Vision Strength Success

ANNUAL REPORT 2003

Founded in 1992 and headquartered in Calgary, Canada, Wi-LAN is revolutionizing the broadband wireless communications marketplace with:

- ***its patented W-OFDM technology, which has been adopted by the WiFi Alliance and the WiMAX Forum; and***
- ***its market-leading products, which incorporate Wi-LAN's patented technologies.***

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TRADING INFORMATION

Wi-LAN's common shares trade on The Toronto Stock Exchange (TSX) under the symbol "WIN". Detailed information on Wi-LAN can be found at www.wi-lan.com.

SHAREHOLDERS' ANNUAL GENERAL MEETING

The 2004 Annual General Meeting of shareholders of Wi-LAN Inc. will be held at 6 p.m. at Wi-LAN's head office, 2891 Sunridge Way N.E., Calgary, Alberta on the 22nd day of March, 2004. We encourage all shareholders unable to attend to sign and return the proxy form prior to the meeting or vote your shares via telephone as per the instructions in the proxy form.

Corporate Profile

Today

A global broadband wireless equipment and technology company

- **Products**: Wi-LAN's broadband (high-speed) wireless products offer businesses, including telecom service providers, and government enterprises **effective, economic and secure high-speed wireless communications solutions**.
- **Technology**: Wi-LAN believes its **patented W-OFDM** technology is an essential component of several wireless communications standards, including **WiMAX** (802.16) and 2nd generation **Wi-Fi** (802.11a&g). Wi-LAN licenses its W-OFDM technology and has executed non-exclusive license agreements with semiconductor companies.

Near term (1 year)

Wi-LAN expects to **maintain profitability** by growing proprietary product sales and margins, controlling expenses, and growing licensing, technology and engineering services revenue.

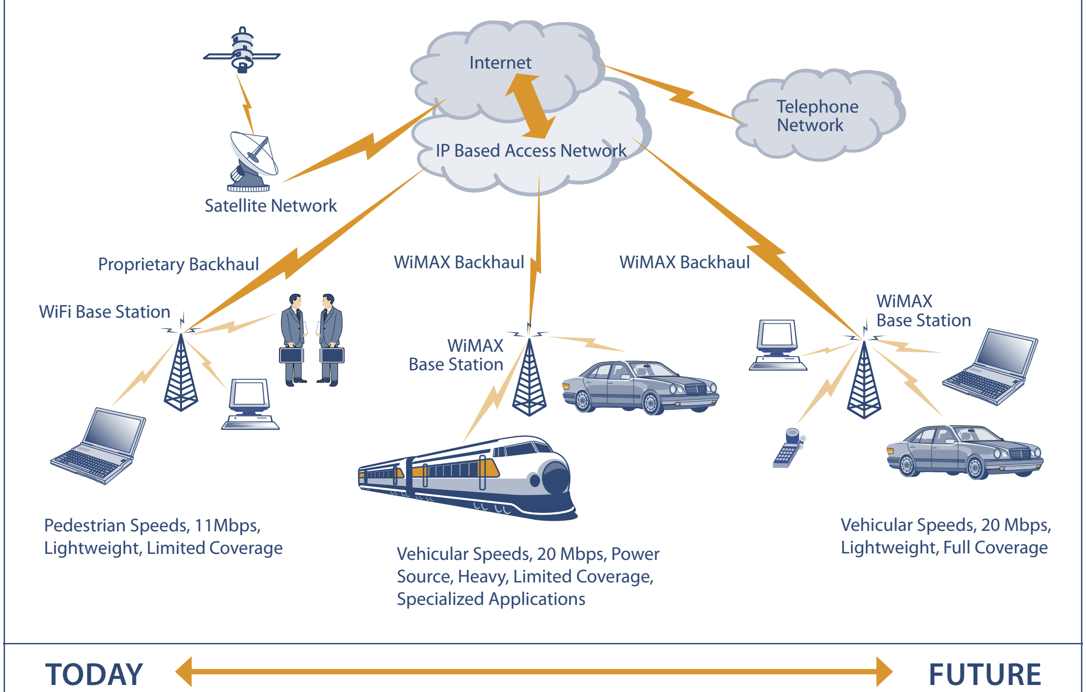
Medium term (2 years)

Wi-LAN is targeting increased revenue growth with **first-to-market WiMAX compliant products and royalties** from WiMAX system-on-chips (SoCs).

Future

Wi-LAN is working with international research institutions and system integrators to promote the worldwide standard, regulatory and market adoption of **W-OFDM based 4th Generation (4G) broadband mobile wireless systems**.

Evolution of 4th Generation Wireless (4G)



FINANCIAL HIGHLIGHTS

(In thousands of Canadian dollars)	2003	2002	2001	2000	1999
Statement of Operations Information					
Product Revenue					
North America	**$ 11,123**	$ 10,879	$ 15,954	$ 10,748	$ 3,407
Europe	**3,297**	2,870	1,311	2,449	1,937
Asia and other	**12,156**	9,574	7,173	1,696	579
Subtotal	**26,576**	23,323	24,438	14,893	5,923
License, technology and engineering services	**235**	–	364	1,116	–
Total revenue	**26,811**	23,323	24,802	16,009	5,923
Cost of product sales	**(14,665)**	(16,041)	(16,553)	(9,924)	(3,197)
Inventory valuation adjustment	**898**	(3,972)	(4,750)	–	–
Gross margin	**13,044**	3,310	3,499	6,085	2,726
Research and development	**(4,582)**	(5,359)	(11,790)	(8,653)	(2,798)
Selling, marketing, operations and administration	**(10,429)**	(12,607)	(23,942)	(16,244)	(3,959)
Depreciation and amortization	**(1,219)**	(1,425)	(1,745)	(635)	(220)
Operations consolidation costs and special charges	**(770)**	–	(5,037)	–	–
Operating loss	**(3,956)**	(16,081)	(39,015)	(19,447)	(4,251)
Amortization and writedown of goodwill	**–**	(16,159)	(5,219)	(1,451)	–
Loss on impairment of investments and gains on disposal	**(286)**	(1,698)	(961)	2,979	(301)
Interest, foreign exchange and other income	**(299)**	792	1,058	(325)	47
Net loss before tax	**(4,541)**	(33,146)	(44,137)	(18,244)	(4,505)
Income taxes	**(65)**	(61)	(59)	(106)	–
Net loss from continuing operations	**(4,606)**	(33,207)	(44,196)	(18,350)	(4,505)
Income (loss) on discontinued operations	**–**	–	(54,516)	206	–
Gain on sale of subsidiary	**–**	27,409	–	–	–
Net loss	**(4,606)**	(5,798)	(98,712)	(18,144)	(4,505)
Operating Data (% of revenue)					
Product gross margin	**48%**	14%	13%	33%	46%
Research and development	**17%**	23%	48%	54%	47%
Selling, marketing, operations and administration	**39%**	54%	97%	101%	67%
Cash Flow Information					
Operations	**$ (260)**	$ (4,834)	$ (33,903)	$ (24,605)	$ (2,633)
Financing	**22,222**	4,483	26,027	31,880	15,522
Investments	**5**	238	1,897	(3,564)	(275)
Discontinued operations	**–**	166	(1,059)	(6,133)	–
Cash flow	**21,967**	53	(7,038)	(2,422)	12,614
Cash, beginning of period	**5,586**	5,533	12,571	14,993	2,379
Cash, end of period	**27,553**	5,586	5,533	12,571	14,993
Balance Sheet Information					
Working capital	**$ 28,383**	$ 7,303	$ 13,663	$ 19,950	$ 17,142
Shareholders' equity	**34,880**	14,640	15,666	74,706	17,765
Total assets	**44,683**	25,119	52,035	83,379	21,330

Vision Strength Success

Executive Chairman's Letter

It has been over 12 years since Dr. Michel Fattouche and I conceived of starting a company to commercialize the W-OFDM technology that we had invented. I have learnt in those 12 years more than I had learnt in all my life before that. It has been a phenomenal experience. It seems that Wi-LAN has been favored with a number of opportunities and the challenges over the 12 years have made the Company stronger and better prepared for the future.

Early on, Wi-LAN developed a W-OFDM local area network (LAN) product and we shipped it in 1994. That experience helped us to realize that commercial OFDM products in LAN's would take a few years to develop. This realization shifted the focus of the Company first to the low data rate market as a back-up strategy and later to the wide area network (WAN) market, since we believed that the margins in the LAN market would be too thin.

The management team did not want the Company to be associated too closely with old-fashioned spread spectrum technology, so we held back our marketing effort until we were close to a low-cost, high-speed W-OFDM product. This seems to have paid off. We achieved and exceeded all of our original 1993 hopes for the valuation of our shares in March 2000. With those valuations we set new aspirations and I believe that the hard work of the new team will allow us to exceed them within the next five years.

Michel Fattouche and I believed that W-OFDM would one day be a worldwide standard for high-speed communications. This belief still did not prepare us for the success that W-OFDM has experienced over the last five years. W-OFDM was defeated as a LAN standard in 1993 because of the peak-to-average ratio. We worked on some of the supporters and showed them how we solved the problem. This opened the door for the 1998 adoption of the **IEEE Standard 802.11a, a second-generation Wi-Fi standard**. And let's not forget our struggle with the U.S. Federal Communications Commission for the adoption of W-OFDM in the 2.4 GHz band that opened the door for the **IEEE 802.11g Standard, the other second generation Wi-Fi standard**. Thirdly, in January 2003 the **IEEE 802.16 WirelessMAN (wireless metropolitan area network) Standard** was finalized and **ETSI, the European Telecommunications Standards Institute**, has also adopted the W-OFDM version of 802.16 for its **HiperMAN Standard**, making this truly a worldwide standard. The **WiMAX Forum, chaired by Intel**, has since adopted the W-OFDM based WirelessMAN and HiperMAN standards. We are partnering with **Fujitsu** to produce the first **WirelessMAN system-on-chip**, and we expect to be first to market with **WiMAX certified products in 2005**.

Dr. Hatim Zaghloul
Executive Chairman
Wi-LAN Inc.

Dr. Zaghloul is recognized as a leading innovator in the field of OFDM radio technology. In 1992, Dr. Zaghloul co-founded Wi-LAN Inc. and has led the Company since its inception. Dr. Zaghloul holds a B.Sc. in Electrical Engineering from Cairo University as well as a M.Sc. and a Ph.D. in Physics from the University of Calgary.

Dr. Zaghloul has published extensively in technical journals and holds several patents. Wi-LAN is the patent holder for the Wide-band Orthogonal Frequency Division Multiplexing (W-OFDM) and Multi-code Direct Sequence Spread Spectrum (MC-DSSS) patents.

Dr. Zaghloul is very active in the Calgary community. In 2000, he sponsored the Mysteries of Egypt display of ancient Egyptian artifacts in Calgary.

Dr. Sayed-Amr (Sisso) El-Hamamsy

President and Chief Executive Officer Wi-LAN Inc.

Dr. Sisso El-Hamamsy was appointed President and CEO of Wi-LAN in October 2003. Dr. El-Hamamsy joined Wi-LAN as COO in January 2001 and was promoted to President in January 2003. He holds a PhD in Electrical Engineering from the California Institute of Technology and has 17 years of high technology industry experience.

Since his appointment as President, Dr. El-Hamamsy has led Wi-LAN to achieve positive cash flow and has marketed two equity financings for the Company in Q4, 2003, raising over $23 million. Since joining Wi-LAN, Dr. El-Hamamsy led the development of a series of Wi-LAN products such as the W-OFDM based LIBRA Series, the MC-DSSS based Ultima3, as well as the VINE based VIP 110-24.

Prior to joining Wi-LAN, Dr. El-Hamamsy spent 15 years at General Electric (GE) in New York where he held several high-level management positions. Dr. El-Hamamsy holds 45 US patents, and has contributed to several books, journals and published reports.

On December 8, 2003 we announced that Dr. Sayed-Amr El-Hamamsy (Sisso) assumed my previous role of CEO, and that I would continue as Executive Chairman. Sisso has performed exceptionally well in the President and COO roles. I have enjoyed the last three years of working with Sisso and I look forward to continuing to work with Sisso for the next ten years. In my new role, **I plan to focus on mergers and acquisitions work**, which has a new life now that our product market is beginning to turn around, **and strategic issues, such as corporate goal setting and defending and supporting Wi-LAN's patents**.

I am hoping that we will continue to have the same wonderful relationships, whether as employees, partners or investors, that we have always had.

