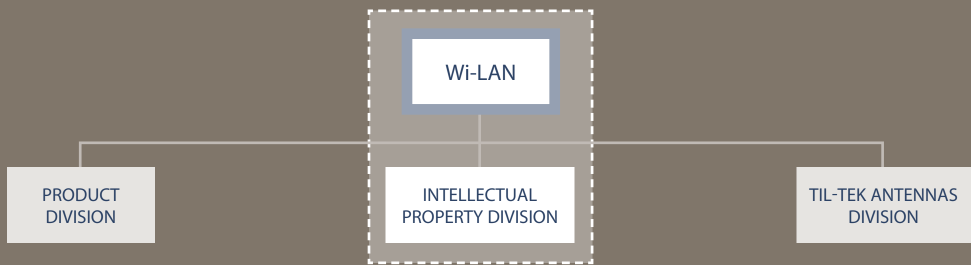
2 0 0 5 ANNUAL REPORT

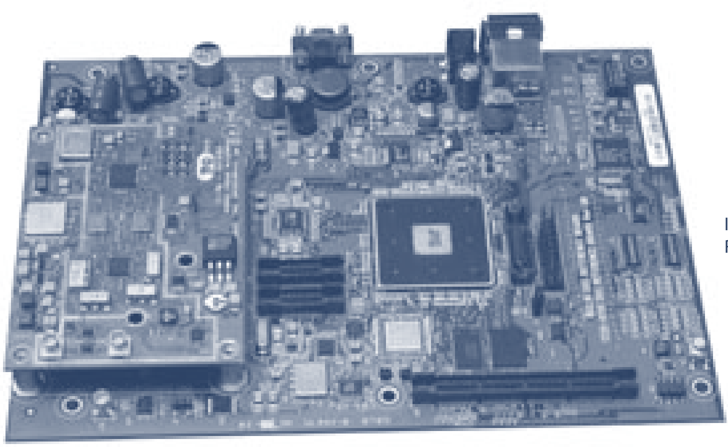
new structure… new focus

new structure... new focus

In 2005 Wi-LAN began to place increased emphasis on its intellectual property business. Separate Intellectual Property (IP) and Product divisions were formed to promote greater customer focus and drive improved performance from the two key value areas within Wi-LAN. The creation of a separate IP Division with dedicated resources provides clarity, focus and increased independence from the product side of Wi-LAN's business, and opens up opportunities for more effective partnering in areas such as Mobile WiMAX.

On February 1, 2006 Wi-LAN announced that it will exit its equipment business (the Product Division) in an orderly manner. Wi-LAN's products incorporate market-leading technology and have been well received by the market, but the equipment business is not profitable and the company is unable to sustain the ongoing development expense and working capital requirements of the product lines while also growing the intellectual property business. The Company is pursuing potential partners interested in purchasing one or more of its broadband wireless access product lines. Also, the TIL-TEK antenna division was reorganized in the third quarter to achieve improved results and Wi-LAN is seeking a buyer for that business. The Company expects to complete this action by April 30, 2006.





IP DIVISION'S WIMAX REFERENCE BOARD

TRADING INFORMATION

Wi-LAN's common shares trade on The Toronto Stock Exchange (TSX) under the symbol "WIN".

The 2006 Annual and Special Meeting of Shareholders of Wi-LAN Inc. will be held at 5 p.m. at the Sheraton Cavalier Hotel, 2620 32nd Avenue N.E., Calgary, Alberta on April 20, 2006. We encourage all shareholders to sign and return their proxy form prior to the meeting.

