www.wi-lan.com

Annual Report 2004

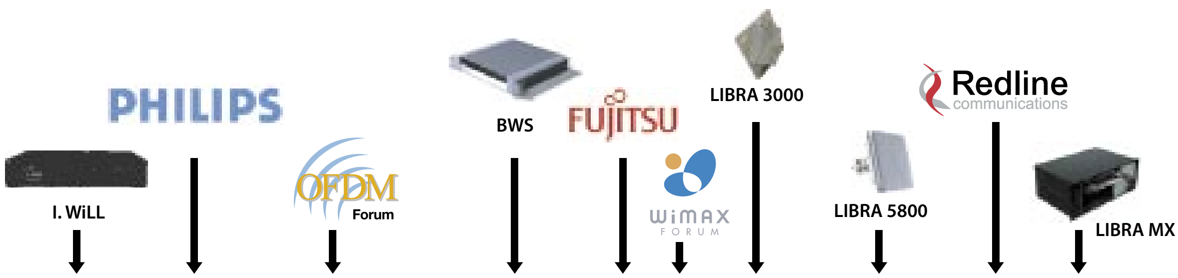
Cutting Edge Fixed & Mobile Broadband Wireless Solutions

universal. broadband. wireless.

Wi-LAN was founded in 1992 to commercialize its patented W-OFDM technology.

"This patent document presents a new multiple access technique for personal communication networks… that allow individuals and equipment… to exchange information with each other anywhere at anytime through voice, data and video… The transceivers may be fixed or portable… traveling outdoors at 100 km/hr…"

- **United States Patent 5,282,222**
- **Application date: March 31, 1992**
- **Authors: Dr. Michel Fattouche and Dr. Hatim Zaghoul, co-founders of Wi-LAN Inc.**
- **Assigned to Wi-LAN**



1992 – 1994	1999	2000	2001	2002	2003	2004
Wi-LAN W-OFDM patents filed Wi-LAN's first W-OFDM prototypes developed Wi-LAN's OFDM patent issued (1994)	First W-OFDM LAN Standards: ETSI HiperLAN IEEE 802.11a World's 1st Gen W-OFDM Product Launched Application to FCC for use of OFDM in 2.4 GHz W-OFDM Licensed to Philips	OFDM Forum Established by Wi-LAN & Philips Mobile W-OFDM Demonstrated	Wi-LAN is awarded FCC Exemption and Rules changed for W-OFDM 2nd Generation W-OFDM Products Launched New 2.4 GHz W-OFDM LAN Standard: 802.11g	Wi-LAN / ETRI Collaboration on 4G Standard Wi-LAN, Nokia, Ensemble form WiMAX 3rd Generation W-OFDM Products Wi-LAN / Fujitsu 802.16a SoC Agreement	W-OFDM MAN Standard: 802.16a published Wi-LAN / SIP Core Supplier Agreement Wi-LAN's 1st 5.8 GHz W-OFDM product	WiMAX 802.16 – 2004 standard Continuity Program Redline Licensing Agreement Libra MX: 4th Generation OFDM product Libra Mobilis: 110Km/H, 20 Mbps, Handoff Cisco lawsuit

Wi-LAN has revolutionized the broadband wireless marketplace.

- Patented W-OFDM technology has been adopted by Wi-Fi and WiMAX.

Wi-LAN's business is:

- Developing and marketing its fixed and mobile broadband wireless products, which provide compelling and complete solutions to make its customers successful.
  - Products offer fixed and mobile broadband wireless communications solutions (data, voice, video) that are effective, economic, reliable and secure.
  - Customers include large enterprises, telecom service providers, and government entities.
- Licensing its broadband wireless technology and expertise to semiconductor companies and broadband wireless equipment suppliers.
  - Agreements in place with: Fujitsu, Philips, Redline Communications
  - Lawsuit launched against Cisco Systems

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 2005 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 March 21, 2005. 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.

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(In thousands of Canadian dollars)	2004	2003	2002	2001	2000
STATEMENT OF OPERATIONS INFORMATION					
Product Revenue					
Libra series (based on patented W-OFDM)	**$ 6,604**	$ 4,518	$ 2,705	$ 458	$ –
Other broadband radios (Ultima3, VIP and others)	**14,370**	17,466	15,766	12,596	11,403
Antennas (Til-Tek Antennas division)	**4,032**	4,643	4,852	11,384	3,490
Subtotal	**25,006**	26,627	23,323	24,438	14,893
License, technology and engineering services	**330**	235	–	364	1,116
Total Revenue	**25,336**	26,862	23,323	24,802	16,009
Cost of product sales	**(13,010)**	(13,767)	(20,013)	(21,303)	(9,924)
Gross margin	**12,326**	13,095	3,310	3,499	6,085
Sales and marketing	**(6,135)**	(5,423)	(6,096)	(10,950)	(6,270)
Research and development	**(6,987)**	(4,582)	(5,359)	(11,790)	(8,653)
Operations and administration	**(5,282)**	(5,006)	(6,511)	(12,992)	(9,974)
Interest on long-term debt	**(227)**	–	–	–	–
Depreciation and amortization	**(1,070)**	(1,219)	(1,425)	(1,745)	(635)
Operations consolidation costs and special charges	**–**	(770)	–	(5,037)	–
Operating loss	**(7,375)**	(3,905)	(16,081)	(39,015)	(19,447)
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
Interest, foreign exchange and other income	**386**	(350)	792	1,058	(325)
Net loss before tax	**(6,989)**	(4,541)	(33,146)	(44,137)	(18,244)
Income taxes	**(60)**	(65)	(61)	(59)	(106)
Net loss from continuing operations	**(7,049)**	(4,606)	(33,207)	(44,196)	(18,350)
Gain (loss) on discontinued operations	**–**	–	27,409	(54,516)	206
Net loss	**(7,049)**	(4,606)	(5,798)	(98,712)	(18,144)
OPERATING DATA (% OF REVENUE)					
Product gross margin	**48%**	48%	14%	13%	33%
Sales and marketing	**24%**	20%	26%	44%	39%
Research and development	**28%**	17%	23%	48%	54%
Operations and administration	**21%**	19%	28%	52%	62%
CASH FLOW INFORMATION					
Operations (including non-cash working capital changes)	**$ (6,344)**	$ (260)	$ (4,834)	$ (33,903)	$ (24,605)
Financing	**11,774**	22,222	4,483	26,027	31,880
Investments	**(19,215)**	5	238	1,897	(3,564)
Discontinued operations	**–**	–	166	(1,059)	(6,133)
Cash flow	**(13,785)**	21,967	53	(7,038)	(2,422)
Cash, beginning of period	**27,553**	5,586	5,533	12,571	14,993
Cash, end of period	**13,768**	27,553	5,586	5,533	12,571
BALANCE SHEET INFORMATION					
Working capital	**$ 17,332**	$ 28,607	$ 7,303	$ 13,663	$ 19,950
Shareholders' equity	**39,495**	34,880	14,640	15,666	74,706
Total assets	**54,234**	44,683	25,119	52,035	83,379

Fellow Shareholders,

WI-LAN IS A COMPANY THAT WAS FOUNDED ON A VISION FORMULATED BACK IN 1992 BY WI-LAN'S FOUNDERS, DR. HATIM ZAGHLOUL AND DR. MICHEL FATTOUCHE. HATIM AND MICHEL ENVISIONED IN OUR W-OFDM PATENTS, FILED IN 1992, A NEW MULTIPLE ACCESS TECHNIQUE FOR PERSONAL COMMUNICATION NETWORKS THAT WOULD ALLOW INDIVIDUALS AND EQUIPMENT TO EXCHANGE INFORMATION WITH EACH OTHER ANYWHERE, AT ANY TIME, THROUGH VOICE, DATA AND VIDEO.

The transceivers were described as being fixed or portable and could be traveling outdoors at 100 kilometers per hour. This vision of enabling people and equipment to have broadband access anywhere, any time, using voice, video and data, fixed or mobile, is a very familiar one now because it's been adopted by the world at large.

In these past 12 years, Wi-LAN hasn't sat still while others developed the technology. We have participated in developing and demonstrating the technology; we have successfully applied for regulatory changes to enable it to be used around the world; we have driven the development of the OFDM standards; and we have educated the industry, our customers and the public. So, on every front we've been pushing forward for 12 years.

Having accomplished all that, we are entering the next phase in the history of our Company. We are at the beginning of two distinct tornadoes that Wi-LAN has had a hand in creating and which we intend to be a part of: the fixed wireless access tornado, based on WiMAX compliant products; and the even bigger mobile broadband wireless tornado.

We believe that the mass-market adoption of our technology is finally upon us. So far, this market has been a small market with a lot of small companies offering proprietary solutions, and the solutions that were being offered never met the combined price/performance threshold that was needed to make our customers' business cases a success. The high-performance WiMAX standard changes all of that. It's based on OFDM, which means it's got very good non-line-of-sight performance, very high throughput and excellent spectral efficiency. It's also easy to deploy. It will enable interoperability between multiple vendors' equipment and therefore the uncertainty of having a single vendor of proprietary equipment is also removed. And finally, with semiconductor companies like Fujitsu providing chipsets, WiMAX will enable us to lower the cost of the equipment to the point where the business case of a mass-market network is enabled.

We have the market forces moving in the right direction. However, our immediate challenge is to position Wi-LAN to achieve market leadership in the broadband wireless equipment business, and for that we need to transform ourselves into a sales and marketing force, while maintaining our core technical and product leadership.

In fiscal 2004 Wi-LAN continued on the road to becoming a customer-focused, market-driven broadband wireless leader. Despite falling short of our 2004 financial goals, we initiated changes to address the underlying causes and continued making progress in technology and product development, ending the year well positioned for a successful 2005. The changes we made include recruiting new vice presidents responsible for Global Sales and for Marketing; kicking off a wide-ranging customer-focused, market-driven cultural transformation of the Company; and initiating a Six-Sigma initiative that will affect all aspects of Company performance.

PRODUCT DEVELOPMENT

Our product development goals for 2004 were ambitious but, in spite of some delays due to technical product issues in the second quarter, we managed to meet our primary goals:

- We set out to maintain our gross margins near the 50% level by cost-reducing selected products, and we succeeded as gross margins came in at 48%, essentially the same as 2003.
- With the introduction of Libra Mobilis™ for the ITS market, which achieves throughput of 20 megabits-per-second (Mbps) at 110 kilometers-per-hour with seamless handoff, we succeeded in achieving the highest product performance levels in the broadband wireless industry.

- We introduced our Continuity Program™, which guarantees a seamless migration from our proprietary Libra equipment to WiMAX compliant equipment, thereby protecting our customers' investment against obsolescence as we move from proprietary to standards-based products.
- We also advanced the development of our WiMAX compliant system with the launch of Libra MX™ in November 2004 and with continuing progress on the WiMAX SoC (System on Chip) and the WiMAX MAC (Media Access Control) software.

We've decided to maintain our product development spending for the time being because it is critical to ensure that we capture the potentially large future WiMAX and ITS (Intelligent Transportation Systems) market opportunities that are in front of us. The extent of product development activity needed over the next six months is large by Wi-LAN's standards, and we expect our sales to grow throughout the year to a level that will generate sufficient cash from operations to support our operating expenses but, as mentioned earlier, we will continue to closely monitor our cash balance and ensure that the Company maintains adequate working capital to execute on opportunities as they arise.

We appointed a new vice president, Shawn Lightfoot, former Manager of Hardware Development at Wi-LAN, to head up our technology department in August 2004. Shawn has mapped out an aggressive but achievable product development schedule for 2005:

- Our ability to begin to deploy the WiMAX compliant version of Libra MX in 2005 will be restricted by the availability of conformance and interoperability testing from the WiMAX Forum, but as soon as our SoC is available from Fujitsu in commercial quantities we will roll out the equipment that will later be tested for WiMAX certification. For Wi-LAN in particular, WiMAX's biggest promise is the cost reduction that it offers on the customer premise equipment so, with or without WiMAX certification, we will have much more cost-effective equipment available in the second half of 2005. And our Continuity Program will protect our customers' investment in our pre-WiMAX Libra MX systems, guaranteeing them a seamless transition to WiMAX compliant systems.
- We will also continue to develop Libra Mobilis™, adding new features, enhancing the handoff algorithm from sequential to random (similar to a cellular phone) and continuing to reduce the size, weight and power consumption of the product to make it suited to a broader range of mobile applications.
- We will bring new products to market driven by customer demand for applications such as Voice-over-IP and wireless HotZones.
- Finally, we will continue to cost-reduce selected products to maintain gross margins while improving our market penetration.