All the best,

Dr. Hatim Zaghloul
Executive Chairman

President and CEO's Letter

Wi-LAN has been undergoing a transformation from a visionary technology-driven startup company to a mature market leader. In the past three years we have seen our focus shift from exciting technology demonstrations and prototypes to a series of products that simultaneously achieved cost reduction, quality improvement, performance increases and feature enhancements. Internal controls were also dramatically tightened, leading to improvements in production, inventory management, collections, budgets and product development schedules. All of this has culminated in a significant improvement in our financial results – revenue, margins, cash flow from operations, profitability and, in the fourth quarter, cash flow from financing.

As **Wi-LAN's vision of ubiquitous W-OFDM is being increasingly accepted and adopted by the world at large**, we are now entering a major new phase in the life of the Company. The work Wi-LAN and **Philips Semiconductor** started when they founded the OFDM Forum has culminated in the adoption of W-OFDM as the basis for essentially all the new emerging broadband wireless standards, be they for Wireless LAN or Wireless MAN. Even the 802.15 group of the IEEE is considering Multi-Band OFDM as one of the options for Wireless Personal Area Networks (Wireless PAN). **Wi-LAN, Nokia, the OFDM Forum and others founded the WiMAX Forum (now chaired by Intel)** to promote the IEEE 802.16 WirelessMAN Standard and to certify interoperability. **More than 60 companies have**

now joined WiMAX, including AT&T, Fujitsu and Siemens, and it is one of the most talked about technologies these days, having been recognized in October 2003 as the **"Most Promising Technology of the Year"** at the European Technology Forum's Third Annual Technology Summit held in London, England.

Given the wide adoption of Wi-LAN's vision, the time has now come to build a truly effective marketing and sales company in order to achieve and perhaps even exceed our 2004 financial guidance of $32 to $37 million revenue, cash flow from operations of more than $2 million, and net income in excess of $0.5 million. Our total commitment to an uncompromising customer focus is the centerpiece of this transformation. We are dedicating our efforts to the following **customer-focused goals**:

- Set the standard for product quality for the broadband wireless access market
- Achieve the highest product performance levels in the broadband wireless industry
- Provide industry leading service and support to our customers and channel partners
- Develop complete solutions that make our customers' business cases successful
- Protect the customers' investment against obsolescence as we move from proprietary to standards based products
- Achieve world-class standards for the ease of use and ease of install of our products

Of course, we will also continue to focus on growing our **technology licensing business** and our vision of the **4G mobile future**. We will advance the execution and success of our existing technology development and licensing agreements; we will continue to negotiate additional similar agreements; and we will continue to ensure the proliferation of OFDM based broadband wireless standards through participation in international standards bodies and collaboration with international research institutions and system integrators.

I believe that the combination of Wi-LAN's vision, its technological and financial strength, and an unrelenting customer focus will prove to be unbeatable.

Thank you for your support. I look forward to a very successful 2004.

Dr. Sayed-Amr (Sisso) El-Hamamsy
President and CEO

WiMAX

"802.16 is the most important thing since the Internet itself"

INTEL

WiMAX is the Future: *Key industry players have joined Wi-LAN in its vision of W-OFDM as the basis of global broadband wireless standard for Broadband Wireless Metropolitan Area Networks (Wireless MAN). Both North American and European standards (IEEE 802.16, ETSI HiperMAN) are based on W-OFDM. The influential industry forum WiMAX (www.wimaxforum.org) has been specifically formed to ensure vendor interoperability of W-OFDM standards based solutions.*

Explosive Growth Potential: *Proven technology, the creation of key standards and guaranteed vendor interoperability set the scene for explosive growth in broadband wireless equipment sales.*

"802.16: WiMAX enables wireless networks to extend as far as 30 miles and transfer data, voice, and video at faster speeds than cable or DSL. It's perfect for ISPs that want to expand into sparsely populated areas, where the cost of bringing in DSL or cable wiring is too high."

DAVID PESCOVITZ
10 TECHNOLOGIES TO WATCH IN 2004
CNN

"The issue of access to broadband dominated the inaugural CNET UK Technology Awards ceremony [in October 2003]. Most Promising Technology of the Year award went to WiMAX, the IEEE 802.16 Air Interface Standard for fixed broadband wireless access systems. [...] WiMAX has the potential to be as universal as television, and the power to span the world."

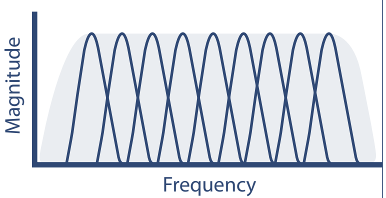
MATT LONEY
ZDNET UK

Year in Review

W-OFDM

"Wi-LAN's Wideband Orthogonal Frequency Division Multiplexing (W-OFDM) supports simultaneous encoding of data on multiple high-speed radio frequencies to give greater security, increased data transfer and extremely efficient use of bandwidth. Enabling the use of low power networks to minimize interference with adjacent networks, it allows independent channels to operate within the same band so that multipoint and point-to-point backbone systems can be overlaid in the same frequency band. W-OFDM technology forms the basis of IEEE 802.11a, itself the foundation for the IEEE 802.16 specification for fixed broadband wireless access systems."

Philips Semiconductor website, September 2003



Fiscal year 2003 was a banner year for Wi-LAN as the Company's dedicated employees achieved several key milestones and Wi-LAN's customers and investors rewarded the Company with improved sales and share value and a strong balance sheet.

Financial Strength

In the second half of 2003 Wi-LAN realized **positive cash flow from operations** by achieving **record-breaking sales** of its broadband wireless systems, while continuing to reduce the cost of the systems, further reducing expenses, and stringently managing working capital. Wi-LAN's strong financial performance and leading position in its growing industry attracted institutional investors who participated in **two equity financings in the fourth quarter**, enabling the Company to improve its cash flow from financing by over $22 million for a year-end **working capital position of $28.4 million**.

Technological Strength

Wi-LAN also made great strides in furthering the **worldwide acceptance of its patented W-OFDM technology**. The Company continued to be very active in the wireless telecommunications standards bodies, the **Institute of Electrical and Electronics Engineers (IEEE) and the European Telecommunications Standards Institute (ETSI)**. In January 2003 W-OFDM was adopted as the basis of the mainstream version of the IEEE 802.16 WirelessMAN (wireless metropolitan area network) Standard. Also, ETSI adopted WirelessMAN's W-OFDM for the emerging HiperMAN standard, making W-OFDM the global standard for wireless metropolitan area network systems. The standards progress caused the WiMAX (Worldwide Interoperability for Microwave Access) Forum to kick into high gear. **WiMAX is a non-profit corporation formed to help promote and certify the compatibility and interoperability of IEEE WirelessMAN and ETSI HiperMAN equipment. WiMAX is chaired by Intel, includes Nokia, Fujitsu, Siemens and AT&T as members, and has two Wi-LAN employees holding seats on its Board**. WiMAX has done a great job of marketing the broadband wireless sector, speeding up metropolitan area network deployment worldwide and rebuilding investor confidence in the sector.

As W-OFDM continued to gain market acceptance, Wi-LAN further improved its intellectual property position. The Company continued to work with Fujitsu Microelectronics America on development of a WiMAX compliant System-on-Chip (SoC); Wi-LAN continued to collaborate with **a major international research institution, South Korea's Electronic and Telecommunications Research Institute (ETRI)**, on the use of W-OFDM in fourth generation mobile wireless systems; and the Company started co-development of semiconductor **intellectual property (SIP) cores for WiMAX compliant SoCs** with a leading SIP provider. Also, Wi-LAN continued to defend its IP, progressing a **lawsuit** that the Company filed in July 2002 **against a private Canadian company** claiming to produce a wireless device utilizing advanced OFDM technology.

Product Strength

Wi-LAN's product development team continued to capitalize on its technology leadership with **new market-leading products**. In Q1 Wi-LAN launched the **LIBRA Series, the third generation of Wi-LAN's highly reliable, field-proven commercial W-OFDM products**. LIBRA's non-line-of-sight broadband wireless products are based on the same W-OFDM technology that has been adopted by WiMAX. The original LIBRA product, LIBRA 3000, is designed for the 3.5 GHz international licensed frequencies, and the LIBRA 5800, launched in Q3, is designed for the worldwide 5.8 GHz license-exempt frequencies. LIBRA has now been **deployed in over 30 countries worldwide**.

Product development in 2003 was largely funded in collaboration with certain key customers, as well as a 3-year, up to $8.8 million research and development investment agreement with the Government of Canada. Wellink, a South Korean provider of high-speed telecommunication systems, is collaborating with Wi-LAN to develop W-OFDM based mobile wireless products for Intelligent Transportation Systems, initially intended to provide video security, advertising and Internet service on high-speed trains. **Wi-Comm Communications, a Chinese a joint venture company located in Beijing, P.R. China**, agreed to fund accelerated development of Wi-LAN's LIBRA 3000 product series. Wi-Comm's customers include major Chinese telecom companies China Telecom, China Unicom, China Communications and China Satellite Communications Group.

Sales Strength

In fiscal year 2003 Wi-LAN's skilled and motivated sales team made the most of the Company's market-leading broadband wireless product line, generating **sales growth of 19%** and signing **several major sales agreements** throughout the year. In Q1 Wi-LAN announced a $1.1 million sale of its W-OFDM based LIBRA 3000 Series products to **Cameroon Telecommunications B.P., the national telecommunications carrier for the Republic of Cameroon**. In Q2 another large African sale was made to **Swift Networks Limited of Nigeria** to deploy LIBRA 3000 products in Lagos, Nigeria's most populous state and biggest telecommunications services market. In Q3 Wi-LAN announced a large contract in China to supply approximately $2 million of its Ultima3 broadband wireless products to **Guangdong Province Unicom, a provincial subsidiary of China Unicom** (NYSE:CHU). Also in Q3, Wi-LAN and Adino Telecom Limited, a well-established broadband solutions company in India, announced Wi-LAN's VINE-based VIP 110-24 broadband wireless products would be deployed in **India's Gujarat State Wide Area Network**. In Q4, Wi-LAN announced that it has received several purchase orders totaling approximately $2 Million from its distributors in the **Middle East and Central Asia** Region for its VIP 110-24, Ultima3 and LIBRA 5800 Series products. Also in Q4, Wi-LAN and **Altitude Telecom, a French nation-wide telecommunications service provider**, announced Wi-LAN's LIBRA broadband wireless products will be deployed in the regions of Normandy and Paris, France.

Wi-LAN's sales force was also successful in signing up several **new sales channel partners** and receiving **certification of various Wi-LAN products in several countries**, including Russia, Finland, the United States and China.

CUSTOMER SUCCESSES

***ALTITUDE TELECOM**, a French nation-wide telecommunications service provider, has deployed Wi-LAN's W-OFDM based LIBRA 3000 broadband wireless products in the regions of Normandy and Paris, France.*

***CAMEROON TELECOMMUNICATIONS B.P.** (Camtel), the national telecommunications carrier in the Republic of Cameroon has deployed Wi-LAN's LIBRA 3000 products in the Cameroon cities of Douala and Yaounde.*

***ISKON INTERNET**, a leading Internet service provider in Croatia, has deployed Wi-LAN's LIBRA 3000 products in Zagreb, Croatia's capital city.*

Additional sales of Wi-LAN products are expected to follow as Altitude, Camtel and Iskon move into further phases of their broadband wireless network deployments.

