,834 to the Firm to reset the Reserve Amount to zero dollars, which thereby eliminated the minimum success fee payable by the Company to the Firm for these litigations. This was confirmed through agreement between the Company and the Firm dated November 19, 2009.

14. RELATED PARTY TRANSACTIONS

The Company had entered into a consulting contract with Mr. Paul Richman, a member of the Board of Directors, through a company controlled by him. Under the terms of the agreement, Mr Richman is paid for services provided to the Company at an hourly rate. For the fourteen months ended December 31, 2009, consulting services have totalled nil (2008 - \$30). Mr. Richman retired as a board member effective December 12, 2009.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

fourteen months ended December 31, 2009 and twelve months ended October 31, 2008

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

Dr. Michel Fattouche, a member of the Company's Board of Directors has provided consulting services to the Company. For the fourteen months ended December 31, 2009, consulting services have totalled \$25 (2008 - \$22) and was not paid as at period end.

15. CAPITAL DISCLOSURES

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

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

Methods used by the Company to manage its capital include the issuance of new share capital, dividends and a NCIB commenced on October 15, 2008 and completed on April 10, 2009 (Note 10(c)).

With the exception of the completion of the NCIB and the commencement of quarterly dividends during fiscal 2009, the Company's capital management objectives have remained unchanged over the periods presented.

16. RECENT ACCOUNTING STANDARDS

Convergence with International Financial Reporting Standards ("IFRS")

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

Prior to June 3, 2009, the Company was operating with a fiscal year end of October 31 which determined that the Company's first quarter under the IFRS reporting standards would be the Company's first quarter of fiscal 2012 ended January 1, 2012. Accordingly, the Company's IFRS transition plan was working towards the application of IFRS on November 1, 2011. On June 3, 2009, the Company announced it would be changing its year end to December 31. As a result, the Company will be required to prepare its consolidated financial statements in accordance with IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, which advanced the Company's first quarter under the IFRS reporting standards, by 10 months, to the quarter ended March 31, 2011.

The Company has implemented an IFRS transition plan to facilitate the application of IFRS on January 1, 2011 that evaluates the impact of adopting these new standards on our consolidated financial statements.

The Company is in the process of preparing component evaluations with respect to revenue recognition and impairment of long-lived assets; however, no final conclusions have been reached and additional differences may be identified in the future as a result of changes in the Corporation's business or as IFRS

standards are further developed. The Company expects to have these component evaluations completed by the end of the second quarter of fiscal 2010.

17. SUBSEQUENT EVENTS

In January 2010, Wi-LAN learned that TELUS Corporation and TELUS Communications Inc. (collectively, "TELUS") had filed a claim in the Court of Queen's Bench in Calgary, Alberta in April 2009 against WiLAN, Dr. Michel Fattouche and Dr. Hatim Zaghoul regarding the ownership of several patents including, amongst others, the Company's US patent numbers 5,282,222 and RE37,802. On or about February 8, 2010, WiLAN and TELUS signed a letter of intent which outlined the key terms of a settlement of the dispute. WiLAN and TELUS are currently working to finalize a definitive agreement to settle the dispute.