TECHNOLOGY LEADERSHIP AND LICENSING

The licensing of our intellectual property continues to be a major component of our corporate strategy. We were successful in meeting our technology leadership and licensing goals in 2004:

- One such goal was to advance the execution and success of our existing technology licensing agreements.
  - Royalties from Wi-LAN's technology development and licensing agreement with Fujitsu are expected in 2005 as Fujitsu begins to market the WiMAX SoC.
  - As well, Wi-LAN is continuing discussions with Philips Semiconductor regarding the licensing agreement signed in 1999. The agreement relates to Philips' second-generation Wi-Fi (802.11a/g and 802.11g) chipsets, which became available in production quantities in the fourth quarter of calendar 2003. Wi-LAN and Philips have differing interpretations of the nature of the agreement and are actively working towards resolving their differences. Wi-LAN expects a resolution to this matter that will result in payment to Wi-LAN.
- We also set out to secure and advance additional technology licensing agreements.
  - We signed a new technology licensing agreement with Redline Communications and Redline is now paying Wi-LAN a royalty for every OFDM wireless device that it has produced and will produce in the future, regardless of where the devices are sold.

– As well, on June 23, 2004 Wi-LAN initiated a Canadian patent infringement lawsuit against Cisco Systems for sales of Cisco's 802.11a/g based Linksys and Aironet products. Cisco has filed a statement of defense and the lawsuit is progressing. We started this process believing that Cisco is infringing on our W-OFDM patents and to date we have seen nothing that would cause us to change this view.

- Finally, Wi-LAN acquired 17 U.S. patents and patent applications, including their foreign counterparts, from Ensemble Communications Inc., a U.S. broadband wireless equipment supplier that decided to wind-up its business. These patents relate to the WiMAX MAC software. This acquisition advances Wi-LAN's goal to produce the world's first WiMAX compliant broadband wireless systems and strengthens Wi-LAN's technology licensing strategy with regard to such systems.

In fiscal 2005 we will continue to secure and advance licensing agreements for standard or proprietary products that utilize Wi-LAN's patented technologies. As well, we are participating in the IEEE working group developing the 802.16e Mobile WirelessMAN, or mobile WiMAX, standard, which we expect it to be in place in 2005. Our Continuity Program will allow Libra MX to seamlessly transform a fixed wireless access network into a mobile network. We believe this is truly a fundamental advantage that we have with our system architecture.

FINANCIAL RESULTS AND GOALS

We began the fiscal year expecting to achieve revenue of $32 to $37 million. After a mid-year reduction of revenue guidance to $25 to $28 million, revenue came in at $25.3 million, compared with $26.8 million in fiscal 2003. Although sales of our pre-WiMAX Libra product series, based on Wi-LAN's patented W-OFDM technology, were up 46% or $2.1 million, this was not sufficient to offset a $(3) million decline in sales of other broadband wireless products and a $(0.6) million decline in antenna sales.

Cash from operations for fiscal 2004 was $(6.3) million compared to $(0.3) million in fiscal 2003, and net income for the year was $(7) million compared to $(0.3) million in fiscal 2003, as we continued to move forward with our aggressive product development roadmaps for the WiMAX and ITS markets.

This year we have adopted the practice of not providing specific financial guidance. However, we will continue to keep our stakeholders apprised of major events as they unfold. We expect product sales to grow on several fronts in the 2005 fiscal year as our 2004 accomplishments start bearing fruit:

- Our new WiMAX platform Libra MX, with commercial availability planned for the first half of 2005, coupled with our Continuity Program is expected to allow us to gain a firm foothold in the emerging pre-WiMAX equipment market.

- We also expect to see in 2005 the beginning of the mobile broadband wireless tornado. We entered this market with the rollout of our ITS product, Libra Mobilis. Because the market for this technology is in its infancy, we expect limited trial sales of Libra Mobilis in fiscal 2005.

- Our TIL-TEK Antennas division is making progress in its efforts to actively seek new market opportunities to increase its sales and we expect to see some growth in antenna sales in 2005.

Sales growth is expected to allow us to reach our goal of returning to positive cash from operations in Q3 of fiscal 2005, but regardless we will continue to closely monitor our cash position and will take any steps necessary to maintain our ability to execute our long and short-term strategies.

SALES AND MARKETING

Although sales fell short of targets, we succeeded in driving our sales and marketing effort in fiscal 2004 to provide industry-leading service and support to our customers and channel partners:

- We extended our product warranty to two years and established 24/7 customer service.

- We also marketed solutions-oriented business cases for our customers to show them how our broadband wireless solutions would make them profitable, now and in the future.

- And we continued to increase the visibility and awareness of the industry-leading features of our cutting-edge broadband wireless products.

In October 2004 two new vice presidents joined us to lead our sales and marketing departments. Chris Beadle is Vice President, Global Sales and John Seliga is Vice President, Marketing. Chris held vice president level sales and marketing positions at Bell West and TELUS Communications between 1996 and 2002. John's most recent position was Vice President Marketing – IP Solutions at TELUS Communications and he has held several executive positions at TELUS over the past eight years. Together Chris and John have already made significant changes that we believe will enable our shareholders to reap the benefits of what we've built over the last 12 years.

The sales force is continuing to be restructured and upgraded:

- Senior sales managers have been appointed for specific global regions, providing more management focus on sales opportunities, and speeding up decision-making where action is necessary to address regional revenue opportunities.
- The Company has adapted its US sales model, where a few "super distributors" support multiple resellers in their region, to other regions of the world.
- And a new Director of Channel Management has been hired to increase the effectiveness of Wi-LAN's sales channels.

Our ITS system partner, G7soft Co., Ltd. (formerly Wellink), is marketing Libra Mobilis in South Korea and we have created and staffed sales and marketing positions focused on the ITS market outside of Korea. The product provides a throughput capability that other products cannot achieve, allowing streaming security surveillance videos from inside trains. The system also has enough bandwidth remaining to provide value-added services such as mobile Wi-Fi and video advertising to train customers.

The Company plans to establish regional return and repair centers in Europe and Asia. These centers will increase Wi-LAN's overall value proposition by providing greater support for non-North American distributors, encouraging more pilot installations, and reducing the cost and time of sourcing product.

The Company is planning regional marketing presentations and webinars explaining Wi-LAN's WiMAX strategy. The first of these was recently completed in the Middle East. These presentations enable Wi-LAN's channel partners to understand the strategic benefits of the Wi-LAN roadmap in the context of all the market hype associated with WiMAX readiness. They provide straight answers with accurate information regarding how the WiMAX vision is being turned into commercially deployable product.

Several new marketing initiatives are being undertaken to drive sales growth:

- We have begun intense targeting of key customer segments in which Wi-LAN has a strong competitive advantage, including transit systems (Libra Mobilis) and competitive service providers (Libra MX).
- We are leveraging Wi-LAN's Libra MX platform along with its Continuity Program, the guaranteed path to WiMAX compatibility, to stake out a strong position among the early adopters of WiMAX solutions.
- We are striking mutually beneficial OEM (Original Equipment Manufacturer) relationships with suppliers to target other key customer segments, including tier-one communications service providers.
- We are increasing our focus on prepackaged "application solution sets" such as integrated Wi-Fi HotZone solutions and Voice-over-IP (VoIP) solutions.
- And we are engaging in close collaboration with customers and key partners to design and develop the industry's best-in-class WiMAX products.

STRATEGIC PARTNERSHIPS

In fiscal 2004 we continued to establish and build strong relationships with our customers and partners around the world. Sales announcements included Vantaa Energy (Finland), Prime Signal (Canada), China Telecom (China), Infomine (U.S.), Marathon Oil (U.S.) and TM Net (Malaysia). We continued product development projects with funding support from our partners G7soft Co., Ltd. (Korea) and Wi-Comm (China), and from Technology Partnerships Canada. We also signed up new distributors from around the world. On the investor relations front, two Canadian investment banks, GMP and Pacific International, initiated analyst coverage in 2004.

In fiscal 2005 we will continue to establish and build strong relationships with customers and partners, and execute acquisitions if they are expected to be accretive to shareholder value.

CORPORATE GOVERNANCE

Wi-LAN strives to be a leader in corporate governance practices. As per the Toronto Stock Exchange's Corporate Governance Guidelines, Wi-LAN's board has a majority of unrelated directors, who are independent of management and free from any interest and any business or other relationship that could materially interfere with their ability to act with a view to the best interests of the Company. Of the eight directors, only the two of us are related directors, and all members of the board committees are unrelated directors. Also, the board's vice chairman and lead director is unrelated. The board meets at least four times annually. It approves Wi-LAN's strategic plan, our disclosure and trading policy and executive compensation, and performs an annual self-evaluation process. Our Management Proxy Circular includes a detailed description of our corporate governance practices.

OUR FUTURE BEYOND 2005

Our Libra Mobilis systems provide a logical first step towards our ultimate goal of ubiquitous broadband mobility. With Libra Mobilis in train applications we can demonstrate the future capability of our broadband wireless technology, but without having to immediately resolve the power consumption, size and cost constraints required for mobile handheld devices. As well, the handoff algorithm for mobile train applications is sequential because the train is restricted to traveling along a set track, so the product hands off sequentially from one base station to the next.

The next step will be to develop a more cellular-like handoff, so that the system is not constrained to train applications but can be rolled out to other mobile vehicle markets, such as police services, EMS, ambulances and bus systems. And then, after that, we will partner with semiconductor companies to bring down the size, power consumption and cost of the equipment so that we can move into the mobile handheld market.

When we get to the mobile handheld stage, our Libra MX system converges with Libra Mobilis mobile units to provide a standards-based platform that will dovetail with mobile WiMAX technology, or any other type of broadband mobile technology based on W-OFDM. There are many potentially competing standards-based technologies for the broadband mobile handheld market, and Libra MX provides a platform for us to move into that market, no matter what standard is chosen. There is a lot of talk about WiBro, about how IEEE 802.16e (mobile WiMAX) is evolving, and also about IEEE 802.11n (advanced Wi-Fi). All these standards are based on our core technology, W-OFDM, and the Libra MX platform can be adapted to any of these cases. It will serve us well as we move forward and will help us to counteract uncertainties and adapt to industry trends as they unfold.

Soon the broadband mobile market will be tapping into the laptop, PDA and cellular handset markets. Intel has committed to developing a 2006 generation of Centrino-like chipsets for laptops that will be based on the WiMAX standard, and PDA's and cellular handsets are sure to follow. There is definitely a tremendous interest in that market. Even though the broadband mobile wireless tornado is further out into the future than the fixed wireless access tornado, it is so much larger that even its leading edge is causing a lot of excitement in the industry.

These are very exciting and challenging times, and we look forward to a successful 2005.

Dr. Hatim Zaghloul
Executive Chairman

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

Enterprise Connectivity

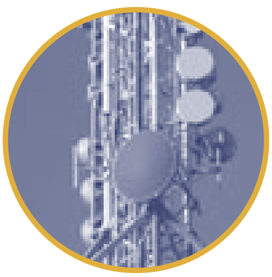
Ideal for both indoor and outdoor applications, Wi-LAN's enterprise solutions seamlessly connect your enterprise – without the need for landline infrastructure. Wi-LAN's outdoor, building-to-building wireless connectivity solutions are field-proven, and considered to be the most superior in the industry. Wi-LAN helps corporations, government organizations (municipal, state, and federal), and educational institutions meet their mission-critical networking needs.

In Finnmark, the northernmost region of Norway, the local authorities of Hammerfest, Kvalsund and Måsøy have collaborated to bring broadband connectivity to seventeen schools. Finnmark's population of 8000 is dispersed over a large geographical area, with some communities situated on small islands. Keeping the schools connected, and providing instruction to students in very remote – and oft snowed-in – areas, poses a real challenge to the provision of education. Internet connectivity is much more than a nice-to-have in this region: it means that schools can remain open and communities will not be abandoned.

Partnered with integrator Lokalaksess, Wi-LAN has provided a solution that meets the needs of the schools in the Finnmark region. By providing high-speed data and video services in the licensed 3.5 GHz frequency, Wi-LAN and Lokalaksess are allowing quality education to continue despite tough economical and environmental conditions.

"A wireless solution was the only viable option for providing connectivity to Finnmark's school communities. With Wi-LAN's help we have been able to deploy a successful wireless network, which translates to delivering effective education – meaning people won't have to move and our communities will continue to thrive."

Mr. Per Dypvik, Project Manager, Lokalaksess



Voice and Data Backhaul

Backhaul is a key piece of infrastructure for broadband wireless applications ranging from Internet service provision to security and surveillance. As such, backhaul solutions must be reliable and deployable in the most challenging outdoor environments, as well as offer the performance necessary to make the solution economical.

Wi-LAN partner The Innovation Factory (PTY) Ltd. has worked with local surveillance providers to develop and deploy a fire detection mechanism throughout many forests in South Africa. The initial phase of the project involved erecting 75-meter video camera towers in strategic areas of the forest that would provide the widest view of the surrounding forest (typically at the top of hills or mountains).