Our Goals for 2004

2004 Goals		Maximum Score
1.	**Corporate (current operations)**	**25**
1.1	Achieve revenue of $32 million to $37 million.	10
1.2	Achieve cash flow from continuing operations in excess of $2 million.	10
1.3	Achieve net income in excess of $0.5 million.	5
2.	**Technology Leadership and Licensing**	**15**
2.1	Advance execution and success of existing technology licensing agreements.	5
2.2	Secure and advance more licensing agreements for standard or proprietary products that utilize Wi-LAN's patented technologies.	5
2.3	Advance OFDM based wireless telecommunications standards through participation in international standards setting bodies and WiMAX.	5
3.	**Product Development**	**35**
3.1	Cost-reduce selected products to maintain product gross margins near 50% while increasing market penetration.	5
3.2	Set the standard for product quality in the broadband wireless market.	5
3.3	Achieve the highest product performance levels in the broadband wireless industry.	5
3.4	Protect the customers' investment against obsolescence as we move from proprietary to standards based products.	5
3.5	Achieve world class standards for the ease of use and ease of install of our products.	5
3.6	Bring new products to market based on customer demand.	5
3.7	Advance development of WiMAX compliant product.	5
4.	**Sales and Marketing**	**20**
4.1	Focus sales on products that maximize gross margin.	5
4.2	Provide industry leading service and support to our customers and channel partners.	5
4.3	Market complete solutions that make our customers' business cases successful.	5
4.4	Increase visibility and awareness of the salient features of Wi-LAN solutions (Non-line-of-sight performance, superior quality, customer service, WiMAX-like performance).	5
5.	**Strategic Partnerships**	**5**
5.1	Continue to establish and build strong relationships with customers and partners.	5
TOTAL SCORE		**100**

Our Goals & Results of 2003

2003 Goals		Achievements	Maximum Score	Achieved Score
1.	**Corporate**		**25**	**23**
1.1	Achieve broadband wireless revenue of $25 to $30 million.	Fiscal 2003 revenue: $26.8 million	10	8
1.2	Achieve positive cash flow from continuing operations in the third quarter of fiscal 2003.	Cash from continuing operations: • Q3: $1.8 million • Q4: $0.8 million	10	10
1.3	Continue to adjust expenses and manage assets to remain in line with revenues and maintain Wi-LAN's cash management program.	Operating expenses: • Fiscal 2002: $19.4 million • Fiscal 2003: $17.0 million • Improvement: $2.4 million or 12.3%	5	5
2.	**Technology Leadership and Licensing**		**25**	**18**
2.1	Advance execution and success of existing technology licensing agreements.	• Philips agreement: WiFi royalties expected in 2004 • Fujitsu agreement: WiMAX development progressing	10	8
2.2	Secure and advance more licensing agreements for standard or proprietary products that utilize Wi-LAN's patented technologies.	• SIP core co-development agreement	10	5
2.3	Advance OFDM based wireless telecommunications standards through participation in international standards setting bodies.	Wi-LAN employee positions: • WiMAX – 2 Board members • Chair, WiMAX 2-11 GHz Technical Working Group • Chair, IEEE 802.16 Task Group d • Vice-chair, IEEE 802.16e Mobility Task Group • Rapporteur, ETSI HiperMAN Testing and Conformance	5	5
3.	**Product Development**		**25**	**19**
3.1	Cost-reduce selected products to improve gross margins.	Product gross margin: • Fiscal 2002: 14.2% • Fiscal 2003: 48.2% • Improvement: 34 percentage points	10	10
3.2	Build more features into selected products to meet customer needs.	Ultima3 (LCPE), LIBRA and VIP 110-24 improvements executed	5	3
3.3	Bring new products to market based on customer demand.	• Libra 3000 • Libra 5800	5	5
3.4	Develop product based on the IEEE 802.16a standard.	SoC co-development with Fujitsu and SIP core development progressing	5	1

2003 Goals	Achievements	Maximum Score	Achieved Score
4 Sales and Marketing		**20**	**15**
4.1 Focus sales on products that maximize gross margin.	See 3.1	10	10
4.2 Continue to build a successful sales and marketing driven organization.	See 4.3	5	2
4.3 Increase visibility and awareness of the salient features of Wi-LAN solutions (non-line-of-sight performance, superior quality, customer service).	• WCA Wemmie award • Ultima3 outperforms in Network Computing Product Comparison • WCA 2003 convention participation • Keynote at ITU Telecom World 2003 • Visit from China Minister of Commerce	5	3
5 Strategic Partnerships		**5**	**5**
5.1 Continue to establish and build strong relationships with customers and partners.	• Sales: Camtel (Cameroon); Swift Networks (Nigeria); Guangdong Unicom (China); Gujarat State (India); Altitude (France); Middle East & Central Asia sales • Prod. Dev't: Wellink (Korea); Wi-Comm (China); Technology Partnerships Canada; SIP core developer • Distributors: Adino (India); Radionet (Finland); Comptek and Diamond (Russia) • Investor Relations: Orion Securities (investment bank)	5	5
TOTAL SCORE		**100**	**80**

Anypoint-to-multipoint VINE network in California (VIP 110-24 customer premise equipment and router)

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

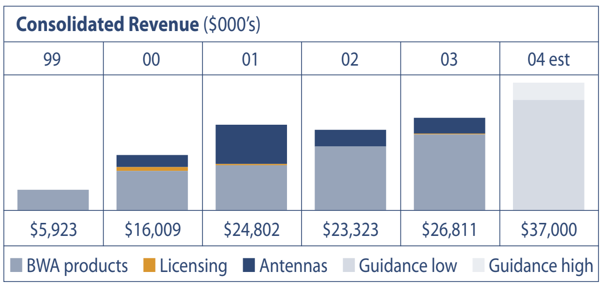
The following Management's Discussion and Analysis (MD&A) should be read in conjunction with the audited annual consolidated financial statements and the accompanying notes (Financial Statements and Notes).

The MD&A has been prepared with reference to the Financial Statements and Notes, which have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). **All financial amounts are expressed in thousands of Canadian dollars, except per share data, and except as otherwise indicated**.

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements in the MD&A, other than statements of historical fact, may include forward-looking information that involves various risks and uncertainties. These can include, without limitation, statements based on current expectations involving a number of risks and uncertainties related to all aspects of the wireless communications industry and the global economy. These risks and uncertainties include, but are not restricted to, continued increased demand for the Company's products, the Company's ability to maintain its technological leadership in the field of high-speed data communications, the Company's ability to attract and retain key employees, the enforceability of the Company's patents, the Company's ability to raise capital on acceptable terms when needed, the availability of key components, and potential changes in currency exchange rates. These uncertainties may cause actual results to differ from information contained herein. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements. These forward-looking statements are based on the estimates and opinions of Management on the dates they are made and are expressly qualified in their entirety by this notice. The Company assumes no obligation to update forward-looking statements should circumstances or Management's estimates or opinions change.

Financial Highlights ($000's)



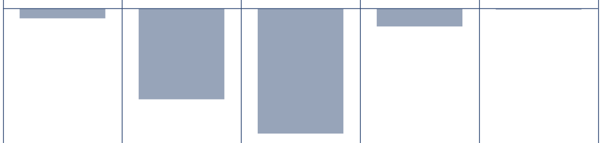
Revenue grew by $3.5 million in fiscal year 2003 as sales of Wi-LAN's Broadband Wireless Access (BWA) products were strong.

Consolidated revenue for fiscal year 2003 was $26,811, which met the Company's guidance of $25,000 to $30,000 and is $3,488 or 15.0% greater than fiscal year 2002 revenue of $23,323. This increase is due to a $3,514 or 19.0% increase in the Company's broadband wireless product revenue, from $18,471 in fiscal year 2002 to $21,985 in fiscal year 2003, and growth in license, technology and engineering services revenue from $nil in fiscal year 2002 to $235 in fiscal year 2003. This growth was partly offset by a $261 or 5.4% reduction of sales from the Company's antenna business, from $4,852 in fiscal year 2002 to $4,591 in fiscal year 2003.

Product gross margin showed significant improvement in fiscal year 2003 as Wi-LAN's cost-reduced broadband fixed wireless access products, Ultima3, Libra 3000 and VIP 110-24, dominated the sales mix. Wi-LAN currently targets a consolidated product gross margin of 50%. Product gross margin for fiscal year 2003 was 48.2% or $12,809, an improvement of 34.0 percentage points or $9,499 compared with 14.2% or $3,310 for fiscal year 2002.

Cash flow from operations in fiscal year 2003, including changes in non-cash operating working capital, was $(260), compared to $(4,834) in fiscal year 2002, an improvement of $4,574. Cash flow from operations was $2,599 in the second half of fiscal year 2003, largely offsetting cash flow from operations in the first six months of $(2,859). Cash flow from operations in fiscal year 2003 included payments from Technology Partnerships Canada of $1,726, which are recorded as a reduction to research and development expenses.

Cash From Operations ($000's)



99	00	01	02	03
$(2,633)	$(24,605)	$(33,903)	$(4,834)	$(260)

Cash Flow from operations was $2,599 in the second half of fiscal year 2003, largely offsetting cash flow from operations in the first six months of $(2,859).

Cash flow from financing in fiscal year 2003 was $22,222, an increase of $17,739 over fiscal year 2002 cash from financing of $4,483, due to an increase in common share capital issuances of $19,685 and a reduction in capital lease payments of $56, partly offset by an increase in share issue costs of $(2,002).

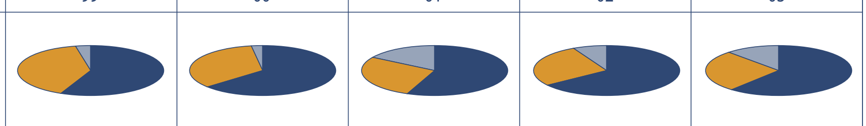
Consolidated cash on October 31, 2003 was $27,553 compared with consolidated cash of $5,586 on October 31, 2003, an improvement of $21,967. Wi-LAN's October 31, 2003 cash balance is expected to be adequate to sustain the Company's expected growth in existing operations.

Net loss for fiscal year 2003 was $(4,606), compared with $(5,798) for fiscal year 2002, an improvement of $1,192. Net income for fiscal year 2002 included a gain on sale of discontinued operations of $27,409, compared to $nil in fiscal year 2003. Net income from continuing operations for fiscal year 2003 was $(4,606), compared with $(33,207) for fiscal year 2002, an improvement of $28,601.

Financial Guidance ($000's)

The Company expects consolidated revenue for fiscal year 2004 to be in the range of $32,000 to $37,000, which represents a growth rate of 19% to 38% over the $26,811 revenue achieved in fiscal year 2003. This guidance does not incorporate potential upside from prospective acquisitions that may be contemplated. Revenue growth is expected to be generated primarily from the sale of broadband wireless products in fiscal year 2004, and is expected from the following **sources**:

- Several national, provincial and state regulators are moving to license 3.5 GHz spectrum, further improving sales prospects for Wi-LAN's W-OFDM-based **LIBRA 3000 Series** products. For example:
  - In the first quarter of fiscal year 2003 the Chinese Ministry of Information Industry initiated the process to issue licenses for the 3.5 GHz frequencies in an additional 32 major Chinese cities. In February the licenses were awarded to Chinese service providers. In April 2003 Wi-LAN and Wi-Comm Communications Equipment Co. Ltd., a Chinese joint venture company based in Beijing, China, announced a Cooperative Product Development Agreement to support further

Operating Expense ($000's)	99	00	01	02	03
■ Selling, marketing, operations and admin. ■ Research and development ■ Depreciation, amortization and special charges					
	$6,977	$25,532	$42,514	$19,391	$17,000

Wi-LAN spends a significant portion of its operating expenses on research and development of leading-edge broadband wireless products.

development of a full duplex, carrier class, versatile, redundant, W-ODFM based 3.5 GHz access point. The Company expects that this upgraded LIBRA 3000 access point will enable Wi-LAN to win significant 3.5 GHz equipment tenders in China, but the development of the new access point may delay Wi-LAN's receipt of these tenders until the second half of 2004. Meanwhile, Wi-LAN's recently launched and certified 5.8 GHz LIBRA 5800 is expected to generate significant business in China, as operators that did not receive 3.5 GHz licenses in various cities turn to the 5.8 GHz band for deployment of broadband wireless systems.

- In the first quarter of fiscal year 2003 Wi-LAN announced the sale of $1.1 million of Wi-LAN's LIBRA 3000 Series products to Cameroon Telecommunications B.P., the national telecommunications carrier for the Republic of Cameroon.

- In the second quarter of fiscal year 2003 Wi-LAN announced its LIBRA 3000 Series is being deployed in Lagos, Nigeria's most populous state and biggest telecommunications services market, by Swift Networks Limited of Nigeria, a multi-service telecommunications service provider in the licensed 3.5 GHz spectrum.

- In the fourth quarter of fiscal year 2003 Wi-LAN announced that Altitude Telecom, a French nation-wide telecommunications service provider, is deploying Wi-LAN's LIBRA 3000 Series in the regions of Normandy and Paris, France.

- In December 2003 Wi-LAN announced that Vantaa Energy, a full-service energy company based in Vantaa, Finland, is deploying Wi-LAN's LIBRA 3000 Series for deployment of city-wide broadband wireless networks in the cities of Vantaa, Espoo and Helsinki in Finland.

- Also in December 2003 Wi-LAN announced that Iskon Internet, a leading Internet service provider in Croatia, is deploying Wi-LAN's LIBRA 3000 Series in Zagreb, Croatia's capital city.

- Additional sales of Wi-LAN's 3.5 GHz licensed spectrum products are expected to follow as Camtel, Swift, Altitude, Iskon and others move into further phases of their network build-outs.

■ The IEEE 802.16 WirelessMAN Standard, announced on January 30, 2003 and supported by the **WiMAX Forum**, is generating growing interest for the broadband wireless industry and is expected to result in a growing revenue stream for Wi-LAN for the following reasons:

  - This standard incorporates Wi-LAN's patented W-OFDM (Wide-band Orthogonal Frequency Division Multiplexing) technology.

  - Wi-LAN is first to market with products that utilize the same OFDM technology that WiMAX intends to certify (Wi-LAN's LIBRA series products) and is dedicated to advancing the implementation of WiMAX certifiable products.

  - Wi-LAN has a non-exclusive agreement with Fujitsu Microelectronics America (FMA) to develop and market IEEE 802.16 WirelessMAN Standard System-on-Chip solutions.

  - Wi-LAN has joined with fellow members of the WiMAX Forum to help promote and certify the compatibility and interoperability of IEEE 802.16 WirelessMAN Standard broadband wireless access equipment. Other WiMAX Forum members include Fujitsu, Intel and Nokia.

  - Wi-LAN has agreed to co-develop semiconductor intellectual property (SIP) cores for IEEE 802.16 WirelessMAN Standard broadband wireless systems-on-chips (SoCs) with a leading SIP provider. This is intended to allow Wi-LAN to accelerate the development work for its IEEE 802.16 WirelessMAN Standard SoCs and broadband wireless systems and to broaden the market for its intellectual property. Wi-LAN expects to license the SIP cores to semiconductor companies, and to incorporate resulting SoCs into its LIBRA products to produce the first WiMAX compliant systems.

- Equipment sales for the **license-exempt 2.4 GHz and 5.8 GHz frequencies** are gaining momentum worldwide. For example:
  - In the third quarter Wi-LAN announced the sale of its 5.8 GHz Ultima3 fixed wireless access products for Guangdong Province Unicom's 5.8 GHz Project. Guangdong Province Unicom is a provincial subsidiary of China Unicom Limited (NYSE:CHU), a fully integrated telecommunications operator with services throughout the People's Republic of China.
  - Also in the third quarter Wi-LAN announced its 2.4 GHz VINE-based VIP 110-24 fixed wireless access products and accessories will be deployed in India's Gujarat State Wide Area Network (GSWAN).
  - In the fourth quarter Wi-LAN announced the receipt of several purchase orders totaling $2 million from its distributors in the Middle East and Central Asia for its VIP 110-24 and Ultima3 products and for its new W-OFDM-based 5.8 GHz LIBRA 5800 series.
- Recent **new product launches** are opening up new markets and improving sales:
  - In the fourth quarter Wi-LAN launched its new LIBRA 5800 series products. These products are the license-exempt 5.8 GHz version of Wi-LAN's third generation series of non-line-of-sight fixed wireless access products. LIBRA 5800 became generally available in October 2003 and customer demand has been strong. This is Wi-LAN's first commercial W-OFDM product that is available for sale in the United States.
  - In November 2003 Wi-LAN launched its new Wireless Voice-over-Internet-Protocol (VoIP) Solution, which allows transmission of voice communications over Wi-LAN's broadband wireless access systems with carrier-grade Quality of Service (QoS). The Wireless VoIP Solution provides an extremely competitive economic alternative to traditional wired service for voice traffic, particularly in underserved areas and developing countries, and is an excellent solution to allow competitive local exchange carriers to avoid leased line charges to incumbent carriers.
- New broadband wireless global **sales prospects are growing both in size and quality, and existing distributor, value-added reseller (VAR) and original equipment manufacturer (OEM) relationships are gaining additional traction.**

Results of Operations ($000's)

Financing Activities

Refer to **Cash flow from financing** in the financial highlights section. For further disclosure, refer to the Consolidated Statements of Cash Flows and Note 11(d) to the Financial Statements.

Revenue

CONSOLIDATED REVENUE

Refer to the financial highlights section for total consolidated revenue.

Revenue from the Company's **broadband wireless products** for fiscal year 2003 was $21,985, which is $3,514 or 19.0% more than the $18,471 reported for fiscal year 2002. Sales of Wi-LAN's Ultima3, Libra 3000 and VIP 110-24 product lines were strong, and older inventoried products also contributed, as evidenced by the reduction in inventory in fiscal year 2003 of $1,654 or 40.3%, from $4,101 on October 31, 2002 to $2,447 on October 31, 2003.

Revenue from the Company's **antenna products** for fiscal year 2003 was $4,591, which is $(261) or 5.4% less than the $4,852 recorded for fiscal year 2002. The previously declining demand for cellular and broadcast antennas appears to have leveled out and there are signs of increasing demand, as some customers appear to be moving forward with expenditure plans that they had deferred in prior years. The third and fourth quarters showed early indications that the antenna market may be improving.

License, technology and engineering services revenue for fiscal year 2003 was $235 compared to $nil reported for fiscal year 2002. This revenue was generated as the Company partnered with third parties to develop new applications for its W-OFDM (Wide-Band Orthogonal Frequency Division Multiplexing) technology. **Wi-LAN's license, technology and engineering services revenue strategy is designed to ensure that this business becomes a significant component of future revenue growth. The strategy has two key components:**

- The Company focuses on **licensing its technology and patents to major semiconductor companies** because a small number of major semiconductor companies account for most of the market. This strategy helps to ensure Wi-LAN's intellectual property will not act as a deterrent against market acceptance of W-OFDM technology, since device manufacturers can develop applications with the licensed semiconductor companies without having to negotiate a license agreement directly with Wi-LAN. The Company has signed non-exclusive **licensing agreements with Philips Semiconductor (Philips) and Fujitsu Microelectronics America (Fujitsu), and is co-developing Semiconductor Intellectual Property (SIP) Cores to assist with its Fujitsu co-development and to market to other semiconductor companies**:

  - Wi-LAN signed an Application Specific Integrated Circuit (ASIC) development and technology licensing agreement with Philips in 1999. The agreement obligates Philips to pay Wi-LAN royalties for all integrated circuit products incorporating Wi-LAN's W-OFDM technology. This agreement generated initial fees of $1.4 million over the 2000 to 2001 period, but has not generated any royalties to date because Philips has not produced any W-OFDM-based ASICs. However, in September 2003 Royal Philips Electronics (NYSE: PHG, AEX: PHI), Philips' parent company, announced that two-chip solutions for IEEE 802.11a and 802.11g wireless local area network applications would be available in production quantities in the fourth quarter of 2003. Wi-LAN believes both IEEE 802.11a and 802.11g use its W-OFDM technology, and Philips supports this belief in material published on their website, so Wi-LAN expects the Philips agreement to generate royalties in the second fiscal quarter of 2004.

  - Wi-LAN signed an agreement with Fujitsu in the fourth quarter of fiscal year 2002. The Fujitsu agreement is to develop, market and license IEEE 802.16 WirelessMAN Standard (WirelessMAN) System-on-Chip solutions. The WirelessMAN Standard was announced on January 30, 2003. This is another broadband wireless standard that Wi-LAN believes incorporates its patented W-OFDM technology. Wi-LAN has joined with fellow members of the WiMAX Forum, a non-profit corporation, to help promote and certify the compatibility and interoperability of WirelessMAN equipment. Other WiMAX Forum members include Fujitsu, Intel and Nokia. The Fujitsu agreement is expected to generate royalty revenue in fiscal year 2005.

  - Wi-LAN has agreed to co-develop semiconductor intellectual property (SIP) cores for IEEE 802.16 WirelessMAN Standard broadband wireless systems-on-chips (SoCs) with a leading SIP provider. This is intended to allow Wi-LAN to accelerate the development work for its IEEE 802.16 WirelessMAN Standard SoCs and broadband wireless systems and to broaden the market for its intellectual property. Wi-LAN expects to license the SIP cores to semiconductor companies, and to incorporate resulting SoCs into its LIBRA products to produce the first 802.16 WirelessMAN compliant systems.

- **In addition, Wi-LAN partners with interested parties to develop new applications of its W-OFDM technology**. In 2003 Wi-LAN signed two technology development agreements, which generated $235 during the 2003 fiscal year. Both of these agreements are ongoing:
  - Wi-LAN is partnering with **Wellink**, a leading provider of high-speed telecommunication systems based in South Korea, to develop mobile wireless products based on W-OFDM. These mobile wireless systems are initially intended for Intelligent Transportation Systems (ITS) field trials in the Asia-Pacific region. ITS applications may include real-time video security, advertising and Internet. Wellink and Wi-LAN also intend to pursue other business opportunities related to the development and use of W-OFDM-based products.
  - Wi-LAN is also partnering with **Wi-Comm Communications Equipment Co. Ltd.**, a Chinese joint venture company based in Beijing, China, to support further development of Wi-LAN's LIBRA Series commercial W-OFDM products. For further disclosure, refer to Note 3 to the Financial Statements.

GEOGRAPHIC REVENUE

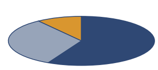
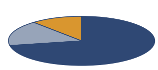
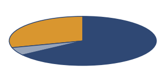
Wi-LAN's **North American revenue** for fiscal year 2003 was $11,123, which is $244 or 2.2% more than the $10,879 reported for fiscal year 2002. The fiscal year 2003 amount was composed of $7,211 or 64.8% from the sale of broadband wireless products, and $3,912 or 35.2% from the sale of antenna products.

Wi-LAN's **European revenue** for fiscal year 2003 was $3,297, which is $427 or 14.9% more than the $2,870 reported for fiscal year 2002. The fiscal year 2003 amount was composed of $2,972 or 90.1% from the sale of broadband wireless products, and $325 or 9.9% from the sale of antenna products.

Wi-LAN's **Asian and other international revenue** for fiscal year 2003 was $12,391, which is $2,817 or 29.4% more than the $9,574 reported for fiscal year 2002. The fiscal year 2003 amount was composed of $11,802 or 95.2% from the sale of broadband wireless products, $354 or 2.9% from the sale of antenna products, and $235 or 1.9% was license, technology and engineering services revenue.

Product Gross Margin

Product gross margin showed significant improvement in fiscal year 2003 as Wi-LAN's cost-reduced broadband fixed wireless access products, Ultima3, Libra 3000 and VIP 110-24, dominated the sales mix. Wi-LAN currently targets a consolidated product gross margin of 50%. Product gross margin for fiscal year 2003 was 48.2% or $12,809, an improvement of 34.0 percentage points or $9,499 compared with 14.2% or $3,310 for fiscal year 2002. In fiscal year 2002, a non-cash inventory valuation adjustment reduced Wi-LAN's product gross margin by $3,972 and in fiscal year 2003 the effect of the adjustment was to increase Wi-LAN's product gross margin by $898. The inventory valuation adjustments resulted from application of the Company's accounting policy that provides for an inventory valuation allowance based on a quarterly review of the composition, quantity, and expected future usage or sales of inventory. In fiscal year 2003, sales of inventory were higher than expected in fiscal year 2002 and some products that had been written off in 2002 were sold in 2003. Reduction of the 2002 inventory valuation adjustment to remove the 2003 inventory valuation adjustment yields a fiscal year 2002 valuation adjustment of $3,074 and a fiscal year 2002 product gross

Geographic Product Revenue ($000's)	99	00	01	02	03
North America Europe Asia and other					
	$5,923	$14,893	$24,438	$23,323	$26,576

While North America remains an important market for Wi-LAN's products, most of the sales growth in recent years has come from Asia and other international markets.

margin of 18.0%, compared to an adjusted fiscal year 2003 product gross margin of 44.8%. For further disclosure, refer to Notes 4 and 12 to the Financial Statements.

Operating Loss

The Company's **operating loss** for fiscal year 2003 was $(3,956), compared with $(16,081) for fiscal year 2002, an improvement of $12,125. This improvement was due to an increase of $9,734 at the gross margin level (explained in the financial highlights section) and a $2,391 reduction in annual operating expense. The reduction in annual operating expense of was made up of the following items:

- Recurring cash operating expenses (sales and marketing, research and development, operations, general and administrative) for fiscal year 2003 were $15,011, reduced by $2,955 when compared with $17,966 for fiscal year 2002.

  – **Sales and marketing expense** improved by $673 or 11.0%, from $6,096 in fiscal year 2002 to $5,423 in fiscal year 2003. Wi-LAN expects sales and marketing expenses to show modest growth in support of growing sales in fiscal year 2004.