The next step was to use Wi-LAN broadband wireless equipment – powered by wind power – to create a wireless backhaul between the various towers, enabling the delivery of images and data back to a central monitoring location. Once a reliable backhaul between the towers and the monitoring station (located at a nearby airport) had been established, the team focused on perfecting the solution.

**"We have had great success to-date and thousands of hectares of forest have been saved through early detection of – and therefore quick response to – forest fires. Forest owners have saved millions of dollars in revenue that would have been lost had the fires gone unspotted.
We are planning the second phase rollout in one of South Africa's neighboring states. This could certainly represent a significant global opportunity for Wi-LAN's wireless backhaul products."**

*Robert Greenlees, New Business Development Director,
The Innovation Factory (PTY) Ltd.*

Wireless Internet Service Providers (WISPs)

To be successful in today's market, WISPs must know how to differentiate their high-speed offerings to remain competitive, and they must build their business on an infrastructure that that won't break the bank. Wi-LAN is the right partner for WISPs with these goals. With Wi-LAN products as the foundation of their wireless Internet business, WISPs can offer a variety of services – enabling them to target profitable markets. And, because they own the infrastucture and use license-exempt frequency bands, they endure neither recurring license fees nor monthly line costs.

Prime Signal of Vancouver, British Columbia is one customer who has built a smart business based on the provision of handheld wireless Internet service using Wi-LAN products. Prime Signal, a wholly owned subsidiary of Delta Cable Communications, Ltd., services over 200 business customers in the Vancouver area. Prime Signal's broadband wireless data services offer their business customers greater speed and reliability than wired services, with substantial cost savings. Customer retention has been nearly 100%, and many of Prime Signal's customers are high technology organizations with demanding requirements for high-speed, secure, stable, and reliable networks.

"We chose Wi-LAN broadband wireless products because they provide the throughput, ease of installation, robustness, and reliability we need for our bandwidth-intensive business customers. With Wi-LAN, Prime Signal is able to win over wired customers to the greater speed, stability, and reliability of broadband wireless service. We continue to welcome new customers onto our world-class network, with Wi-LAN as our broadband wireless equipment provider."

Mr. Peter Scott, Manager of Technical Services, Prime Signal, Ltd.

Urban HotZones

HotZones represent a substantial business opportunity for innovative Internet Service Providers (ISPs), as well as a new and inexpensive way for individuals to connect to the Internet anyplace, anytime. A HotZone covers a large outdoor area of urban geography, providing Wi-Fi Internet access to users located anywhere in the vicinity – whether sitting on a park bench, in a café, or travelling in a bus. The result is increased productivity for the typical business person seeking high-speed Internet access from a laptop or personal digital assistant (PDA), and happier, more satisfied customers.

Wi-LAN's industry leading W-OFDM-based Libra systems and Radionet's Wi-Fi HotZone technology have teamed up to provide the infrastructure for HotZones in Greater Helsinki, Finland. One such HotZone is the Mäntsälä network, covering an area of over 800 km2 –roughly the size of New York City – in the Municipality of Mäntsälä as well as neighboring cities and municipalities.

"The combination of Wi-LAN's and Radionet's technology enables us to cover the whole of Mäntsälä: private households; local companies; the Mäntsälä municipal authority; as well as rural areas, where farms greatly benefit from wireless broadband connections. After looking into the alternatives on the marketplace, the combination of Wi-LAN and Radionet products proved to be by far the best solution for us. Wi-LAN's equipment provides the high-capacity non-line-of-sight capabilities that are needed for backhaul, and high bandwidth for the customers who need it. Radionet's robust outdoor equipment provides users with ubiquitous broadband Wi-Fi access within the coverage area."

Vesa Selikare, Director, Networks, Mäntsälän Sähkö.

Broadband Mobility

Today, passengers on mass transit systems have clear expectations regarding safe and reliable transportation, and the types of services that could enhance their commuting experience. The implications for broadband wireless technology are also clear: without the constraints of hard-wired networking gear, the possibilities for safeguarding passengers and providing them with value-added services – and operators with new revenue streams – are endless.

Wi-LAN's Libra Mobilis™ is the first commercially available product to offer high-speed broadband wireless access for fully mobile environments such as public transit systems. With Libra Mobilis, transit operators can quickly and cost-effectively deploy robust wireless networks to support onboard security and surveillance, as well as value-added passenger services such as Wi-Fi Internet access, and real-time information services such as news and e-ticketing.

Libra Mobilis supports unrivalled mobile operation at speeds in excess of 110 km/hour. Mobilis features seamless sequential hand-off, which translates to uninterrupted service – which is critical for surveillance applications, and certainly expected by paying passengers who may rely on Internet access to get work done during their commute.

"We have seen very positive results with Libra Mobilis in field trials with key transportation customers in Korea. As a Wi-LAN business and development partner, we are very excited about the new business opportunities Libra Mobilis represents and we expect to be in the position to announce customer deployments of Libra Mobilis in the near future."

Dr. Hyun Chul Nam, Chief Executive Officer of Wellink

Voice-over-IP

Wi-LAN's wireless VoIP solutions allow the transmission of voice communications over Wi-LAN's broadband wireless access systems with carrier-class Quality of Service (QoS). Wi-LAN's VoIP solutions provide an extremely economical alternative to traditional wired service for voice traffic, particularly in underserved areas and developing countries, and are excellent solutions to allow competitive local exchange carriers to avoid leased line charges to incumbent carriers.

Gujarat state is situated on the western shore of India, bounded by the Arabian Sea to the west and southwest and Pakistan to the northwest. It has a population in excess of 50 million and is one of India's wealthiest and most industrialized states. Gujarat has a strong agricultural economy, and other major industries include textiles, petroleum, cement, chemicals, pharmaceuticals, fertilizers and petrochemicals. The Gujarat State Wide Area Network (GSWAN) has been operational for over three years and is expanding using Wi-LAN's broadband wireless solutions to provide voice, video and data services for many offices and departments of the State Government.

"We have been very happy with Wi-LAN's broadband wireless products. These products are easy to install, robust and reliable, and Wi-LAN's technology makes the network very scalable. Wi-LAN solutions have allowed us to provide voice services to many of our offices and departments and avoid leased line costs. In addition, we have been able to provide previously unavailable video and high speed data services."

Mr. R.K. Dave, Engineer-In-Charge of the Project, IT Department, Government of Gujarat, India

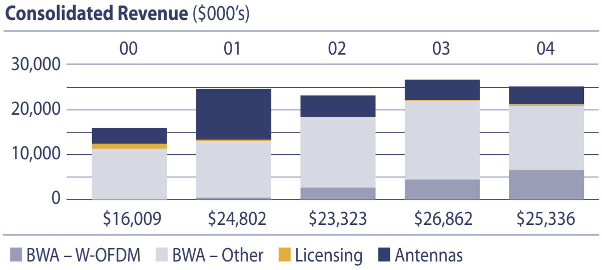
The following Management's Discussion and Analysis (MD&A), compiled as of December 14, 2004, should be read in conjunction with the audited annual consolidated financial statements and the accompanying notes (Financial Statements and Notes). The MD&A has been prepared with reference to the Financial 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 may 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 risks and uncertainties may cause actual results to differ from information contained herein. There can be no assurance that such forward-looking statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements. These 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)

Consolidated Revenue ($000's)



Sales of Wi-LAN's W-OFDM-based Libra products grew by $2,086 (46%) in 2004, but lower sales of other broadband wireless access and antenna products more than offset this growth.

Consolidated revenue for fiscal year 2004 was $25,336, meeting the Company's adjusted guidance of $25,000 to $28,000 in fiscal year 2004, and $(1,526) or 5.7% less than revenue of $26,862 for the 2003 fiscal year. Although annual sales of Wi-LAN's pre-WiMAX Libra product series, based on Wi-LAN's patented W-OFDM technology, were up 46.2% or $2,086, and license, technology and engineering services revenues were up 40.4% or $95, these improvements were not sufficient to offset a 17.8% or $(3,096) decline in annual sales of other broadband wireless products and a 13.2% or $(611) decline in antenna sales. Consolidated revenue for the three months ended October 31, 2004 was $6,148, which is $(1,783) or 22.5% less than the $7,931 reported for the same period in fiscal year 2003 and $4 or 0.1% more than the $6,144 revenue reported for the prior three months ended July 31, 2004.

Product gross margin (excluding license, technology and engineering services revenue) for fiscal year 2004 was $11,996 or 48.0% of product revenue, which is $(864) or (0.3) percentage points less than the product gross margin of $12,860 or 48.3% of product revenue for the 2003 fiscal year. The decline in product gross margin was caused primarily by the $(1,621) decline in product revenue in fiscal year 2004 compared with fiscal year 2003. **Gross margin** including license, technology and engineering services revenue for fiscal year 2004 was $12,326 or 48.6% of revenue, which is $(769) or (0.1) percentage points less than the gross margin of $13,095 or 48.7% of revenue for the 2003 fiscal year. Product gross margin for the three months ended October 31, 2004 was $2,895 or 47.1% of product revenue, which is $(650) less or 1.6 percentage points more than the $3,545 or 45.5% of product revenue reported for the same period in fiscal year 2003, and $34 or 1.2 percentage points more than the $2,861 or 46.9% of product revenue reported for the prior three months ended July 31, 2004.

Net loss for fiscal year 2004 was $(7,049) compared with $(4,606) in the 2003 fiscal year, a change of $(2,443). Net loss in the year declined due to the $(769) impact of lower gross margin and the $(2,701) impact of higher operating expenses, partly offset by a $1,022 gain from non-operating income, gains and charges. Net loss for the three months ended October 31, 2004 was $(2,861), which is $(1,995) less than the $(866) reported for the same period in fiscal year 2003, and $(693) less than the $(2,168) net loss for the prior three months ended July 31, 2004.

Results Of Operations ($000's)

QUARTERLY FINANCIAL SUMMARY

($000's unless stated otherwise)	3 months ended							
	2004				2003			
Statement of Operations Information	**Oct. 31**	**July 31**	**Apr. 30**	**Jan. 31**	Oct. 31	July 31	Apr. 30	Jan. 31
Revenue - geographic								
Americas	**$ 3,552**	**$ 3,292**	**$ 3,512**	**$ 3,051**	$ 3,288	$ 3,462	$ 3,201	$ 2,356
Europe, Middle East & Africa	**2,187**	**2,026**	**2,147**	**2,314**	2,621	2,625	1,510	1,589
Asia Pacific	**409**	**826**	**829**	**1,190**	2,022	1,416	1,261	1,511
Total revenue	**6,148**	**6,144**	**6,488**	**6,555**	7,931	7,503	5,972	5,456
Revenue by product category								
OFDM radios	**1,402**	**1,419**	**1,742**	**2,040**	2,114	769	811	825
Other radios	**3,741**	**3,614**	**3,621**	**3,394**	4,210	5,436	3,958	3,861
Antennas	**1,005**	**1,072**	**1,125**	**830**	1,464	1,298	1,111	770
Subtotal	**6,148**	**6,105**	**6,488**	**6,264**	7,788	7,503	5,880	5,456
License, tech. & eng. revenue	**–**	**39**	**–**	**291**	143	–	92	–
Total revenue	**6,148**	**6,144**	**6,488**	**6,555**	7,931	7,503	5,972	5,456
Product gross margin[1]	**2,895**	**2,861**	**2,921**	**3,610**	3,545	3,728	3,143	2,536
% of product revenue	**47.1%**	**46.9%**	**45.0%**	**53.0%**	45.5%	49.7%	51.9%	46.5%
Operating income (loss)	**(2,657)**	**(2,239)**	**(1,810)**	**(669)**	(617)	204	(808)	(2,684)
Net income (loss)	**(2,861)**	**(2,168)**	**(1,509)**	**(511)**	(866)	37	(989)	(2,788)
Earnings (loss) per share ($/share)	**$ (0.07)**	**$ (0.05)**	**$ (0.04)**	**$ (0.01)**	$ (0.03)	$ –	$ (0.03)	$ (0.09)
Cash Flow Information	**Oct. 31**	**July 31**	**Apr. 30**	**Jan. 31**	Oct. 31	July 31	Apr. 30	Jan. 31
Cash from (used in) operations[2]	**$ (610)**	**$ (4,002)**	**$ (794)**	**$ (565)**	$ 755	$ 1,844	$ (810)	$ (2,049)
Financing	**(874)**	**(22)**	**10,758**	**1,539**	22,302	25	(54)	(51)
Investments	**(92)**	**(5,507)**	**(12,035)**	**(1,581)**	28	(8)	(18)	3
Change in cash	**(1,576)**	**(9,531)**	**(2,071)**	**(607)**	23,085	1,861	(882)	(2,097)
Cash, beginning of period	**15,344**	**24,875**	**26,946**	**27,553**	4,468	2,607	3,489	5,586
Cash, end of period	**13,768**	**15,344**	**24,875**	**26,946**	27,553	4,468	2,607	3,489
Balance Sheet Information	**Oct. 31**	**July 31**	**Apr. 30**	**Jan. 31**	Oct. 31	July 31	Apr. 30	Jan. 31
Working capital	**$ 17,332**	**$ 20,218**	**$ 27,332**	**$ 28,522**	$ 28,607	$ 5,926	$ 3,932	$ 4,845
Long term debt	**7,842**	**7,932**	**8,000**	**–**	–	–	–	–
Shareholders' equity	**39,495**	**41,881**	**38,715**	**36,504**	34,880	12,891	10,928	11,887
Total assets	**54,234**	**55,349**	**53,666**	**45,511**	44,683	21,554	19,566	21,700

[1] Excluding license, technology and engineering services revenue.