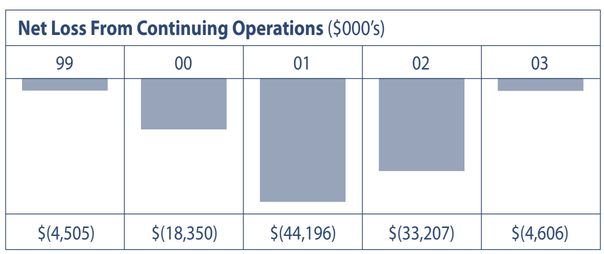
  – **Research and development (R&D) expense** improved by $777 or 14.5%, from $5,359 in fiscal year 2002 to $4,582 in fiscal year 2003. The 2003 R&D included a reduction of $2,169 due to funds received and accrued from the government of Canada's Technology Partnerships Canada (TPC) program, and an increase of $(2,285) for the accrual of an obligation to issue warrants to TPC (refer to Note 11(b) to the Financial Statements), for a net increase of $116 from TPC. Excluding TPC, R&D was $4,466 in fiscal year 2003, an improvement of $893 or 16.7% over fiscal year 2002.

  In fiscal year 2003 Wi-LAN collaborated with other companies to support funding for specific joint R&D projects. Wi-LAN is partnering with Wellink, a leading provider of high-speed telecommunication systems based in South Korea, to develop mobile wireless products based on W-OFDM that are initially intended for Intelligent Transportation Systems (ITS). ITS applications may include real-time video security, advertising and Internet. Wi-LAN is also partnering with Wi-Comm Communications Equipment Co. Ltd., a Chinese joint venture company based in Beijing, China, to support further development of Wi-LAN's LIBRA Series commercial W-OFDM products. Collaboration with these two companies generated $235 of license, technology and engineering services revenue in fiscal year 2003, and a portion of this amount was supported by TPC funding. Wi-LAN expects to grow its net research and development expenses in 2004 in line with funding received from product development collaboration agreements.

- **Depreciation and amortization** for fiscal year 2003 was $1,219, reduced by $206 when compared $1,425 for fiscal year 2002.

- **Operations consolidation costs** were $770 in fiscal year 2003, compared to $nil in fiscal year 2002. In fiscal year 2003 Wi-LAN took action to further reduce quarterly expenses and improve operational efficiency by transferring its California operations into its lower cost Calgary head office. This action reduced the Company's quarterly operating expenses by approximately $600 per quarter, beginning in the third quarter. For further disclosure, refer to Note 14 to the Financial Statements.

Net Loss from Continuing Operations



Net loss from continuing operations for fiscal year 2003 was $(4,606), compared with $(33,207) for fiscal year 2002, an improvement of $28,601.

The Company's **net loss from continuing operations** for fiscal year 2003 was $(4,606), compared with $(33,207) in fiscal year 2002, an improvement of $28,601. The improvement in net loss from continuing operations in fiscal year 2003 resulted partly from the improvement in operating loss of $12,125 previously described. In fiscal year 2002, write-downs of goodwill, a non-cash charge taken to write down the net assets of Wi-LAN Technologies Inc. and the TIL-TEK antenna division to their estimated realizable value of $2,520 and $7,800 respectively, totaling $10,320 were incurred, increasing the net loss in fiscal year 2002 (refer to Note 7 to the Financial Statements). Excluding the operating loss and the write-downs of goodwill in fiscal year 2002, the net loss from continuing operations for fiscal year 2003 was improved by $6,156 over fiscal year 2002. The following items contributed to this improvement in the net loss from continuing operations:

- **Amortization of goodwill** for fiscal year 2003 was $nil, compared with $(5,839) in fiscal year 2002. Effective November 1, 2002 the Company discontinued amortizing goodwill and adopted early the new standard of the Canadian Institute of Chartered Accountants Section 3062 – Goodwill and Other Intangible Assets, which requires intangibles to be separated into either finite or indefinite life assets. Finite life intangibles are amortized over their useful lives with an annual review of the amortization method and useful life. Indefinite life intangibles and goodwill are not amortized and are tested annually for impairment. The annual impairment test is a two-part test, which compares the carrying amount of the reporting unit to the fair value. If the carrying amount exceeds the fair value, the goodwill or indefinite life intangible is written down to fair value with a charge to earnings. This section is required to be applied prospectively starting with fiscal years beginning on or after January 1, 2002. Transitional provisions require that previously reported net loss and loss per share calculations are recalculated and then reconciled to the earnings.

- **Loss on impairment of investments** for fiscal year 2003 was $(350), compared with $(2,021) for fiscal year 2002. These losses are write-downs resulting from Company reviews of the fair value of portfolio investments held. For further disclosure, refer to Note 8 to the Financial Statements.

- **Interest and bank charges** for fiscal year 2003 was $(63), compared with $(105) for fiscal year 2002, a reduction of $42.

- **Interest income** for fiscal year 2003 was $126, compared with $201 in fiscal year 2002, a reduction of $(75). This decrease is due to changes in interest income earned on cash balances, which varied throughout the reporting periods.

- **Gains on disposal** for fiscal year 2003 were $64, compared with $323 in fiscal year 2002, a reduction of $(259). This difference is due to the timing of minor disposals of assets and equity investments throughout the reporting periods.

- **Other income** for fiscal year 2003 was $129, compared with $599 in fiscal year 2002, a reduction of $(470). This reduction is party due to a $267 write-off of long-term debt in fiscal year 2002 due to the expiry of an agreement regarding debt owed to Alberta Economic Development and Tourism Inc. There was no such write-off in fiscal year 2003. Also, non-recurring engineering (NRE) expenses recovered were $(165) less in fiscal year 2003 than in fiscal year 2002.

- **Foreign exchange gain (loss)** for fiscal year 2003 was $(491), compared with $97 in fiscal year 2002, a reduction of $588. This change is due to gains and losses on foreign exchange transactions and the translation of revenue and expense from US dollars to Canadian dollars. Wi-LAN products use components usually priced in US dollars and sells most of its products in US dollars, which produces both receivables and collections in US dollars. An accounting translation into Canadian dollars is done at the time of each transaction. Thus, the rapid decline of the value of the US dollar relative to the Canadian dollar between the time of sale and the time of collection was a major reason for the fiscal year 2003 foreign exchange loss.

- **Income tax** for fiscal year 2003 was $(65) compared with $(61) in fiscal year 2002, an increase of $(4), due to large corporations tax. For further disclosure, refer to Note 18 to the Financial Statements.

Gain on sale of Discontinued Operations

The Company's gain on sale of discontinued operations for fiscal year 2003 was $nil, compared with $27,409 in fiscal year 2002. The fiscal year 2002 amount is the Company's gain on the sale of its majority ownership of Digital Transmission Systems (DTS). When the sale was completed the liabilities of DTS were eliminated as an obligation of Wi-LAN, which substantially accounts for the gain on sale. For further disclosure, refer to Note 16 to the Financial Statements.

Financial Condition, Liquidity, and Requirements Outlook

The Company's **consolidated cash** on October 31, 2003 was $27,553 compared with consolidated cash of $5,586 on October 31, 2003, an improvement of $21,967. Cash flow from operations in fiscal year 2003, including changes in non-cash operating working capital, was $(260), and financing and investments transactions increased cash flow in the year by $22,227 ($22,437 of share capital issued net of costs and $5 from investments, partly offset by $(215) of capital lease payments). Wi-LAN's October 31, 2003 cash balance is expected to be adequate to sustain the Company's operations. Ongoing improvements in revenue, gross margin and working capital are expected to continue to generate positive cash flow from operations in fiscal year 2004. For further disclosure, refer to the Financial Highlights section, the Consolidated Statements of Cash Flows, and Note 11(d) to the Financial Statements.

The Company had no **long-term debt during fiscal year 2003**.

The Company's consolidated working capital (current assets net of current liabilities) on October 31, 2003 was $28,383 compared with consolidated working capital of $7,303 on October 31, 2002, an increase of $21,080.

- During fiscal 2003, current assets increased by $21,118, from $14,578 on October 31, 2002 to $35,696 on October 31, 2003. The annual increase in current assets was due to the aforementioned increase in cash of $21,967, an increase in accounts receivable of $1,006, a decrease in inventories of $(1,654), and a decrease in prepaid expenses and deposits of $(201).
- Current liabilities increased by $38 from $7,275 on October 31, 2002 to $7,313 on October 31, 2003. The increase in current liabilities was due to a decrease in accounts payable and accrued liabilities of $(81), an increase in the current portion of deferred revenue of $288, an increase in warranty liabilities of $94, a decrease in the current portion of the cost of excess space of $(183), and a decrease in the current portion of the capital lease obligation of $(80).

Cash Flow from Operations

During the twelve months ended October 31, 2003 the Company generated (used) cash from operations, including changes in non-cash operating working capital, in the amount of $(260), compared with $(4,834) in fiscal year 2002, an annual improvement of $4,574. The improvement in cash flow from operations for the twelve months ended October 31, 2003 was due to decreases in non-cash operating working capital balances which decreased cash flow from operations by $(6,929), more than offset by a significant improvement in the cash net loss from continuing operations, which increased cash flow from operations by $11,503. The major negative working capital items were changes in inventories, which contributed $3,061 less cash, changes in accounts receivable and trade notes receivable, which contributed $2,412 less cash, and changes in accounts payable and accrued liabilities, which contributed $1,350 less cash in fiscal year 2003 compared to fiscal year 2002.

For additional disclosure, refer to the Financial Highlights section.

Investing Activities

During fiscal year 2003 the Company generated cash from investing activities in the amount of $5, compared with $238 in fiscal year 2002, a reduction of $(233). The difference is attributable to the amount and timing of cash flow for the purchase and sale of capital and intangible assets, for equity interests in certain private companies, and from proceeds on disposal of equity interests in companies.

Impact of Inflation

Inflation is not considered to be a major factor affecting continuing operations, as the inflation rate remains low for countries in which Wi-LAN sources its supplies and people.

Foreign Currency

The Company's consolidated revenue and consolidated cost of product sales are primarily denominated in United States (US) dollars. Operating expenses are primarily denominated in Canadian dollars. Consequently, significant movements in exchange rates may have a significant impact on financial results and may affect financial guidance. Based on the distribution of revenue and cost of product sales for fiscal year 2003, a Canadian one-cent decrease in the value of the US dollar is estimated to decrease the Company's revenue and net income by $203 and $99 respectively.

Risks and Uncertainties

In addition to risks described elsewhere in this report, the Company is subject to each of, and the cumulative effect of all of, the following risk factors. The Company has comprehensive risk management practices in place designed to offset these risk factors to the greatest extent possible. Risk factors include:

- Competition in the wireless telecommunications industry and competition from wired telecommunications;
- Technological change, new products and standards and dependence on proprietary technologies;
- Risk of third party claims for patent infringement;
- Risk of inability to protect the Company's intellectual property against unauthorized or infringing uses;
- Risk of inability to effectively manage future growth and expansion;
- Dependence on key personnel, products and customers;
- Variances in the industry growth rate;
- Dependence on continuing demand for the Company's products;
- Finite financial resources and the potential need for future financing;
- Dependence on third party manufacturers, suppliers and licensees;
- Potential fluctuations in quarterly results;
- Lengthy and variable sales cycles;
- Risks related to acquisitions;
- Reliance on international sales;
- Product liability issues;
- Changes in the regulatory environment; and
- Changes in currency exchange rates.

MANAGEMENT'S REPORT

The financial statements of Wi-LAN and the other financial information included in this annual report are the responsibility of the Company's Management and have been examined and approved by its Board of Directors. These financial statements have been prepared by Management in accordance with generally accepted accounting principles and include some amounts that are based on Management's best estimates using careful judgment. The selection of accounting principles and methods is Management's responsibility.

The Company maintains internal control systems designed to ensure that financial information is relevant and accurate and that assets are safeguarded. Management recognizes its responsibility for conducting the Company's affairs to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the financial statements and other financial information through its Audit Committee, which consists solely of outside directors.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the Audit Committee meets periodically with the external auditors, with and without the Company's Management, to review their audit plan and discuss the results of their examinations.

KPMG LLP has audited the financial statements in accordance with generally accepted auditing standards. KPMG LLP are the external auditors who were appointed by the shareholders. KPMG LLP have full and unrestricted access to the Audit Committee to discuss their audit and related findings as to the integrity of the Company's financial reporting.

H. Zaghloul

Dr. Hatim Zaghloul
Executive Chairman

Keith Bittner

Keith Bittner
Acting Chief Financial Officer

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Wi-LAN Inc. as at October 31, 2003 and 2002 and the consolidated statements of operations and deficit and cash flows for the years then ended. These 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 October 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada
December 15, 2003

CONSOLIDATED BALANCE SHEET

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

As at October 31,		**2003**		2002
ASSETS				
Current assets:				
Cash	**$**	**27,553**	$	5,586
Accounts receivable		**5,518**		4,512
Inventories (Note 4)		**2,447**		4,101
Prepaid expenses and deposits		**178**		379
		35,696		14,578
Property, plant and equipment (Note 5)		**2,007**		3,179
Long-term investments (Note 8)		**231**		584
Trademarks, patents and licences (Note 6)		**385**		414
Goodwill (Note 7)		**6,364**		6,364
	$	**44,683**	$	25,119
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities	**$**	**5,658**	$	5,739
Deferred revenue		**298**		10
Warranty liabilities		**410**		316
Cost of excess space		**851**		1,034
Capital lease obligation		**96**		176
		7,313		7,275
Capital lease obligation		**–**		135
Cost of excess space		**2,352**		2,908
Deferred revenue		**138**		161
Shareholders' equity:				
Share capital (Note 11)		**176,834**		151,988
Contributed surplus		**400**		400
Deficit		**(142,354)**		(137,748)
		34,880		14,640
Commitments and contingencies (Note 11 (b) and 17)				
	$	**44,683**	$	25,119

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Dr. Hatim Zaghloul
Director

Charles Hotzel
Director

CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

Wi-LAN Inc.

(in thousands of Canadian dollars except per share amounts)

Years ended October 31,	2003	2002
Revenue:		
Product	$ 26,576	$ 23,323
License, technology and engineering services	235	–
	26,811	23,323
Cost of product sales	14,665	16,041
Inventory valuation adjustment (Note 12)	(898)	3,972
	13,044	3,310
Expenses:		
Sales and marketing	5,423	6,096
Research and development (Note 11 (b))	4,582	5,359
Operations	2,073	3,121
General and administrative (Note 13)	2,933	3,390
Depreciation and amortization	1,219	1,425
Operations consolidation costs (Note 14)	770	–
	17,000	19,391
Operating loss before the following	(3,956)	(16,081)
Amortization of goodwill	–	(5,839)
Write-down of goodwill (Note 7)	–	(10,320)
Loss on impairment of investments (Note 8)	(350)	(2,021)
Interest and bank charges	(63)	(105)
Interest income	126	201
Gains on disposal	64	323
Other income	129	599
Foreign exchange gain (loss)	(491)	97
Net loss before tax	(4,541)	(33,146)
Income taxes (Note 18)	(65)	(61)
Net loss from continuing operations	(4,606)	(33,207)
Gain on sale of discontinued operations (Note 16)	–	27,409
Net loss	(4,606)	(5,798)
Deficit, beginning of year	(137,748)	(131,950)
Deficit, end of year	$ (142,354)	$ (137,748)
Loss per share from continuing operations – basic and diluted	$ (0.15)	$ (1.10)
Loss per share – basic and diluted	$ (0.15)	$ (0.19)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Wi-LAN Inc.
(in thousands of Canadian dollars except per share amounts)

Years ended October 31,	2003	2002
Cash provided by (used in):		
Operations:		
Net loss from continuing operations	**$ (4,606)**	$ (33,207)
Items not involving cash:		
Depreciation and amortization	**1,219**	7,264
Loss on impairment of investments	**350**	2,021
Write-down of goodwill	**–**	10,320
Gain on disposals of long-term investments	**(61)**	(327)
(Gain) loss on disposal of equipment	**(3)**	4
Cost of excess space	**(466)**	(154)
Deferred costs	**–**	1,500
Fair value of warrants and options issued (Note 11(b))	**2,409**	20
Long-term debt, non-cash reduction	**–**	(267)
Unrealized losses on foreign exchange and other	**44**	209
	(1,114)	(12,617)
Change in non-cash operating working capital balances:		
Accounts receivable	**(1,006)**	421
Trade notes receivable	**–**	985
Inventories	**1,654**	4,715
Prepaid expenses and deposits	**201**	75
Accounts payable and accrued liabilities	**(81)**	1,269
Deferred revenue	**265**	(86)
Cost of excess space	**(273)**	230
Warranty liabilities	**94**	174
	(260)	(4,834)
Financing:		
Share capital issued for cash	**24,518**	5,202
Share capital issued for cash on exercise of stock options	**486**	117
Share issue costs	**(2,567)**	(565)
Capital lease payments	**(215)**	(271)
	22,222	4,483
Investments:		
Property and equipment	**(61)**	(81)
Trademarks, patents and licenses	**(5)**	(38)
Long-term investments	**(70)**	(10)
Proceeds from disposal of long-term investment	**135**	349
Proceeds from disposal of equipment	**6**	18
	5	238
Net cash provided by discontinued operations	**–**	166
	21,967	53
Cash, beginning of year	**5,586**	5,533
Cash, end of year	**$ 27,553**	$ 5,586

Cash consists of cash on hand and balances with banks.

See accompanying notes to consolidated financial statements including Note 15 – Supplemental cash flow information.

1. Nature of operations:

Wi-LAN Inc., (the "Company") is incorporated under the Business Corporations Act (Alberta), Canada. Its principal business activities include the research and development, manufacturing, marketing and selling of high-speed wireless data communications products and development and licensing of intellectual property.

2. Significant accounting policies:

The financial statements are stated in thousands of Canadian dollars and have been prepared using the historical cost basis in accordance with generally accepted accounting principles in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. These financial statements have, in Management's opinion, been properly prepared within the framework of the accounting policies summarized below.

The amounts recorded for allowance for doubtful accounts, inventory valuation allowance, sales returns, discounts and allowances, goodwill valuation, warranty provision, valuation of long-term investments, amortization periods of intangible assets, estimated useful life of property, plant and equipment, estimated future tax, and provisions for certain contingent liabilities are based on Management's best estimates. By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements of changes in estimates in future periods could be significant.

(a) Consolidation and long-term investments:

The consolidated financial statements include the accounts of Wi-LAN Inc., its wholly-owned subsidiaries, and 100% of the consolidated financial results, adjusted for non-controlling interests, of Digital Transmission Systems, Inc. ("DTS"), an Atlanta, Georgia-based company, a subsidiary in which the company had a 51% common equity interest. The operations of DTS have been restated as Discontinued Operations for the year ended October 31, 2002 (see Note 16). The Company's interest in Wi-Comm Communications Equipment Co. Ltd. joint venture, prior to October 31, 2003, is accounted for using the proportionate consolidation method of accounting whereby Wi-LAN's 20% pro-rata share of the assets, liabilities, revenues and expenses of the joint venture is included on a line-by-line basis with similar items in the financial statements. As a result of the Company's release of joint control, its investment in the assets and liabilities of Wi-Comm at October 31, 2003 has been de-consolidated.

All material inter-company transactions have been eliminated. Investments subject to significant influence are accounted for by the equity method. Investments in companies that are not subject to significant influence or control are accounted for by the cost method.

(b) Revenue recognition:

The Company recognizes revenue when an agreement has been signed with the customer, the product has been shipped and collection is probable.

For product sales, these conditions normally are achieved when products are shipped. The Company estimates and records provisions for sales returns, discounts and allowances in the period the sale is reported, based on its experience and other relevant factors. Certain of the Company's contractual arrangements allow for limited right of return. Management of the Company has provided an allowance for expected sales returns, discounts, and allowances related to these customers based on the historical return rates and expected future returns of sales to these customers. The amounts of sales discounts, returns, and allowances ultimately incurred could differ in the near term from the allowances recorded in these financial statements.

Revenue from licensing of technology and engineering services is recognized when the Company has completed or fulfilled the terms of the licensing or engineering services agreement including delivery, acceptance and any elements that are essential to the functionality of the technology.

(c) Foreign currency translation:

The Company uses the temporal method of foreign currency translation to translate the accounts of foreign subsidiaries and joint ventures. Transactions in foreign currencies are translated at the rate in effect at the time of the transaction. Resulting unrealized gains or losses are charged to income.

(d) Inventories:

Parts and sub-assembly inventory is stated at the lower of cost, on a first-in, first-out basis, and net realizable value. Inventories of finished goods and work-in-progress are stated at the lower of average cost and net realizable value. A valuation allowance is established for inventories based on a review of the composition, quantity, and expected future usage or sales of inventories including expected sales prices.

(e) Property, plant and equipment:

Property, plant and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is calculated on the straight line method over the estimated useful lives of the assets as follows:

	Estimated Life
Machinery and business equipment	3-7 years
Computer software and equipment	3-5 years
Furniture and fixtures	5-7 years
Leasehold improvements	15 years
Vehicles	3 years
Building	20 years

(f) Goodwill and intangible assets:

On November 1, 2002 the Company adopted the new standard of the Canadian Institute of Chartered Accountants (CICA) for accounting for goodwill and other intangible assets (being trademarks, patents and licenses). In accordance with the new CICA standards, intangible assets with finite lives, being trademarks, patents and licenses, are amortized over their useful life with an annual review of the amortization method and life. The useful life of trademarks has been adjusted from twenty years to fifteen years for the year ended October 31, 2003. Goodwill is not amortized and is tested annually for impairment. The annual impairment test is a two-part test which compares the carrying amount of each reporting unit to its fair value. If the carrying amount exceeds the fair value, the goodwill is written down to fair value with a charge to earnings.

Under the new CICA standards, transitional provisions require that previously reported net income (loss) and income (loss) per share calculations are recalculated and then reconciled to the amounts previously disclosed. Therefore, if this standard had been in effect for the year ended October 31, 2002 goodwill amortization would decrease by $5,839,000 but the goodwill write-down would have increased by the same amount resulting in no impact in the previously reported net loss.

(g) Research and development costs:

Research and development costs are expensed as incurred except if the product is defined and the costs attributable thereto can be identified, the future market for the product is defined and there exists adequate resources to complete the project. The Company has expensed all research and development costs.

(h) Government assistance:

The Company is eligible for government assistance for certain research and development costs (see Note 11 (b)). Government assistance relating to these research and development costs is recorded as a reduction of current year expenses when the related costs are incurred and when there is a reasonable assurance that the Company has complied with, and will continue to comply with, all of the conditions necessary to obtain the grants.

(i) Warranty accrual:

The Company warrants certain of its products against defects in design, materials, and workmanship for periods ranging from one to three years. A provision for estimated future costs relating to warranty expense is recorded when the products are delivered based on historical claims and projected future experience.

Certain of the Company's product lines have been recently introduced to market and therefore limited historical data has been available on which to base estimates of future returns for warranty repairs. Management of the Company has provided for warranty expense related to these new products based on the historical return rates and repair costs of established product lines, as well as recent and expected return rates and repair costs of these new products. The amount of warranty expense ultimately incurred could differ in the near term from the amount accrued in these financial statements.

(j) Income taxes:

The Company uses the liability method of tax allocation in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

(k) Earnings per common share:

Basic earnings (loss) per share is calculated based on the weighted average number of shares issued and outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings per share. Under this method all options and warrants whose exercise price is less than or equal to the daily weighted average share price for the period to date are considered outstanding and all such options and warrants are deemed converted at the average share price for the period.

(l) Stock-based compensation:

Effective February 1, 2002, the Company adopted the new standard of the CICA Handbook Section 3870 – Stock-Based Compensation and Other Stock-Based Payments. The adoption of the new standard is retroactive to the start of the 2002 fiscal year. This section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. It applies to transactions in which an enterprise grants shares of common stock, stock options, or other equity instruments, or incurs liabilities based on the price of the common stock or other equity instrument. For options granted to employees, the Company uses settlement date accounting whereby the stock options are accounted for only when exercised.

(m) Comparative information:

Certain comparative information for 2002 has been restated to conform with the current year's presentation.

3. Investment in Wi-Comm Communications Equipment Co. Ltd. Joint Venture:

In October 2001, Wi-LAN entered into a joint venture agreement with a 20% participation in the joint venture named Wi-Comm Communications Equipment Co. Ltd. ("Wi-Comm"). The purpose of the joint venture is to design, manufacture and sell wireless data products and provide after-sale repair service, principally in the People's Republic of China. No activity had taken place in the joint venture until April 2002 when the joint venture partners contributed equity into the joint venture and the joint venture made a payment to Wi-LAN as part of a Technology Transfer Agreement. No revenue was generated by the joint venture during the year ended October 31, 2002; however revenue was generated during the year ended October 31, 2003. On October 31, 2003, the Company gave up its joint control in return for an option to buy back into the joint venture at a later date or possibly receive future equity in a Chinese company if that company were to go public. Accordingly, the investment in Wi-Comm was de-consolidated at October 31, 2003 and is recorded at cost. As a result of the de-consolidation, licensing revenue of $143,000 previously deferred has been recognized in income.