[2] Includes change in non-cash operating working capital balances.

REVENUE

CONSOLIDATED REVENUE

Refer to **Consolidated revenue** in the financial highlights section.

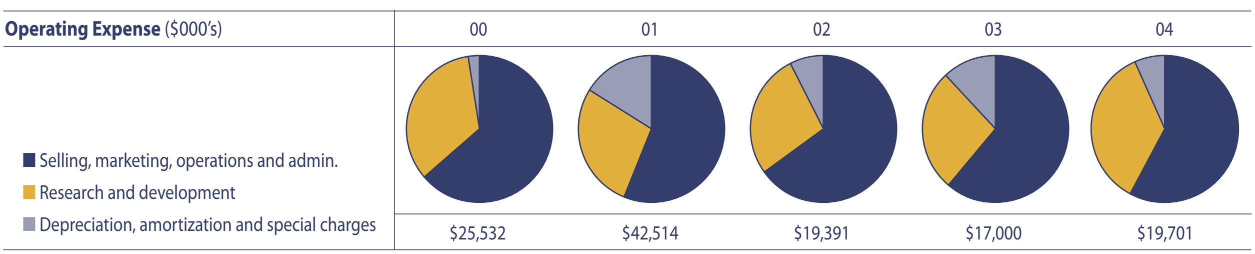
The following issues had a negative impact on revenue in the year ended October 31, 2004:

- Wi-LAN is experiencing a dramatic shift in the broadband wireless marketplace that has effectively caused delays in the purchasing decisions of its customers. Many of Wi-LAN's current early adopter customers, including wireless Internet service providers, system integrators and value-added resellers, are entering a new phase where expansion plans are in various stages of finalization, including obtaining financing and regulatory approvals. Larger potential customers such as telecommunications carriers, cable companies, utility companies and large retailers are demonstrating interest in Wi-LAN's Continuity Program™ and in future WiMAX compliant products but their sales cycle is longer than Wi-LAN's typical customer.

- While Wi-LAN's Continuity Program has been instrumental in encouraging vendors to deploy Wi-LAN's pre-WiMAX equipment today, the Company continued to experience a slowdown in sales in anticipation of Wi-LAN's Libra MX™ product series, launched on November 15, 2004, and in anticipation of WiMAX compliant equipment in 2005.
- Competitive pricing pressure has increased as other broadband wireless equipment vendors are offering BWA equipment at steeply discounted pricing to establish market share, particularly in the Chinese market.

Wi-LAN has undertaken a comprehensive review of its sales, marketing, operations and product development practices, including processes, product features, pricing, and personnel and is taking the actions required to meet today's challenges:

- Wi-LAN has hired two new vice presidents to lead its sales and marketing departments. Chris Beadle is Vice-President, Global Sales and John Seliga is Vice President, Marketing. Mr. Beadle held vice president level sales and marketing positions at Bell West and TELUS Communications between 1996 and 2002. Mr. Seliga's most recent position was Vice President Marketing – IP Solutions at TELUS Communications and he has held several executive positions at TELUS over the past eight years. As well, the Company appointed a new vice president, Shawn Lightfoot, former Manager of Hardware Development at Wi-LAN, to head up its technology department following the resignation of Shawn Taylor in August 2004.
- The sales force is continuing to be restructured and upgraded:
  - Senior sales managers have been appointed for specific global regions, providing more management focus on sales opportunities, and speeding up decision-making where action is necessary to address regional revenue opportunities.
  - The Company has adapted its US sales model, where a few "super distributors" support multiple resellers in their region, to other regions of the world.
  - A new Director of Channel Management has been hired to increase the effectiveness of Wi-LAN's sales channels.
- The Company plans to establish regional return and repair centers in Europe and Asia to provide greater support for non-North American distributors, encourage more pilot installations, reduce the cost and time of sourcing product and increase Wi-LAN's overall value proposition.
- The Company is planning regional marketing presentations and webinars explaining Wi-LAN's WiMAX strategy, and one was recently completed in the Middle East. These presentations enable Wi-LAN's channel partners to understand the strategic benefits of the Wi-LAN roadmap, in the context of all the market hype associated with WiMAX readiness, and provide straight answers with accurate information on how the WiMAX vision is being turned into commercially deployable product.
- The Company recently improved its sales opportunities by launching the Libra Mobilis™ product in October 2004 and the Libra MX product series in November 2004. Wi-LAN has also added new competitively priced products to its VIP product line and provided bundled pricing for its Ultima3 and Libra 5800 products.
- Several new marketing initiatives are being undertaken to drive sales growth:
  - Intense targeting of key customer segments in which Wi-LAN has a strong competitive advantage, including transit systems (Libra Mobilis) and Competitive Service Providers (Libra MX).
  - Leverage Wi-LAN's Libra MX platform along with its Continuity Program, the guaranteed path to WiMAX compatibility, to stake out a strong position among the early adopters of WiMAX solutions.
  - Strike mutually beneficial OEM relationships with suppliers to target other key customer segments including tier one Telco's.
  - Increase prepackaged "application solution sets" such as integrated HotZone solutions and VoIP solutions.
  - Close collaboration with customers and key partners to design and develop the industry's best-in-class WiMAX products.



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

- Progress is being made on the WiMAX SoC, in partnership with Fujitsu Microelectronics America (Fujitsu), and the WiMAX Media Access Control (MAC) software project. Both of these projects are focused on ensuring the availability of WiMAX compliant equipment once WiMAX conformance testing is available later in 2005.

- Wi-LAN will collect royalties on Fujitsu's sales of the WiMAX SoC once Fujitsu begins marketing this product, and the Company is investigating opportunities to market its MAC software.

- The Company is engaging in a Six Sigma initiative to radically improve its corporate performance and customer focus. Six Sigma is a measure of quality that strives for near perfection. It is a disciplined, data-driven approach and methodology for eliminating defects in processes. General Electric, one of the most successful companies implementing Six Sigma, has estimated benefits of approximately $10 billion during its first five years of implementation.

- TIL-TEK Antennas is continuing to actively seek new market opportunities to increase its sales, and has recently signed an Original Equipment Manufacturer (OEM) agreement that is expected to significantly increase future antenna sales.

Wi-LAN is currently experiencing a historic shift in the broadband wireless marketplace as interest in broadband wireless is building largely due to the momentum created by the WiMAX Forum, an association formed to facilitate the deployment of standards-based broadband wireless networks. The WiMAX Forum is comprised of key industry players including AT&T, Cisco Systems, Fujitsu, Intel, Motorola and Nortel. Wi-LAN is a key player as a founding member of the WiMAX Forum with two WiMAX board seats. As well, Wi-LAN chairs the WiMAX technical committee charged with setting the specifications and procedures for WiMAX conformance testing and Wi-LAN's patents on W-OFDM technology and on the MAC software form key components of the WiMAX specifications.

Wi-LAN expects product sales to grow on several fronts in fiscal 2005:

- Sales of the new pre-WiMAX Libra MX products are expected to gain Wi-LAN a foothold in the emerging WiMAX-standard equipment market. Wi-LAN expects to have this equipment commercially available in February 2005 and Wi-LAN's Continuity Program guarantees its customers a seamless and economic transformation to WiMAX compliant networks when WiMAX compliant equipment comes online later in 2005.

- Wi-LAN expects to begin to deploy WiMAX compliant Libra MX equipment once the WiMAX Forum makes conformance testing available in 2005.

- Sales of Wi-LAN's Ultima3, VIP and antenna product lines are expected to continue to grow as existing customers expand their networks and new customers capitalize on the extensive feature sets and favorable economics of these products.

- Entry into the Intelligent Transportation Systems (ITS) market with Wi-LAN's new Libra Mobilis, the first commercially available two-way broadband wireless product designed for a high-speed mobile environment, is planned in 2005. The market for ITS mobile broadband wireless equipment is in its infancy, so limited trial sales of Libra Mobilis are expected in fiscal year 2005. G7soft Co., Ltd. (formerly Wellink) (G7soft), Wi-LAN's South Korean ITS equipment co-development partner, is marketing Libra Mobilis in South Korea and Wi-LAN has created and staffed sales and marketing positions focused on the ITS market to generate Libra Mobilis sales outside of Korea. Wi-LAN expects to be in various trials of the Libra Mobilis equipment in 2005, and the global demand for this equipment is expected to be significant over the next several years, driven largely by the requirement for better security on public transportation systems. Although Wi-LAN has agreed to provide G7soft with up to several million dollars of Libra Mobilis equipment over the next three quarters, the rate at which G7soft will be able to deliver orders for Libra Mobilis is dependent on its customers' decision making processes and business needs, which will likely result in orders in fiscal year 2005 being significantly less than the maximum amount of several million dollars originally committed.

- License, technology and engineering services revenue is largely dependent on royalties from related sales of Wi-LAN's licensees.

Revenue from the Company's **broadband wireless products** for fiscal year 2004 was $20,974, which is $(1,010) or 4.6% less than the $21,984 reported for fiscal year 2003. Revenue from the Company's broadband wireless access products for the three months ended October 31, 2004 was $5,143, which is $(1,181) or 18.7% less than the $6,324 reported for the same period in fiscal year 2003 and $110 or 2.2% more than the $5,033 reported for the prior three months ended July 31, 2004. The 2004 broadband wireless revenue consisted of:

- $6,604 from the Company's Libra product series, based on Wi-LAN's patented Wide-band Orthogonal Frequency Division Multiplexing (W-OFDM) technology. Wi-LAN's new Libra MX product will be the platform for Wi-LAN's Wi-MAX compliant products in 2005. This amount is $2,086 or 46.2% more than the $4,518 of Libra product series revenue reported for fiscal year 2003.

- $14,370 from Wi-LAN's other broadband wireless products, which is $(3,096) or 17.7% less than the $17,466 of other broadband wireless revenue reported for fiscal year 2003.

Revenue from the Company's **antenna products** for fiscal year 2004 was $4,032, which is $(611) or 13.2% less than the $4,643 recorded for fiscal year 2003. Revenue from the Company's antenna products for the three months ended October 31, 2004 was $1,005, which is $(459) or 31.3% less than the $1,464 reported for the same period in fiscal year 2003 and $(67) or 6.2% less than the $1,072 recorded for the prior three months ended July 31, 2004. Antenna product sales have not experienced expected growth over the past several quarters and the division is continuing to actively seek new market opportunities to improve its financial results.

License, technology and engineering services revenue for fiscal year 2004 was $330, which is $95 or 40.4% more than the $235 reported for fiscal year 2003. This revenue was generated as the Company partnered with third parties to develop new applications for Wi-LAN's W-OFDM technology, namely its Libra Mobilis products and its Libra MX system. These products were launched in October and November 2004, and development continues on value-added features and upgrades for Libra Mobilis and on WiMAX compliance of the Libra MX platform. License, technology and engineering services revenue for the three months ended October 31, 2004 was $nil, compared with $143 reported for the same period in fiscal year 2003 and $39 reported for the prior three months ended July 31, 2004. Progress regarding license, technology and engineering services revenue for the 2004 fiscal year was as follows:

- Wi-LAN is continuing discussions with Philips Semiconductor regarding the licensing agreement that Wi-LAN signed with Philips in 1999. The agreement relates to Philips' second-generation WiFi (802.11a/g and 802.11g) chipsets, which became available in production quantities in Q4 2003. Wi-LAN and Philips have differing interpretations of the nature of the agreement and are actively working towards resolving their differences. Wi-LAN is still hopeful of an amicable resolution to this matter that will result in payment to Wi-LAN.
- Royalties from Wi-LAN's technology development and licensing agreement with Fujitsu are expected as Fujitsu begins to market the WiMAX SoC in 2005.
- On June 23, 2004 Wi-LAN initiated a patent infringement lawsuit against Cisco Systems and OCR Concepts Canada for sales of Cisco's 802.11a/g based Linksys and Aironet products in Canada.
- Wi-LAN's patent infringement lawsuit with Redline Communications has been settled, and Redline is paying Wi-LAN a royalty for every advanced OFDM wireless device that it has produced and will produce in the future, regardless of where the devices are sold.
- Wi-LAN acquired 17 U.S. patents and patent applications, including their foreign counterparts from Ensemble Communications Inc., a U.S. broadband wireless equipment supplier that recently decided to wind-up its business. These patents relate to the WiMAX MAC software. This acquisition advances Wi-LAN's goal to produce the world's first WiMAX compliant broadband wireless systems and strengthens Wi-LAN's technology licensing strategy with regard to such systems.