Assets and liabilities presented in the consolidated balance sheets include the following assets and liabilities of the joint venture:

(in thousands of Canadian dollars)		**2003**		2002
Current assets	**$**	**–**	$	105
Capital assets		**–**		12
Current liabilities		**–**		(28)
Non-current liabilities		**–**		(115)
	$	**–**	$	(26)

The consolidated statement of operations include the following results of operations of the joint venture:

(in thousands of Canadian dollars)		**2003**		2002
Sales	**$**	**198**	$	–
Cost of sales		**178**		–
		20		–
Expenses:				
General and administrative		**66**		24
Operating loss before the following		**(46)**		(24)
Foreign exchange loss		**(9)**		(2)
Net loss from continuing operations	**$**	**(55)**	$	(26)

The cash flows of the joint venture are as follows:

(in thousands of Canadian dollars)		**2003**		2002
Cash provided by (used in):				
Operations	**$**	**(55)**	$	55
Investment in equipment		**12**		(12)
Increase (decrease) in cash	**$**	**(43)**	$	43

4. Inventories:

(in thousands of Canadian dollars)	2003	2002
Parts and sub-assemblies	**$ 4,754**	$ 6,428
Work-in-progress	**250**	204
Finished goods	**2,614**	3,538
	7,618	10,170
Valuation allowance	**(5,171)**	(6,069)
	$ 2,447	$ 4,101

5. Property, plant and equipment:

(in thousands of Canadian dollars) October 31, 2003	Cost	Accumulated depreciation and amortization	Net book value
Machinery and business equipment	$ 2,040	$ 1,275	$ 765
Computer software and equipment	2,657	2,463	194
Furniture and fixtures	1,230	789	441
Leasehold improvements	287	59	228
Vehicles	14	11	3
Land	15	0	15
Building	427	66	361
	$ 6,670	**$ 4,663**	**$ 2,007**

(in thousands of Canadian dollars) October 31, 2002	Cost	Accumulated depreciation and amortization	Net book value
Machinery and business equipment	$ 2,251	$ 1,113	$ 1,138
Computer software and equipment	2,923	2,219	704
Furniture and fixtures	1,259	589	670
Leasehold improvements	294	27	267
Vehicles	14	8	6
Land	15	0	15
Building	425	46	379
	$ 7,181	$ 4,002	$ 3,179

Property, plant and equipment purchased using capital leases are as follows:

(in thousands of Canadian dollars) October 31, 2003	Cost	Accumulated depreciation and amortization	Net book value
Machinery and business equipment	**$ 344**	**$ 152**	**$ 192**

(in thousands of Canadian dollars) October 31, 2002	Cost	Accumulated depreciation and amortization	Net book value
Machinery and business equipment	$ 440	$ 92	$ 348
Computer software and equipment	103	52	51
Furniture and fixtures	287	91	196
	$ 830	$ 235	$ 595

6. Trademarks, patents and licenses:

(in thousands of Canadian dollars) October 31, 2003	Cost	Accumulated amortization	Net book value
Trademarks	$ 73	$ 16	$ 57
Patents and licenses	447	119	328
	$ 520	**$ 135**	**$ 385**

(in thousands of Canadian dollars) October 31, 2002	Cost	Accumulated amortization	Net book value
Trademarks	$ 68	$ 8	$ 60
Patents and licenses	447	93	354
	$ 515	$ 101	$ 414

7. Goodwill:

In 2002, goodwill impairment charges of $7.80 million and $2.52 million were recorded against the carrying value of goodwill in the Til-Tek and Wi-LAN (specifically Wi-LAN's US operations represented by Wi-LAN Technologies Inc.) reporting units. These impairment charges reflected reductions in the fair value of both reporting units arising from reduced expected future cash flows. In 2003 an impairment test was performed on the two reporting units and no impairment resulted.

8. Long-term investments:

The following summarizes the Company's long-term portfolio investments, none of which represent more than 10% interest in the subject companies noted:

(in thousands of Canadian dollars) October 31, 2003	Book value	Market value
Cell-Loc Inc.	$ 138	$ 325
Interwave Communications International Ltd.	–	9
NTG Clarity Networks Inc.	23	112
Wi-Comm Communications Equipment Co. Ltd. Joint Venture	62	N/A
Afar Communications Inc.	8	N/A
	$ 231	**$ N/A**

(in thousands of Canadian dollars) October 31, 2002	Book value	Market value
Cell-Loc Inc.	$ 511	$ 603
Interwave Communications International Ltd.	–	10
NTG Clarity Networks Inc.	73	68
Digital Transmission Systems, Inc.	–	15
	$ 584	$ N/A

The market values of the investments in Cell-Loc Inc., Interwave Communications International Ltd., NTG Clarity Networks Inc. and Digital Transmission Systems, Inc. are based on trading activity. The market value of these investments may differ from the realizable value due to the liquidity of such shares. Wi-Comm Communications Equipment Co. Ltd. and Afar Communications Inc. are private companies and their market values, although estimated by the Company for impairment purposes, are not stated herein.

The Company reviews the carrying value of its portfolio investments annually. Write-downs of $350,000 and $2,021,000 to net realizable value were recorded for years ended October 31, 2003 and 2002 respectively as it was determined that the carrying value of certain investments had a decline that was other than temporary and recovery, given the present market conditions, of the book value of the investments is unlikely.

9. Due to related parties and related party transactions:

The following outlines related party transactions, all of which are in the normal course of operations and are measured at an exchange value, which approximates the arms length equivalent as with any third party:

(in thousands of Canadian dollars)	**2003**	2002
Revenues:		
Sale of products to companies in which Wi-LAN owns less than a 10% minority interest	**$** –	$ 81
Sale of products to a company in which an officer and director is a significant shareholder and director	–	3
Expenses:		
Interest expense incurred with a company in which an officer and director is a significant shareholder	–	2

At October 31, 2003 and October 31, 2002 no amounts were due to or from related parties.

10. Long-term debt and lines of credit:

(a) Long-term debt

Alberta Economic Development and Tourism made advances to the Company pursuant to the provisions of the Department of Technology, Research and Telecommunication Act. The loan was repayable at the rate of 4% of total gross revenue from sales of specific product technology calculated every six-month period, commencing April 1, 1995. Interest at 9% annually up to a maximum cumulative amount of approximately $58,000 was included in the amount due. In 2002 the agreement expired with no amounts due under the repayment provision. The full amount due, including accrued interest, was taken into income in 2002.

(b) Lines of credit:

The Company has a credit facility with a Canadian commercial bank secured by cash to cover up to $450,000 in Letters of Credit.

11. Share capital:

(a) Authorized:

Unlimited number of voting common shares.

6,350.9 of special preferred, redeemable, retractable, non-voting shares and an unlimited number of preferred shares, issuable in series. No preferred shares are issued or outstanding.

(b) Issued and outstanding:

	Common Shares	
	Number	Amount ($000's)
Balance, October 31, 2001	29,149,550	$ 147,216
Issued for cash	1,530,000	5,202
Share issue costs – cash	–	(565)
Exercise of stock options	54,613	117
Stock-based compensation	–	20
Escrowed shares returned to treasury	(456)	(2)
Balance, October 31, 2002	30,733,707	151,988
Issued for cash	7,330,325	24,518
Share issue costs	–	(2,567)
Exercise of stock options	315,657	486
Stock-based compensation	–	82
Technology non-recoverable research and development	–	42
Warrants to be issued to Technology Partnerships Canada	–	2,285
Balance, October 31, 2003	**38,379,689**	**$ 176,834**

Stock-based compensation consisted of stock options issued to contract sales people, sales and marketing personnel, research and development personnel and warrants issued under research and development contracts for non-recoverable research and development expenses. The stock options issued to contract sales people, sales and marketing personnel, research and development personnel and the warrants issued under research and development contracts were valued using the Black-Scholes option pricing model for estimating the fair value of the stock options issued using the assumptions stated in note 13 (e).

Under an Agreement with the Government of Canada's Technology Partnerships Canada ("TPC") program, TPC is to receive a total fair value of $5 million of warrants exercisable for a five-year term, subject to regulatory approvals, no later than January 31, 2005, the fair value of each warrant to be determined on the date of issuance using the Black-Scholes pricing model. If the regulatory authorities do not approve the warrants, the Company is obligated to repay $5 million with interest based on the Bank rate as defined in the Government of Canada's Interest and Administrative Charges Regulations plus 300 basis points effective January 31, 2005. The Company is accruing its obligation to issue the warrants based on a proration of its expected claims for funding under the Agreement. An amount of $2,285,000 has been charged to research and development expense and the credit has been recorded in share capital for the year ended October 31, 2003.

(c) Share purchase warrants:

Share purchase warrants issued and outstanding in conjunction with financings described in 13 (d) and in the normal course of business was as follows:

	Number of Warrants Outstanding	Price/Share (Cdn $) Price Range		Weighted Average
Outstanding at October 31, 2001	1,799,925	$ 9.50	$ 10.00	$ 9.79
Issued	897,812	1.85	4.25	3.89
Outstanding at October 31, 2002	2,697,737	1.85	10.00	7.83
Issued	3,644,888	3.10	5.25	4.09
Exercised	(66,200)	3.10	4.25	3.80
Expired	(1,799,925)	9.50	10.00	9.79
Outstanding at October 31, 2003	**4,476,500**	**$ 1.85**	**$ 10.00**	**$ 4.05**

(d) Financings and underwriters' options:

On February 14, 2002 the Company issued 1,530,000 units. Each unit consists of one common share of the Company and one-half of one common share purchase warrant of the Company. Each whole warrant of the Company entitles the holder to acquire one common share of the Company at an exercise price of $4.25 at any time on or before February 14, 2004. The Company may, at its option, repurchase all of the outstanding warrants if, at any time, the weighted average trading price of the common shares is at least $18.00 for a period of 20 trading days for a purchase price per warrant equal to the difference between the current market price per common share and the exercise price of the warrant. Concurrent with this offering, the Company issued to its underwriters' options to acquire 153,000 units at an exercise price of $3.40 per unit at any time on or before February 14, 2004 equating to 229,500 common shares. As at October 31, 2003, options to acquire 19,125 units have been exercised.

On August 13, 2003 the Company issued 3,910,000 units. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant of the Company. Each whole warrant of the company entitles the holder to acquire one common share of the Company at an exercise price of $3.10 per share at any time on or before August 13, 2005. Concurrent with this offering, the Company issued to its underwriters' options to acquire 391,000 units at an exercise price of $2.95 per unit at any time on or before August 13, 2005 equating to 586,500 common shares. As at October 31, 2003 none of these options have been exercised.

On October 29, 2003 the Company issued 3,335,000 units. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant of the Company. Each whole warrant of the company entitles the holder to acquire one common share of the Company at an exercise price of $5.25 per share at any time on or before April 29, 2005. Concurrent with this offering, the Company issued to its underwriters' options to acquire 333,500 units at a exercise price of $4.41 per unit at any time on or before April 29, 2005 equating to 500,250 common shares. As at October 31, 2003 none of these options have been exercised.

Option activity relating to options issued to underwriters' to acquire common shares was as follows (all exercisable):

	Number of Warrants Outstanding	Price/Share (Cdn $) Price Range		Weighted Average
Outstanding at October 31, 2001	427,478	$ 8.00	$ 9.50	$ 8.25
Granted	229,500	3.40	4.25	3.68
Outstanding at October 31, 2002	656,978	3.40	9.50	6.66
Granted	1,086,750	2.95	5.25	3.78
Exercised	(19,125)	3.40	3.40	3.40
Expired	(427,478)	8.00	9.50	8.25
Outstanding at October 31, 2003	**1,297,125**	**$ 2.95**	**$ 5.25**	**$ 3.77**

(e) Stock options:

The Company has a stock option plan for directors, officers, employees and consultants. The Company is authorized to issue options under the plan to acquire up to 5,000,000 common shares of the Company. All options granted have been fixed and granted to employees, directors and officers of the Company during the years ended October 31, 2003 and 2002.

Wi-LAN has granted 1,215,589 employee stock options to purchase common shares at prices ranging from $1.41 to $4.95 during the year ended October 31, 2003 under the Company's 2001 Share Option Plan. These options have an average fair value of $1.83 per share. Options vest at various times and in varying amounts ranging from immediate vesting of all options to 25% of the options vesting on the third anniversary of the option grant date. Employee stock options have a term of five years.

Wi-LAN uses settlement date accounting to account for employee stock options. For stock options granted after November 1, 2001, the use of the fair value method prescribed under the new standard would have resulted in an additional compensation expense.