GEOGRAPHIC REVENUE

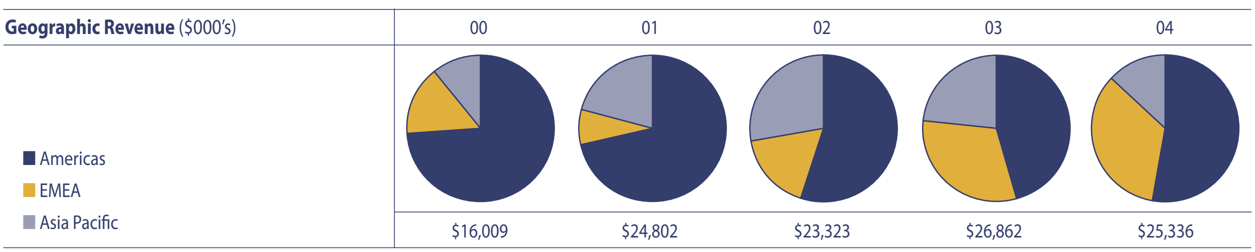
Wi-LAN's **Americas revenue** for fiscal year 2004 was $13,407, which is $1,101 or 9.0% more than the $12,306 reported for fiscal year 2003.

Wi-LAN's **European, Middle East and Africa (EMEA) revenue** for fiscal year 2004 was $8,674, which is $328 or 3.9% more than the $8,346 reported for fiscal year 2003.

Wi-LAN's **Asia Pacific revenue** for fiscal year 2004 was $3,255, which is $(2,955) or 47.6% less than the $6,210 reported for fiscal year 2003.

PRODUCT GROSS MARGIN

Product gross margin for fiscal year 2004 was $11,996 or 48.0% of product revenue, which is $(864) or (0.3) percentage points less than the product gross margin of $12,860 or 48.3% of product revenue for the 2003 fiscal year. In fiscal year



Sales to the Asia Pacific region declined in 2004 as Chinese orders did not materialise, while other regions showed modest growth.

2003, a non-cash inventory valuation adjustment increased Wi-LAN's product gross margin by $898 and in fiscal year 2004 the effect of the adjustment was to increase Wi-LAN's product gross margin by $1,471. 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 years 2003 and 2004, sales of inventory were higher than expected and some products that had been written off in prior years were sold in 2003 and 2004. Product gross margin for the three months ended October 31, 2004 was $2,895 or 47.1% of product revenue, which is $(650) less or 1.6 percentage points more than the $3,545 or 45.5% of product revenue reported for the same period in fiscal year 2003, and $34 or 1.2 percentage points more than the $2,861 or 46.9% of product revenue reported for the prior three months ended July 31, 2004. For further disclosure, refer to Notes 4 and 12 to the Financial Statements.

OPERATING LOSS

The Company's **operating loss** for fiscal year 2004 was $(7,375), compared with $(3,905) for fiscal year 2003, an increase of $(3,470). This increase was due to a decrease of $(769) at the gross margin level (explained in the "financial highlights" section) and a $2,701 or 15.9% increase in annual operating expense. The Company's operating loss for the three months ended October 31, 2004 was $(2,657), compared with $(617) for the three months ended October 31, 2003, and $(2,239) for the prior three months ended July 31, 2004.

Operating expenses for fiscal year 2004 were $19,701, an increase of $2,701 or 15.9% compared with $17,000 for the 2003 fiscal year. Operating expenses for the three months ended October 31, 2004 were $5,552, an increase of $1,247 or 29.0% compared with $4,305 for the same period in fiscal year 2003, and an increase of $413 or 8.0% compared with $5,139 for the prior quarter ended July 31, 2004. The increase in annual operating expense was made up of the following items:

- Recurring cash operating expenses (sales and marketing, research and development, operations, general and administrative, interest on long term debt) for fiscal year 2004 were $18,631, increased by $3,620 or 24.1% when compared with $15,011 for fiscal year 2003:
  - **Sales and marketing (S&M)** expense for the year ended October 31, 2004 was $6,135, an increase of $712 or 13.1% compared with $5,423 for the 2003 fiscal year. In 2004 Wi-LAN continued to strengthen its sales and marketing in an effort to grow future sales. This resulted in replacing two vice presidents in October 2004 (see consolidated revenue disclosure above) and the creation and staffing of new sales and marketing positions focused on key markets and on improving performance of channel partners.
  - **Research and development (R&D)** expense for the year ended October 31, 2004 was $6,987, an increase of $2,405 or 52.5% compared with $4,582 for the 2003 fiscal year. During 2004 Wi-LAN continued to develop its Libra MX system, its Libra Mobilis products, its WiMAX MAC software and, in collaboration with Fujitsu, the WiMAX compliant System-on-Chip (SoC). R&D expense is expected to stabilize in fiscal year 2005.

The Company accounts for its obligation to issue warrants under the Technology Partnerships Canada (TPC) program as a charge (amortization of TPC warrants) to R&D expense and an accrual to shareholders' equity. In accordance with revised Canadian accounting standards, the Company will account for its obligation to TPC as a financial liability, rather than an accrual to shareholders' equity, effective November 1, 2004. R&D expense is reduced by received and accrued cash receipts from TPC, and increased by the non-cash amortization of future warrants owed to TPC, as detailed in the following table:

	Year ended October 31	
$000's	**2004**	2003
Total R&D expenditures	**$ 7,867**	$ 4,466
Less: TPC contributions	**2,260**	2,169
% of expenditures	**28.7%**	48.6%
Cash R&D expense	**5,607**	2,297
Add: Amortization of TPC warrants	**1,380**	2,285
Reported R&D expense	**6,987**	4,582

Wi-LAN believes it is critical to maintain key R&D expenditures, in spite of lagging revenue, because the Company must over the next three quarters complete the development of products for potentially large opportunities for WiMAX and Intelligent Transportation Systems (ITS) products. Essential product development projects are as follows:

- Several projects are underway to further develop Wi-LAN's Libra MX equipment, and Wi-LAN expects to begin to deploy WiMAX compliant Libra MX equipment once the WiMAX Forum makes conformance testing available in 2005. This market has been estimated by Intel to be in the range of 11 million subscribers, a multi-billion dollar equipment market, by 2008 and to grow significantly thereafter as mobile applications are addressed. Wi-LAN believes it can grow its share of this market due to its solid track record in building commercial OFDM equipment.

- Wi-LAN's Libra Mobilis product series was launched on October 19, 2004, and development continues on further product enhancements. Wi-LAN believes it has a significant technology lead over its competition in this market and further product enhancements will maintain this advantage, allowing the Company to capitalize on the expected market demand. These mobile wireless systems are initially intended for broadband communications for high-speed trains in the Asia-Pacific region, including real-time video security, video advertising and broadband wireless Internet.

– **Operations expense** for the year ended October 31, 2004 was $2,292, an increase of $219 or 10.6% compared with $2,073 for the 2003 fiscal year. The increases were largely due to a generous customer satisfaction program that began in Q2, initiation of new quality control processes, and proactive product refurbishment initiatives. These actions are expected to result in improved product quality and higher customer retention / satisfaction rates.

– **General and administration (G&A)** expense for the year ended October 31, 2004 was $2,990, an increase of $57 or 1.9% compared with $2,933 for the 2003 fiscal year. G&A expenses vary from quarter to quarter due to variations in various finance, legal, business development, investor relations and corporate communications activities.

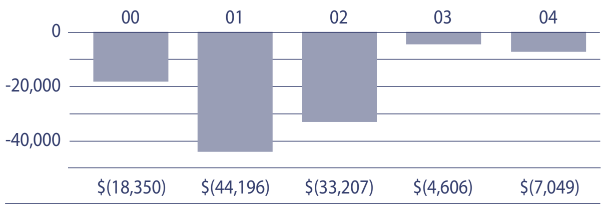
– **Interest on long term debt** was $227 for the year ended October 31, 2004, compared with $nil in fiscal year 2003, due to the mortgage on the Company's head office building which the Company purchased in March 2004. The Company leased the building in 2003, so no interest on long-term debt was recorded in that year.

- **Depreciation and amortization** for fiscal year 2004 was $1,070, a decrease of $(149) when compared to $1,219 for fiscal year 2003.

- **Operations consolidation costs** were $nil in fiscal year 2004, compared to $770 in fiscal year 2003. 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. For further disclosure, refer to Note 13 to the Financial Statements.

NET LOSS

Net Loss From Continuing Operations ($000's)



Net loss for fiscal year 2004 increased compared with fiscal year 2003 as revenue did not increase to offset increased spending, primarily R&D.

The Company's **net loss** for fiscal year 2004 was $(7,049) compared with $(4,606) in the 2003 fiscal year, an increase of $(2,443). Net loss for the three months ended October 31, 2004 was $(2,861), which is $(1,995) more than the $(866) reported for the same period in fiscal year 2003, and $(693) more than the $(2,168) net loss for the prior three months ended July 31, 2004. The increase in the net loss in fiscal year 2004 resulted partly from the increase in operating loss of $(3,470) previously described. Excluding the operating loss, the net loss for fiscal year 2004 was improved by $1,022 over fiscal year 2003. The following items contributed to this improvement in the annual net loss:

- **Loss on impairment of investments** for fiscal year 2004 was $nil, compared with $(350) for fiscal year 2003. These losses are write-downs resulting from Company reviews of the fair value of portfolio investments held. For further disclosure, refer to Note 7 to the Financial Statements.

- **Interest and bank charges** for fiscal year 2004 was $(117), compared with $(63) for fiscal year 2003, in increase of $(54).

- **Interest income** for fiscal year 2004 was $384, compared with $126 in fiscal year 2003, an increase of $258. This increase is due to changes in interest income earned on cash balances, which varied throughout the reporting periods.

- **Gains on disposal** for fiscal year 2004 were $nil, compared with $64 in fiscal year 2003. This item is due to the timing of minor disposals of assets and equity investments throughout the reporting periods.

- **Other income** for fiscal year 2004 was $351, compared with $78 in fiscal year 2003, an increase of $273. This item is largely rent revenue for fiscal year 2004 and write-offs and subsequent recoveries of liabilities for fiscal year 2003.

- **Foreign exchange gain (loss)** for fiscal year 2004 was $(232), compared with $(491) in fiscal year 2003, a loss reduction of $259. 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 Wi-LAN 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 2004 foreign exchange loss.

- **Income tax** for fiscal year 2004 was $(60) compared with $(65) in fiscal year 2003, a decrease of $(5), due to large corporations tax.

FINANCIAL CONDITION, LIQUIDITY, AND REQUIREMENTS OUTLOOK

Consolidated cash on October 31, 2004 was $13,768 compared with $27,553 on October 31, 2003, a reduction of $(13,785), and a reduction of $(1,576) compared with $15,344 on July 31, 2004. The twelve-month reduction of consolidated cash of $(13,785) consisted of $(6,344) used in operations (including changes in non-cash working capital balances), $11,774 from financing, and $(19,215) spent on investments.

- **Cash used in operations** in fiscal year 2004, including changes in non-cash working capital balances, of $(6,344) was due to the cash net loss from continuing operations, which decreased cash from operations by $(4,341), and changes in non-cash operating working capital balances that reduced cash from operations by $(2,003) in fiscal year 2004 compared to fiscal year 2003.

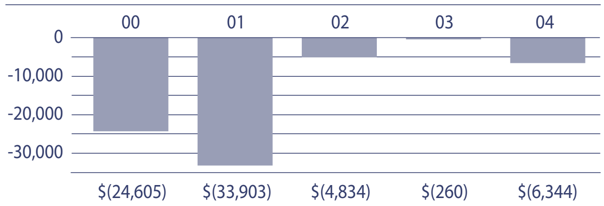
  The working capital items that decreased cash used in operations were:

  - changes in accounts receivable, which contributed $(1,319) less cash;
  - changes in inventories, which contributed $(831) less cash;
  - changes in prepaid expenses and deposits, which contributed $(170) less cash;
  - changes in deferred revenue, which contributed $(290) less cash; and
  - changes in cost of excess space, which contributed $(76) less cash.

  These items were partly offset by:

  - changes in accounts payable and accrued liabilities, which contributed $612 more cash; and
  - changes in warranty liabilities, which contributed $71 more cash.

Cash From Operations ($000's)



Cash from operations was $(6,344) in fiscal year 2004 as the Company increased R&D expenditures to speed development of its WiMAX platform (Libra MX) and Intelligent Transportation Systems (Libra Mobilis) products. Wi-LAN expects to generate positive cash from operations in the third quarter of fiscal year 2005.

Cash from financing in fiscal year 2004 of $11,774 originated from share capital issued to investors of $4,167, share capital issued on exercise of stock options of $689, and long-term debt of $8,000, partly offset by $(775) of restricted cash, payments against long-term debt of $(158), and share issue costs and capital lease payments of $(149). Share capital issued to investors of $4,167 related primarily to the exercise of warrants and underwriters' options from the Company's February 14, 2002 equity unit financing, which expired on February 14, 2004. The long-term debt of $8,000 was assumed with regard to Wi-LAN's purchase of its Calgary office building in March 2004 and the restricted cash of $(775) was provided as security on the mortgage.

Cash used in investing in fiscal year 2004 of $(19,215) 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. In fiscal year 2004 it consisted largely of $(13,803) for property, plant and equipment, related primarily to the purchase of the Company's Calgary office building in March 2004, and $(5,412) for trademarks, patents and licenses, related primarily to the Company's purchase of patents and patent applications from Ensemble Communications in May 2004.

Consolidated working capital on October 31, 2004 was $17,332 compared with $28,607 on October 31, 2003. Wi-LAN's October 31, 2004 consolidated cash and working capital is expected to be adequate to sustain the Company's growth in existing operations. Working capital consisted of the following components:

- During fiscal 2004, **current assets** decreased by $(11,465), from $35,696 on October 31, 2003 to $24,231 on October 31, 2004. The annual decrease in current assets was due to:
  - the aforementioned decrease in cash of $(13,785);
  - partly offset by increases in:
    - accounts receivable of $1,319, from $5,518 to 6,837;
    - inventories of $831, from $2,447 to $3,278; and
    - prepaid expenses and deposits of $170, from $178 to $348.
- **Current liabilities** decreased by $(190), from $7,089 on October 31, 2003 to $6,899 on October 31, 2004. The decrease in current liabilities was due to:
  - decreases in:
    - the current portion of deferred revenue of $(232), from $298 to $66;
    - the cost of excess space of $(851), from $851 to $nil; and
    - the capital lease obligation of $(96), from $96 to $nil.
  - Partly offset by increases in:
    - accounts payable and accrued liabilities of $612, from $5,658 to $6,270;
    - warranty liabilities of $28, from $186 to $214; and
    - the current portion of long-term debt of $349, from $nil to $349.

Wi-LAN's October 31, 2004 consolidated cash and working capital is expected to be adequate to sustain the Company's growth in existing operations.

The Company's **contractual obligations** are as follows:

($000's)	Payments due by Period				
	Total	Less than 1 yr.	1 – 3 years	4 – 5 years	After 5 years
Long term debt	$ 7,842	$ 349	$ 758	$ 629	$ 6,106
Capital lease obligations	Nil	Nil	Nil	Nil	Nil
Operating leases	Nil	Nil	Nil	Nil	Nil
Purchase obligations (1)	Nil	Nil	Nil	Nil	Nil
Other long term obligations (2)	Nil	Nil	Nil	Nil	Nil
Total contractual obligations	$ 7,842	$ 349	$ 758	$ 629	$ 6,106

(1) "Purchase obligation" means an agreement to purchase goods or services that is enforceable and legally binding on the Company that specifies all significant terms, including: fixed, minimum or variable price provisions; and the approximate timing of the transaction.

(2) "Other long term obligations" means other long-term liabilities reflected on the Company's balance sheet. Refer to note 2(n) to the Financial Statements.

NEW ACCOUNTING POLICIES AND INITIAL ADOPTION

- **Stock-based compensation:** The estimated fair value of **stock options** granted to third parties is expensed in the period in which the related services are delivered. The fair value is estimated using the Black-Scholes option pricing model. No compensation expense is recognized when stock options are issued to employees and directors.

  Effective November 1, 2004 the Company will adopt the new Canadian standards for accounting for stock-based compensation granted to employees. The Company will measure the fair value of all stock options issued to employees and directors and recognize the resulting compensation expense over the period of related service, usually the vesting period of the equity instrument awarded. As permitted, the Company will adopt this change retroactively without restatement of comparative year amounts.

- **Equity obligations:** The Company accounts for its obligation to issue warrants under the Technology Partnerships Canada (TPC) program as a charge to research and development expense and an accrual to shareholders' equity. In accordance with revised Canadian standards for accounting for the settlement of financial obligations with the future issuance of equity instruments, the Company will account for its obligation to TPC as a financial liability effective November 1, 2004.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. These estimates and assumptions are based upon management's historical experience and are believed by management to be reasonable under the circumstances. Such estimates and assumptions are evaluated on an ongoing basis and form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ significantly from theses estimates.

The Company's Critical Accounting Policies have been reviewed and discussed with the Company's Audit Committee.

- **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 experience and other relevant factors. Certain of the Company's contractual arrangements allow for limited right of return. 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.

- **Allowance for doubtful accounts:** The Company evaluates the collectability of trade accounts receivable based upon a combination of factors with the age of the receivable beyond agreed upon terms being a major factor. Wi-LAN regularly reviews and updates its information with respect to significant receivable balances. Historically increases in revenue have also caused increased trade accounts receivable and this could increase the risk for collectability.

- **Inventory:** 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. The valuation allowance is part of a detailed assessment of inventory that is performed each reporting period, which includes a review of, among other factors: demand requirements; contract manufacturer agreements and commitments; product life cycle and development plans; component cost trends; product pricing; and quality issues. In 2004 and 2003 inventory has been adjusted to reflect a combination of a recovery of previous inventory allowances on sales of product and the application of the Company's accounting policy noted above. If customer demand subsequently differs from the Company's forecast, requirements for inventory write-offs could become necessary.

- **Valuation of long-term investments:** The Company records long-term investments at the lower of cost or market. The market values of the investments in Cell-Loc Location Technologies Inc., Capitol Energy Resources Ltd., Interwave Communications International Ltd., and NTG Clarity Networks Inc. are based on trading activity at or near October 31, 2004. 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 the Company estimates their market values, as at October 31, 2004 to be equal to their cost. If the estimated realizable value of these investments were to differ from their present lower of cost or market values then a writedown of these investments could become necessary.

- **Long-lived assets and estimated life:** 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. Two buildings are the only long-lived assets of the Company and they are recorded at lower of cost or their market value. Market value is determined by comparing like assets in similar locations. If the market value were to become depressed in the areas in which these buildings are located then there is a possibility a writedown could be necessary.

- **Patents valuation and estimated life:** Patents are being amortized straight-line over a period ranging from sixteen to twenty years. The lives of patents are based on the lesser of either the legal life of the patents or their estimated economic life. If the actual economic life of the patents were to be less than their estimated lives then the amortization of the patents would need to be accelerated.

  The carrying value of patents is periodically reviewed by management to determine if the facts and circumstances suggest that they may be impaired. If there are indications that the carrying value is impaired, the Company compares the carrying value of its patents to the undiscounted cash flow generated from the patents. If this assessment indicates that the carrying value of the patents may not be recoverable, the carrying value is then compared to the estimated fair value of the patents. Any impairment identified through this assessment will require that the carrying value of related patents be written down to their estimated fair value. The Company estimated the fair value of the patents as at October 31, 2004 and it was determined that by estimating future potential income from these patents that the carrying values were not impaired. For the purposes of the fair value calculation the patents relating to OFDM and the newer patents purchased from Ensemble Communications Inc. were grouped. If the actual income from the patents were not to be achieved as estimated then it is possible in the future the value of the patents could be written down.

- **Goodwill valuation:** 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. In 2004 and 2003, an impairment test was performed on goodwill and no impairment of carrying values was identified. The TIL-TEK reporting unit was fair valued using a discounted cash flow analysis based on future estimated cash flow. This cash flow is highly dependent on one major relationship with a Tier 1 customer and if the actual cash flow from this relationship was not to be achieved as estimated then the future the value of the goodwill could be written down to its carrying value.

- **Estimated benefit of future tax:** The Company has losses for income tax purposes that expire in various amounts from 2005 to 2014. In addition the Company has unutilized research and development tax deductions of approximately $16,400 that have an unlimited carryforward period. No recognition for the benefit of the loss carryforward of the research and development tax deductions has been made in the financial statements as the Company is unable at this time to accurately predict the amount, if any, of these tax benefits that would actually be utilized.

- **Contingent liabilities:** As at October 31, 2004 the Company was committed to purchase up to 50,000 System-on-Chips (SoC's) from a manufacturer if that manufacturer was not able to find purchasers for 100,000 of the SoC's two years after they are completed and in commercial production. As at October 31, 2004 and 2003 no liability has been accrued for this commitment as the ultimate amount of SoC's that may need to be purchased cannot be determined at this time.

  The Company is defending itself in three separate actions and the Company believes that, as the amount of liability is undermined at this time, no liability has been accrued for claims on these actions:

  – 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 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. The Company maintains that any claim against Wi-LAN is without merit. The Company is vigorously defending the action and has filed a Statement of Defense. It has also filed a counterclaim stating that the only reason the Company was added as a defendant was for the improper purpose of naming a "deep-pocketed" and potentially insured defendant, without reasonable justification. As at October 31, 2004 and 2003 no liability has been accrued with respect to these lawsuits as it is yet to be determined if legal liability exists.

  – In June 2004, the Company commenced a legal action in Canada for patent infringement against Cisco Systems Inc. (Cisco), for producing and selling IEEE standard 802.11a/g devices without a license from Wi-LAN. Wi-LAN is seeking compensation for use of its intellectual property as well as punitive damages. Cisco has filed a Statement of Defence denying any wrongdoing and a Counterclaim against Wi-LAN seeking a judgment to have Wi-LAN's Canadian OFDM patent declared invalid. Cisco is also seeking costs of the Counterclaim plus Goods and Services Tax, and such further and other relief as the Court finds just. The amount of costs being claimed are undetermined at this time and will only be ascertained if Cisco Systems Inc. is successful in its Counterclaim and therefore, as at October 31, 2004, no liability has been accrued with respect to this Counterclaim.

– In August 2001, the Company was served with a Statement of Claim for alleged breach of a patent license and technology transfer agreement. The Company maintains that it has made all payments under the agreement and has filed a Statement of Defence to defend against this action. To date, it has yet to be determined if legal liability exists, and accordingly, no provision has been made in the Financial Statements.

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 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 2004, a Canadian one-cent decrease in the value of the US dollar is estimated to decrease the Company's revenue and net income by $208 and $101 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.

ADDITIONAL INFORMATION

Additional information regarding the Company is available at www.sedar.com.

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.

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

Keith Bittner
Acting Chief Financial Officer

AUDITORS' REPORT

We have audited the consolidated balance sheets of Wi-LAN Inc. as at October 31, 2004 and 2003 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, 2004 and 2003 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 13, 2004

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

As at October 31,	2004	2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,768	$ 27,553
Accounts receivable	6,837	5,518
Inventories (Notes 4 and 11)	3,278	2,447
Prepaid expenses and deposits	348	178
	24,231	35,696
Restricted cash (Note 5)	775	–
Property, plant and equipment (Note 5)	12,121	2,007
Long-term investments (Note 7)	231	231
Trademarks, patents and licences (Note 6)	10,512	385
Goodwill	6,364	6,364
	$ 54,234	$ 44,683
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 6,270	$ 5,658
Deferred revenue	66	298
Warranty liabilities	214	186
Cost of excess space	–	851
Capital lease obligation	–	96
Current portion of long-term debt (Note 9)	349	–
	6,899	7,089
Cost of excess space	–	2,352
Deferred revenue	80	138
Warranty liabilities	267	224
Long-term debt (Note 9)	7,493	–
Shareholders' equity:		
Share capital (Note 10)	188,498	176,834
Contributed surplus	400	400
Deficit	(149,403)	(142,354)
	39,495	34,880
Commitments and contingencies (Note 10(b) and 15)		
	$ 54,234	$ 44,683

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Dr. Hatim Zaghloul
Director

Charles Hotzel
Director

Wi-LAN Inc.