The resulting proforma net loss and proforma net loss per common share are as follows:

(in thousands of Canadian dollars except per share amounts)	**2003**	2002
Net loss:		
As reported	**$ (4,606)**	$ (5,798)
Compensation expense	**753**	568
Proforma	**$ (5,359)**	$ (6,366)
Loss per share – basic and diluted:		
As reported	**$ (0.15)**	$ (0.19)
Proforma	**$ (0.17)**	$ (0.21)

The Company uses the Black-Scholes model for estimating the fair value of the stock options issued, with the following assumptions:

	2003 & 2002
Risk free interest rate	5%
Volatility	100%
Expected option life (in years) – less than 50,000 options	3.0
Expected option life (in years) – greater than 50,000 options	4.0
Dividend yield	0%

The option activity during the periods indicated is as follows:

Employee stock options	Number of options outstanding	Price/Share (Cdn$) Price Range		Weighted Average	Exercisable Options Number	Weighted Average
Outstanding at October 31, 2001	2,911,167	$ 1.23	$ 45.80	$ 13.35	1,553,263	$ 13.35
Granted	1,698,625	0.97	3.44	2.55		
Exercised	(54,613)	1.23	2.50	2.13		
Cancelled	(1,052,161)	2.00	45.80	9.64		
Outstanding at October 31, 2002	3,503,018	$ 0.97	$ 45.80	$ 4.05	2,494,752	$ 4.07
Granted	1,215,589	1.41	4.95	2.80		
Exercised	(315,657)	0.97	3.42	1.50		
Cancelled	(986,968)	0.97	14.45	3.76		
Outstanding at October 31, 2003	**3,415,982**	**$ 0.97**	**$ 45.80**	**$ 3.93**	**2,652,133**	**$ 4.15**

For various price ranges, weighted average characteristics of outstanding employee stock options at October 31, 2003, which expire between January 29, 2004 and October 16, 2008, were as follows:

Range of Exercise Prices		Outstanding Share Options at Oct 31, 2003	Remaining Term of Option in Years	Weighted Average	Exercisable Share Options at Oct 31, 2003	Weighted Average
$ 1.00	$ 1.18	285,200	3.93	$ 1.00	277,350	$ 1.00
1.20	1.66	529,350	3.83	1.47	387,632	1.46
1.67	2.19	344,600	3.54	2.02	291,250	1.71
2.47	2.98	142,062	4.22	2.80	80,566	2.79
3.00	3.35	140,500	4.34	3.10	91,688	3.09
3.42	3.44	594,500	3.16	3.42	524,250	3.42
3.61	4.19	605,350	4.86	3.62	331,675	3.62
4.46	4.52	232,998	3.02	4.46	176,313	4.46
4.61	4.65	143,000	2.75	4.64	118,000	4.64
4.95	6.75	53,110	2.63	6.58	38,409	6.70
7.65	9.30	72,250	2.21	8.12	61,938	8.08
10.87	14.45	267,362	1.61	14.33	267,362	14.33
14.73	45.80	5,700	2.00	24.00	5,700	24.00
		3,415,982		$ 6.12	2,652,133	$ 4.15

(f) Per share amounts:

The calculation of basic loss per common share from continuing operations and loss per common share is based on the weighted average number of common shares outstanding of 31.7 million (32.3 million diluted) and 30.3 million (30.6 million diluted) for the years ended October 31, 2003 and 2002 respectively.

12. Inventory valuation adjustment:

In January 2002 the Company decided not to complete a transaction for a $1,500,000 sale of product and have recovered the inventory. These costs were previously recorded as deferred costs. Upon recovery of the product there was uncertainty relating to the future salability of the returned product and as a result the Company provided an allowance, during the year, of $1,500,000 for this inventory. The balance of the valuation adjustment results from application of the Company's accounting policy that provides for an inventory valuation allowance based on a continual review of the composition, quantity, and expected future usage or sales of inventory.

13. Auditing fees:

Included in general and administrative expenses are annual audit and interim financial statement review fees of $96,000 (2002 - $135,000), $23,000 related to reporting advisory services and $36,000 (2002 - $13,000) relating primarily to tax preparation services performed by KPMG LLP. Share capital includes share issuance and French language translation costs of $84,000 (2002 - $16,000) for services performed by KPMG LLP relating to the various financings.

14. Operations consolidation costs:

On January 31, 2003, the Company adopted a plan to transfer the Wi-LAN Technologies Inc. (WTI) office in Santa Barbara, California into its lower-cost Calgary, Canada head office to improve operational efficiency and reduce expenses. The company accrued $934,000 at January 31, 2003, that was reduced to $770,000 based on actual costs on October 31, 2003, to cover the cost of consolidating the WTI operations which consists mainly of workforce reduction severance expenses. As at October 31, 2003, $709,000 has been paid against the accrual. The transition from California to Calgary was completed by March 31, 2003.

15. Supplemental cash flow information:

Cash interest paid in 2003 was $63,000 (2002 - $101,000). Cash interest received in 2003 was $80,000 (2002 - $161,000). Cash taxes paid in 2003 was $20,000 (2002 – $108,000).

16. Gain on sale of discontinued operations:

On December 31, 2001, the company completed the disposition of its interest in Digital Transmission Systems Inc. ("DTS") to a DTS Employee Stock Ownership Program ("ESOP"). The final selling price was subject to an independent valuation of the 10,038,370 common shares of DTS, those shares representing the Company's total investment in DTS after conversion of the DTS convertible debentures and preferred shares. The valuation was completed on February 27, 2002 and based on the valuation and further negotiations the Company and the ESOP agreed on February 28, 2002 to proceeds of US$103,837 cash. This left the Company with an investment of 250,000 common shares of DTS, the value of which has been written off.

The asset values relating to DTS were written down by $41.3 million in the consolidated statement of operations for the year ended October 31, 2001 to their estimated fair values, however the liabilities of DTS remained included at their carrying value in discontinued operations on the Company's October 31, 2001 consolidated balance sheet, pending completion of the sale of DTS. On completion of the sale of DTS, the liabilities of DTS have been eliminated as an obligation of the Company. This resulted in a gain on sale of $27.4 million, or $0.91 per common share non-diluted.

The gain on sale of the subsidiary has been determined as follows:

(in thousands of Canadian dollars)	2002
Cash proceeds from ESOP	$ 166
Remaining investment in DTS	39
Reduction in consolidated liabilities attributable to DTS	28,039
Over accrual of DTS losses in discontinued operations to December 31, 2001	2,380
Preferred shares of DTS	1,825
	32,449
Less: Reduction of consolidated assets attributable to DTS	(5,040)
Gain on sale	$ 27,409

The results and operations of DTS have been restated as discontinued operations. Operations of DTS for the period from November 1, 2001 to December 31, 2001 are included in the results from discontinued operations for the year ended October 31, 2002. The results of discontinued operations are as follows:

(in thousands of Canadian dollars)		2002
Product sales	$	2,006
Less: Cost of product sales		(1,440)
Gross margin		566
Expenses		1,291
Operating loss from discontinued operations		(725)
Interest expense		(51)
Foreign exchange loss		(94)
Net loss from discontinued operations		(870)
Less: Accrual for losses to December 31, 2001		3,250
Accrual for future losses included in gain on sale of discontinued operations	$	2,380
Accrual for future losses on discontinued operations	$	–

The cash flows from discontinued operations are as follows:

(in thousands of Canadian dollars)		2002
Cash provided by:		
Operations	$	–
Financing		166
Investments		–
Increase in cash	$	166

17. Commitments and Contingencies:

a) **Premises:**

The Company is committed to annual payments under operating leases for premises through 2011. Annual calendar payments required subsequent to October 31, 2003 are as follows:

(in thousands of Canadian dollars)		
2004	$	1,321
2005		1,321
2006		1,351
2007		1,412
2008		1,412

The Company is also committed to annual payments under operating leases for premises to pay for its proportionate share of common area maintenance and taxes.

b) In September 2002 the Company, its Executive Chairman, and Wi-Com Technologies Inc. (a private Alberta company), among others, were served with two Statements of Claim. The Company is reviewing the lawsuits and believes that any claim against Wi-LAN is without merit. The lawsuits allege the defendants are liable for failing to deliver certain common share certificates in a timely manner to the claimants. The claimants are former shareholders of Wi-Com Technologies Inc. Legal counsel for the Company has prepared and filed a Statement of Defense requesting that the Company be removed from the lawsuit as the Company believes it should not have been party to the claim and has filed a counterclaim asking for damages for "deep pockets" litigation without reasonable justification. To date, it has yet to be determined if a legal liability exists, and accordingly, no provision has been made in these statements.

c) In August 2002 the Company signed an agreement with a major application specific integrated circuit ("ASIC") manufacturer that commits Wi-LAN to purchase $2.4 million of ASIC's if the manufacturer or the Company is not able to find purchasers for $4.8 million of ASIC's. As at October 31, 2003 and 2002 no liability has been accrued with respect to this commitment and the amount of ASIC's to be purchased is undetermined.

18. Income taxes:

A reconciliation of the expected income tax expense (benefit) to the actual income tax expense (benefit) reported in the consolidated statements of operations is as follows:

(in thousands of Canadian dollars)	2003	2002
Computed "expected" income tax benefit at		
Canadian statutory income tax rate of 37.16% (2002 – 39.66%)	**$ (1,687)**	$ (2,275)
Foreign tax rate differential	**33**	49
Goodwill	**–**	6,408
Other permanent differences	**906**	1,047
Benefit of future tax assets not recognized	**748**	5,746
Large corporations tax	**65**	61
Gain on sale of discontinued operations	**–**	(10,975)
Actual income tax expense	**$ 65**	$ 61

The income tax effects of the temporary differences that give rise to significant portions of the Company's future tax assets at October 31, 2003 and 2002, are presented below by tax jurisdiction:

	October 31, 2003			October 31 2002
(in thousands of Canadian dollars)	**Canada**	**US**	**Total**	Total
Long-term investments	**$ 1,527**	**$ –**	**$ 1,527**	$ 1,466
Accounts payable	**1,278**	**–**	**1,278**	1,470
Capital assets and intangibles depreciation	**1,363**	**–**	**1,363**	994
Loss carry-forwards	**26,734**	**1,077**	**27,811**	29,618
Development expenses carry-forward	**3,543**	**–**	**3,543**	1,319
Share issue costs	**1,277**	**–**	**1,277**	842
Other	**3**	**–**	**3**	4
Gross future tax asset	**35,725**	**1,077**	**36,802**	35,713
Less: valuation allowance	**(35,725)**	**(1,077)**	**(36,802)**	(35,713)
Net future tax	**$ –**	**$ –**	**$ –**	$ –

The valuation allowance for future tax assets as of October 31, 2003 was $36,802,000 (2002 - $35,713,000). In assessing the realizability of future tax assets, Management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the future tax assets are deductible, Management currently believes it is more likely than not that the Company will not realize the benefits of the deductible differences.

At October 31, 2003 the Company had losses for income tax purposes of approximately $65,800,000 that expire in various amounts from 2004 to 2010. Unutilized research and development tax deductions of approximately $10,200,000 have an unlimited carryforward period. No recognition for the benefit of the tax loss carryforward or the research and development tax deductions has been made in the financial statements.

19. Segmented information and export sales:

The Company operates in one industry being the development, manufacture and sale, licensing of products and technology and engineering services for wireless and wireline communications. The Company evaluates performance as one entity. Substantially all of the Company's assets are located in Canada.

(in thousands of Canadian dollars)	**2003**	2002
Revenue:		
North America	**$ 11,123**	$ 10,879
Europe	**3,297**	2,870
Asia and other international	**12,391**	9,574
Total	**$ 26,811**	$ 23,323

During the years ended October 31, 2003 and 2002, the Company had no customers whose purchases exceeded 10% of total product revenue.

20. Financial instruments:

The carrying values of cash, accounts receivable, lines of credit, trade notes payable, capital leases and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these instruments.

Financial instruments which potentially subject the Company to concentrations of credit risk are primarily cash and trade accounts receivable. The Company's cash is held on deposit in demand or money market accounts with commercial banks.

Trade accounts receivable arise from the sale of products to long distance carriers, wireless service providers, and resellers/integrators in the telecommunications industry, domestically and internationally. Generally, the Company extends unsecured credit to its customers on trade receivables, but believes that credit risks are mitigated by its credit evaluation process. The Company maintains an allowance for returns and doubtful accounts, and provisions of $1,077,000 and $847,000 were established 2003 and 2002 respectively.

CORPORATE INFORMATION

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Dr. Sayed-Amr (Sisso) El-Hamamsy
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Keith Bittner
Acting Chief Financial Officer

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Nico Roelofsen
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Shawn Taylor
Vice President, Technology

Stephen Tilston
General Manager, TIL-TEK Antennas

David Tilston
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