(in thousands of Canadian dollars except per share amounts)

Years ended October 31,	2004	2003
Revenue:		
Product	$ 25,006	$ 26,627
License, technology and engineering services	330	235
	25,336	26,862
Cost of product sales (Note 11)	13,010	13,767
	12,326	13,095
Expenses:		
Sales and marketing	6,135	5,423
Research and development (Note 10(b))	6,987	4,582
Operations	2,292	2,073
General and administrative (Note 12)	2,990	2,933
Interest on long-term debt	227	–
Depreciation and amortization	1,070	1,219
Operations consolidation costs (Note 13)	–	770
	19,701	17,000
Operating loss before the following	(7,375)	(3,905)
Impairment of investments (Note 7)	–	(350)
Interest and bank charges	(117)	(63)
Interest income	384	126
Gains on disposal	–	64
Other income	351	78
Foreign exchange loss	(232)	(491)
Net loss before tax	(6,989)	(4,541)
Income taxes (Note 16)	(60)	(65)
Net loss	(7,049)	(4,606)
Deficit, beginning of year	(142,354)	(137,748)
Deficit, end of year	$ (149,403)	$ (142,354)
Loss per share – basic and diluted	$ (0.17)	$ (0.15)

See accompanying notes to consolidated financial statements.

Wi-LAN Inc.

(in thousands of Canadian dollars except per share amounts)

Years ended October 31,		**2004**		2003
Cash provided by (used in):				
Operations:				
Net loss from operations	**$**	**(7,049)**	$	(4,606)
Items not involving cash:				
Depreciation and amortization		**1,070**		1,219
Loss on impairment of investments		**–**		350
Cost of excess space		**(255)**		(466)
Fair value of warrants and options issued to Technology Partnership Canada (Note 10(b))		**1,380**		2,285
Fair value of warrants and options issued (Note 10 (b))		**513**		124
Gain on disposals of long-term investments		**–**		(61)
Gain on disposal of equipment		**–**		(3)
Unrealized losses on foreign exchange and other		**–**		44
		(4,341)		(1,114)
Change in non-cash operating working capital balances:				
Accounts receivable		**(1,319)**		(1,006)
Inventories		**(831)**		1,654
Prepaid expenses and deposits		**(170)**		201
Accounts payable and accrued liabilities		**612**		(81)
Deferred revenue		**(290)**		265
Cost of excess space		**(76)**		(273)
Warranty liabilities		**71**		94
		(6,344)		(260)
Financing:				
Share capital issued for cash		**4,167**		24,518
Share capital issued for cash on exercise of stock options		**689**		486
Share issue costs		**(53)**		(2,567)
Long-term debt		**8,000**		–
Payments against long-term debt		**(158)**		–
Restricted cash		**(775)**		–
Capital lease payments		**(96)**		(215)
		11,774		22,222
Investments:				
Purchase of property and equipment		**(13,803)**		(61)
Purchase of trademarks, patents and licenses		**(5,412)**		(5)
Long-term investments		**–**		(70)
Proceeds from disposal of long-term investment		**–**		135
Proceeds from disposal of equipment		**–**		6
		(19,215)		5
		(13,785)		21,967
Cash and cash equivalents, beginning of year		**27,553**		5,586
Cash and cash equivalents, end of year	**$**	**13,768**	$	27,553

Cash and cash equivalents consists of cash on hand, balances with banks and short-term deposits.

See accompanying notes to consolidated financial statements including Note 14 – Supplemental cash flow information.

Wi-LAN Inc.

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 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. and its wholly-owned subsidiaries. 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 are 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 experience and other relevant factors. Certain of the Company's contractual arrangements allow for limited right of return. 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) Cash and cash equivalents:

Cash and cash equivalents are comprised of term deposits and other short-term investments with original maturities of three months or less.

(d) 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 on translation of foreign currency amounts are charged to income.

(e) 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.

(f) 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
Buildings	20-40 years

(g) Goodwill and intangible assets:

Intangible assets with finite lives, being trademarks, patents and licenses, are amortized over their useful lives with an annual review of the amortization method and life. Patents are being amortized straight-line over a period ranging from sixteen to twenty years. The useful life of trademarks was adjusted from twenty years to fifteen years for the year ended October 31, 2003. The carrying value of intangible assets is periodically reviewed by management to determine if the facts and circumstances suggest that they may be impaired. If there are indications that the carrying value is impaired, the Company compares the carrying value of its intangible assets to the estimated undiscounted cash flow generated from those assets. If this assessment indicates that the carrying value of the asset may not be recoverable, the carrying value is then compared to the estimated fair value of the intangible assets. Any impairment identified through this assessment will require that the carrying value of related intangible assets be written down to their estimated fair value.

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. In 2004 and 2003, an impairment test was performed on goodwill and intangible assets and no impairment of carrying values was identified.

(h) Research and development costs:

Research costs are expensed as incurred. 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 incurred to date.

(i) Government assistance:

The Company is eligible for government assistance for certain research and development costs (see Note 10 (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 reasonable assurance that the Company has complied with, and will continue to comply with, all of the conditions necessary to obtain the grants.

(j) 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. 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.

(k) 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.

(l) Per share amounts:

Per share amounts are 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.

(m) Stock-based compensation:

The estimated fair value of stock options granted to third parties is expensed in the period which the related services are delivered. The fair value is estimated using the Black-Scholes option pricing model. No compensation expense is recognized when stock options are issued to employees and directors.

Beginning November 1, 2004 the Company will adopt the new Canadian standards for accounting for stock-based compensation granted to employees. Under these new requirements, the Company will measure the fair value of all instruments issued to employees and directors and recognize the resulting compensation expense over the period of related service, usually the vesting period of the equity instrument awarded. As permitted by the transitional rules contained in the new requirements, the Company will adopt this change in accounting policy retroactively without restatement of comparative year amounts.

(n) Equity obligations:

The Company accounts for its obligation to issue warrants under the Technology Partnerships Canada ("TPC") program as a charge to research and development expense and an accrual to shareholders' equity. In accordance with revised Canadian standards for accounting for the settlement of financial obligations with the future issuance of equity instruments, the Company will account for its obligation to TPC as a financial liability effective November 1, 2004.

(o) Comparative information:

Certain comparative information for 2003 has been restated to conform with the current year's presentation.

3. Investment in Wi-Comm Communications Equipment Co. Ltd

In October 2001, Wi-LAN entered into a joint venture agreement with a 20% participation in a joint venture named Wi-Comm Communications Equipment Co. Ltd. ("Wi-Comm"). The purpose of the joint venture was 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. 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 was recognized in income during 2003.

No assets and liabilities of the joint venture are included in the consolidated balance sheets as at October 31, 2004 and 2003.

The consolidated statement of operations and deficit includes the following results of operations of the joint venture for 2003:

(in thousands of Canadian dollars)	2003
Sales	$ 198
Cost of sales	178
	20
Expenses:	
General and administrative	66
Operating loss before the following	(46)
Foreign exchange loss	(9)
Net loss	$ (55)

The cash flow of the joint venture for 2003 is as follows:

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

4. Inventories:

(in thousands of Canadian dollars)	2004	2003
Parts and sub-assemblies	**$ 3,885**	$ 4,754
Work-in-progress	**211**	250
Finished goods	**2,882**	2,614
	6,978	7,618
Valuation allowance (Note 11)	**(3,700)**	(5,171)
	$ 3,278	$ 2,447

5. Property, plant and equipment:

(in thousands of Canadian dollars) October 31, 2004	Cost	Accumulated depreciation and amortization	Net book value
Machinery and business equipment	$ 2,041	$ 1,537	$ 504
Computer software and equipment	3,037	2,613	424
Furniture and fixtures	1,225	1,011	214
Vehicles	14	12	2
Land	2,545	–	2,545
Buildings	8,665	233	8,432
	$ 17,527	**$ 5,406**	**$ 12,121**

(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	–	15
Building	427	66	361
	$ 6,670	$ 4,663	$ 2,007

At October 31, 2003 property, plant and equipment included assets under capital leases with a net book value of $192,000.

Effective March 22, 2004 the Company purchased their head office building in Calgary for $13.35 million. The portion of the purchase allocated to land was $2.53 million. The building was purchased with cash and financed by a mortgage of $8 million (Note 9). The balance of Cost of Excess Space of $2.872 million was applied as a credit against the property and the net book value of tenant improvements of $220,000 incurred by the Company relating to the building when the Company was a tenant has been added to the cost of the property. The Company has also provided, as additional security for the mortgage, cash on deposit of $775,000. This cash on deposit has been recorded as restricted cash.

6. Trademarks, patents and licenses:

(in thousands of Canadian dollars) October 31, 2004	Cost	Accumulated amortization	Net book value
Trademarks	$ 75	$ 21	$ 54
Patents and licenses	10,825	367	10,458
	$ 10,900	**$ 388**	**$ 10,512**

(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

On May 21, 2004 the Company acquired, from Ensemble Communications Inc., a US based private company, 17 US patents and patent applications, including their foreign counterparts for cash, share consideration and ongoing royalties as described below.

Under the terms of the purchase agreement, Wi-LAN paid approximately $5.34 million and issued 1,933,100 special warrants, which were each exercised into one Wi-LAN common share for no further consideration. The related shares are subject to certain time-based escrow release provisions, which expire on delivery of the final escrowed share certificate on February 14, 2005. The fair value of the related Wi-LAN common shares at the date of purchase was $2.57 per share, or $4.97 million (Note 10). Under agreed price protection provisions, more or less shares may be issued to the vendor depending upon the market price of the Company's common shares. Wi-LAN will pay the vendor a royalty in the range of 5% to 15%, depending on quantities, timing and other factors, of any royalty revenue that it receives from the purchased patents for a five-year period commencing on the date of purchase. Wi-LAN has granted the vendor a fixed security interest in certain of the acquired patents, on account of Wi-LAN's obligation to pay royalties.

As at October 31, 2004, Wi-LAN has issued an additional 99,841 common shares to Ensemble Communications Inc. at prices ranging from $1.68 to $1.85 per share under the price protection provisions of the agreement. The value of shares issued on May 21, 2004 has been reduced by approximately $176,000, the estimated fair value of these additional shares.

7. Long-term investments:

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

(in thousands of Canadian dollars) October 31, 2004	Book value	Market value
Cell-Loc Location Technologies Inc.	$ 29	$ 46
Capitol Energy Resources Ltd.	109	160
Interwave Communications International Ltd.	–	8
NTG Clarity Networks Inc.	23	23
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, 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

The market values of the investments in Cell-Loc Location Technologies Inc., Capitol Energy Resources Ltd., Cell-Loc Inc., Interwave Communications International Ltd., and NTG Clarity Networks Inc. are based on trading activity. Cell-Loc Inc. shares were exchanged during the year for shares in Cell-Loc Location Technologies Inc. and Capitol Energy Resources Ltd. 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 annually reviews the carrying value of its portfolio investments. Write-downs to net realizable value of $Nil (2003 - $350,000) were recorded as it was determined that the carrying value of certain investments had a decline that was other than temporary and recovery of the book value of the investments was unlikely.

8. Due to related parties and related party transactions:

No related party transaction occurred in the years ended October 31, 2004 and 2003 and as of October 31, 2004 and 2003 no amounts were due to or from related parties.

9. Long-term debt and lines of credit:

(a) Long-term debt

The mortgage in the amount of $8 million entered into in March 2004 is secured by the Company's Calgary head office building. The term of the mortgage is five years at an interest rate floating at 1.25% above the prime lending rate (5.50% as at October 31, 2004). The interest rate may be fixed at any time during the term of the mortgage at the Government of Canada Bond rate plus 2%. Payments of principal and interest of approximately $64,000 are made monthly based on a 15 year amortization of the principal.

Scheduled principal payments over the next five fiscal years, based on the interest rate at October 31, 2004, are as follows:

(in thousands of Canadian dollars)	
2005	$ 349
2006	368
2007	390
2008	412
2009 – to maturity	216

The Company intends to renew the mortgage after the initial term ends in 2009 at prevailing rates at which time the principal amount outstanding will be approximately $6,106,000.

(b) Line of credit:

The Company has a credit facility with a Canadian commercial bank secured by cash to cover up to $300,000 in Letters of Credit. As at October 31, 2004 $50,000 (2003 - $450,000) in a Letter of Credit was outstanding.

10. 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 (000s)
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
Balance, October 31, 2003	38,379,689	174,549
Issued for cash	1,067,546	4,167
Issued on the purchase of Ensemble patents	1,933,100	4,968
Issued under Ensemble agreement price protection provisions	99,841	176
Share price adjustment (Note 6)	–	(176)
Share issue costs	–	(53)
Exercise of stock options	338,240	689
Stock-based compensation	–	259
Technology non-recoverable research and development	–	254
Subtotal	41,818,416	184,833
Warrants to be issued to TPC - 2003	–	2,285
Warrants to be issued to TPC - 2004	–	1,380
Balance, October 31, 2004	**41,818,416**	**$ 188,498**

Stock-based compensation, included in operating expenses, consisted of stock options issued to contract personnel and warrants issued under research and development contracts for non-recoverable research and development expenses. These stock options 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 10 (e).

Under an agreement signed on March 31, 2003 and effective November 1, 2002, with the Government of Canada's Technology Partnerships Canada ("TPC") program, the Company is eligible to receive conditionally repayable research and development funding amounting to a maximum of $8.8 million to support the development of next-generation wireless technologies. Under the terms of the agreement, an amount up to a maximum of $12.2 million was to be repaid based on a rate of 1.24% of annual sales in excess of $30 million, commencing November 1, 2005.

In addition, the TPC was to receive warrants having a fair value of $5 million measured on the date of issuance, no later than January 31, 2005, using the Black-Scholes option pricing model and exercisable for a five-year term, subject to regulatory approvals. If the regulatory authorities did not approve the warrants, the Company was obligated to repay $5 million with interest 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 $1.38 million (2003 - $2.28 million) has been charged to research and development expense and the credit has been recorded as share capital. Since inception of the agreement, the Company has accrued $3.66 million of its obligation to issue the warrants.

Effective May 20, 2004 the Company and the Government of Canada executed an amendment to the agreement. Under the terms of the amendment agreement, the period for making qualifying expenditures was extended from March 31, 2005 to June 30, 2006, and the repayment commences on February 1, 2007 instead of November 1, 2005. In addition, the Company's obligation to issue the $5 million of warrants, and the alternative obligation to repay $5 million with interest to TPC if regulatory approval for issuance of the warrants is not received, is to be no later than June 30, 2006 instead of no later than January 31, 2005.

During the year, the Company received or accrued $2.26 million (2003 - $2.17 million) from TPC and has recorded those amounts as a reduction of research and development expenses. Since inception of the agreement, the Company has received or accrued $4.43 million.

(c) Share purchase warrants:

Share purchase warrants issued and outstanding in conjunction with financings described in 10 (d) and in the normal course of business are as follows:

	Number of Warrants Outstanding	Price/Share Price Range		Price/Share Weighted Average
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	5.25	4.05
Issued	125,000	3.15	3.15	3.15
Exercised	(864,109)	3.10	4.25	4.04
Expired	(15,691)	4.25	4.25	4.25
Outstanding at October 31, 2004	**3,721,700**	**$ 1.85**	**$ 5.25**	**$ 4.02**

(d) Financings and underwriters' options:

On February 14, 2002 the Company issued 1,530,000 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 entitled 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. 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. Options to acquire 153,000 units and 9,562 common shares were exercised prior to the February 14, 2004 expiry date.

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 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, 2004, options to acquire 60,000 units 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 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 an 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, 2004 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 Price Range		Price/Share Weighted Average
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
Exercised	(203,437)	2.95	4.25	3.31
Outstanding at October 31, 2004	**1,093,688**	**$ 2.95**	**$ 5.25**	**$ 3.85**

(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.

Options granted during the year have a weighted average fair value of $1.60 (2003 - $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 the intrinsic value method 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 as follows:

(in thousands of Canadian dollars)	**2004**	2003
Net loss:		
As reported	**$ (7,049)**	$ (4,606)
Compensation expense	**1,083**	1,772
Proforma net loss	**$ (8,132)**	$ (6,378)
Loss per share – basic and diluted:		
As reported	**$ (0.17)**	$ (0.15)
Proforma net loss per share	**$ (0.20)**	$ (0.20)

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

	2004	2003
Risk free interest rate	**5%**	5%
Volatility	**68%**	100%
Expected option life (in years) – less than 50,000 options	**3.0**	3.0
Expected option life (in years) – greater than 50,000 options	**4.0**	4.0
Dividend yield	**0%**	0%

The option activity during the periods indicated is as follows:

	Number of options outstanding	Price/Share			Exercisable Options	
		Price Range		Weighted Average	Number	Weighted Average
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
Granted	439,904	1.65	5.08	3.19		
Exercised	(338,240)	1.00	4.12	2.02		
Cancelled	(128,541)	1.00	14.45	4.87		
Outstanding at October 31, 2004	**3,389,105**	**$ 1.00**	**$ 45.80**	**$ 3.81**	**2,916,061**	**$ 4.19**

For various price ranges, weighted average characteristics of outstanding employee stock options at October 31, 2004, which expire between November 1, 2004 and October 20, 2009, were as follows:

Range of Exercise Prices		Outstanding Stock Options at Oct 31, 2004	Remaining Term of Option in Years	Weighted Average	Exercisable Stock Options at Oct 31, 2004	Weighted Average
$ 1.00	$ 1.19	230,450	2.93	$ 1.00	229,770	$ 1.00
1.20	1.66	509,400	3.26	1.50	361,375	1.47
1.67	2.19	261,000	3.55	1.98	220,776	2.01
2.20	2.99	154,694	3.81	2.77	90,857	2.78
3.00	3.42	719,687	2.40	3.35	628,470	3.36
3.43	3.61	579,725	3.87	3.61	552,401	3.61
3.62	4.50	421,602	3.38	4.31	331,340	4.37
4.51	4.65	139,000	1.75	4.64	139,000	4.64
4.66	6.75	46,160	2.59	6.11	34,685	6.49
6.76	9.30	72,250	1.21	8.12	72,250	8.12
9.31	14.45	249,437	0.64	14.45	249,437	14.45
14.46	45.80	5,700	0.99	24.00	5,700	24.00
		3,389,105		$ 6.32	2,916,061	$ 6.36

(f) Per share amounts:

The calculation of basic loss per common share is based on the weighted average number of common shares outstanding of 40.3 million (2003 - 31.7 million). The diluted per share amounts are not presented separately as the result would be anti-dilutive.

11. Inventory allowance:

Included in the cost of sales is a reduction of our inventory allowance related to previously reserved inventory of $1,471,000 (2003 - $898,000). The inventory adjustment is a combination of a recovery of previous inventory valuation allowances on sales of product and the 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.

12. Auditing fees:

Included in general and administrative expenses are annual financial statement audit and interim financial statement review fees of $96,000 (2003 - $96,000), $38,000 (2003 - $23,000) related to reporting advisory services and $36,000 (2003 - $36,000) relating primarily to income tax return preparation services performed by KPMG LLP. Share capital includes share issuance and French language translation costs of $45,000 (2003 - $84,000) for services performed by KPMG LLP relating to financings.

13. 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 incurred $770,000 to cover the cost of consolidating the WTI operations, which consists mainly of workforce reduction severance expenses. The transition from California to Calgary was completed by March 31, 2003.

14. Supplemental cash flow information:

Cash interest paid in 2004 was $344,000 (2003 - $63,000). Cash interest received in 2004 was $369,000 (2003 - $80,000). Cash taxes paid in 2004 was $86,000 (2003 – $20,000).

15. Commitments and contingencies:

(a) 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 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. The Company maintains that any claim against Wi-LAN is without merit. The Company is vigorously defending the action and has filed a Statement of Defense. It has also filed a counterclaim stating that the only reason the Company was added as a defendant was for the improper purpose of naming a "deep-pocketed" and potentially insured defendant, without reasonable justification. To date, it has yet to be determined if legal liability exists, and accordingly, no provision has been made in these statements.

In a related action, the Company is seeking costs of its defence in the above actions, plus indemnity for any judgement against the Company. The Company's case has recently been determined by the Court of Queen's Bench of Alberta, and the application for coverage has been dismissed. The Company has filed an appeal with the Alberta Court of Appeal.

(b) In August 2002 and amended in March 2004, the Company signed an agreement with a major System-on-Chip ("SoC") manufacturer that commits Wi-LAN to purchase up to 50,000 SoC's if the manufacturer or the Company is not able to find purchasers for 100,000 SoC's two years from the date the SoC is completed and put into commercial production (estimated to be April 2007). As at October 31, 2004 and 2003 no liability has been accrued with respect to this commitment and the amount of ASIC's to be purchased is undetermined.

(c) In June 2004, the Company commenced a legal action in Canada for patent infringement against Cisco Systems Inc., for producing and selling IEEE standard 802.11a/g devices without a license from Wi-LAN. Wi-LAN is seeking compensation for use of its intellectual property as well as punitive damages. Cisco Systems Inc. has filed a Statement of Defence denying any wrongdoing and a Counterclaim against Wi-LAN seeking a judgment to have Wi-LAN's OFDM patent declared invalid. They are also seeking costs of the Counterclaim plus Goods and Services Tax, and such further and other relief as the Court finds just. The amount of costs being claimed are undetermined at this time and will only be ascertained if Cisco Systems Inc. is successful in their Counterclaim and therefore, as at October 31, 2004, no liability has been accrued with respect to this Counterclaim.

(d) In August 2001, the Company was served with a Statement of Claim for alleged breach of a patent license and technology transfer agreement. The Company maintains that it has made all payments under the agreement and has filed a Statement of Defence to defend against this action. To date, it has yet to be determined if legal liability exists, and accordingly, no provision has been made in these statements.

16. Income taxes:

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

(in thousands of Canadian dollars)	**2004**	2003
Computed "expected" income tax benefit at Canadian statutory income tax rate of 34.37% (2003 – 37.16%)	**$ (2,423)**	$ (1,687)
Foreign tax rate differential	**(2)**	33
Other permanent differences	**651**	906
Benefit of future tax assets not recognized	**1,774**	748
Large corporations tax	**60**	35
Actual income tax expense	**$ 60**	$ 35

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

	October 31, 2004			October 31 2003
(in thousands of Canadian dollars)	**Canada**	**US**	**Total**	Total
Long-term investments	**$ 1,483**	**$ –**	**$ 1,483**	$ 1,527
Accounts payable	**162**	**–**	**162**	1,278
Capital assets and intangibles depreciation	**2,657**	**–**	**2,657**	1,363
Loss carry-forwards	**25,646**	**934**	**26,580**	27,811
Development expenses carry-forward	**5,515**	**–**	**5,515**	3,543
Share issue costs	**747**	**–**	**747**	1,277
Other	**3**	**–**	**3**	3
Gross future tax asset	**36,213**	**934**	**37,147**	36,802
Less: valuation allowance	**(36,213)**	**(934)**	**(37,147)**	(36,802)
Net future tax	**$ –**	**$ –**	**$ –**	$ –

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, 2004 the Company had losses for income tax purposes of approximately $64,800,000 that expire in various amounts from 2005 to 2014. Unutilized research and development tax deductions of approximately $16,400,000 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.

17. 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)	**2004**	2003
Revenue by Geographic Region:		
Americas	**$ 13,407**	$ 12,306
Europe Middle East and Africa	**8,674**	8,346
Asia Pacific	**3,255**	6,210
Total	**$ 25,336**	$ 26,862

(in thousands of Canadian dollars)	**2004**	2003
Revenue by Product Category:		
W-OFDM	**$ 6,604**	$ 4,518
Other data radios	**14,370**	17,466
Antennas	**4,032**	4,643
License, technology and engineering services	**330**	235
Total	**$ 25,336**	$ 26,862

18. Financial instruments:

The carrying values of cash and cash equivalents, accounts receivable, lines of credit, capital leases, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these instruments. The fair value of long-term debt approximates carrying value as the terms of the debt are similar to that available in the market as at October 31, 2004.

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

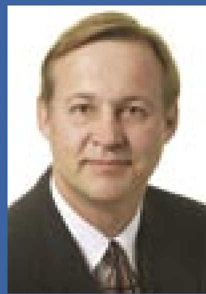
Trade accounts receivable arise from the sale of products to long distance carriers, wireless service providers, and resellers/integrators in the telecommunications industry, domestically and internationally. Generally, the Company extends unsecured credit to its customers on trade receivables, but believes that its credit evaluation process mitigates credit risks. The Company maintains an allowance for doubtful accounts with total provisions at year end of $1,931,000 (2003 - $1,077,000).

Officers

Dr. Hatim Zaghloul
Executive Chairman

Dr. Sayed-Amr (Sisso) El-Hamamsy
President and Chief Executive Officer

Lynel Barrow
Vice President, Legal General Counsel and Corporate Secretary



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Vice President, Global Sales

Keith Bittner
Acting Chief Financial Officer

Shawn Lightfoot
Vice President, Technology

Greg Masuda
Vice President, Operations

John Seliga
Vice President, Marketing

David Tilston
Vice President, Operations TIL-TEK Antennas

Stephen Tilston
General Manager, TIL-TEK Antennas

Ken Wetherell
Vice President, Corporate Communications & Investor Relations

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Mr. W.C. (Bill) Hews [2,3]
Mr. George Horhota [1]
Mr. Charles N.D. Hotzel [1,2]
Mr. Frank King [3]
Dr. Hatim Zaghloul

[1] Member of Audit Committee
[2] Member of Compensation Committee
[3] Member of Corporate Governance Committee

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