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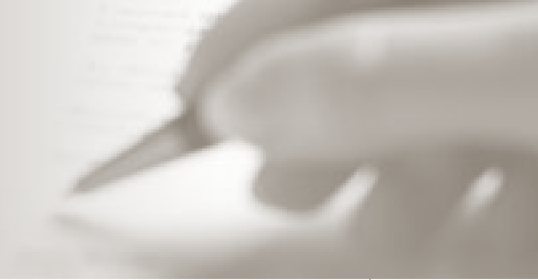
Letter to Shareholders



Fellow Shareholders,

In 2005, we began repositioning your Company to capitalize on the longer-term opportunities that the transition of the broadband wireless access market offers, while at the same time sharpening our short-term focus to deliver results. The broadband wireless access market is finally coming of age, transitioning from a market of small product companies providing proprietary solutions to small niche service providers, to a market dominated by large, multi-billion dollar companies who will be providing WiMAX Forum standards-based solutions to large telecom service providers.

In 2005, we began repositioning your Company to capitalize on the longer-term opportunities of the broadband wireless access market, while sharpening our short-term focus to deliver results.

It is clear that Wi-LAN requires partners and investment to translate its intellectual property (IP) position and product offerings into sustainable, profitable participation in the market. Wi-LAN's repositioning began early in the year with changes to management as I was appointed President and CEO in February, and three new members were elected to our eight-member board, all of whom, except Company co-founder Dr. Hatim Zaghloul and I, are independent and have no direct or indirect relationship with Wi-LAN. Since that time, the Board and management have worked together to address many significant challenges. Action was taken to focus operations and sales along product and geographic lines while assessing the strategic position of the Company. A committee of directors, chaired by Dr. Hatim Zaghloul, was formed to evaluate a wide range of options and GMP Securities Ltd. is retained to provide advice on strategy and assist with execution of opportunities. The committee's activities progressed through several phases over several quarters, with the board and management fully engaged and aligned. As a result of this process companies have expressed interest in partnering in all aspects of our business. To date no definitive terms have been arrived at and there is no assurance that a successful transaction will be completed.

It is clear that Wi-LAN requires partners and investment to translate its intellectual property (IP) position and product offerings into sustainable, profitable participation in the market.

We have placed an increased amount of emphasis on our intellectual property business and continued to provide technology leadership to the broadband wireless access market. In April, at Broadband Wireless World in Las Vegas, Wi-LAN and Fujitsu Microelectronics America announced the launch of Fujitsu's WiMAX System-on-Chip (SoC). Fujitsu and Wi-LAN had been working together on WiMAX technology since late 2002.

We have placed an increased amount of emphasis on our intellectual property business and continued to provide technology leadership to the broadband wireless access market.

Wi-LAN combined its system expertise, Orthogonal Frequency Division Multiplexing (OFDM) technology, and WiMAX Media Access Control (MAC) technology with Fujitsu's integrated circuit design capabilities in a development program that created the new SoC. The highly integrated, high-performance solution incorporates embedded processors and mixed signal technology in a device that will enable systems developers to provide cost-effective WiMAX Forum Certified equipment. Fujitsu is marketing the SOC to a variety of equipment manufacturers. Wi-LAN initiated its own program to market the OFDM physical layer (PHY) and MAC technologies developed for the SoC to other industry players who wish to enter the WiMAX-standard broadband wireless access market.

In August we announced the formation of separate Intellectual Property and Product divisions, a move designed to promote greater customer focus and drive improved business performance from the two key value areas within Wi-LAN. This strategy is designed to enable us to perform better for our customers, partners, employees and shareholders through better aligning corporate resources and expense management with each of Wi-LAN's key opportunity areas. The creation of a separate intellectual property business division with dedicated resources provides clarity, focus and increased independence from the product side of Wi-LAN's business, and opens up opportunities for more effective partnering in areas such as Mobile WiMAX (802.16e). Target customers for Wi-LAN's Intellectual Property (IP) Division include integrated circuit companies, original design manufacturers and broadband wireless equipment manufacturers. Wi-LAN's IP Division provides its customers with industry-leading products and services including semiconductor design expertise, reference design kits for WiMAX subscriber and base stations, and access to Wi-LAN's WiMAX-applicable patent portfolio, in addition to the key IEEE 802.16 PHY and MAC core designs and software that I mentioned earlier. Engineering staff was transferred to the IP division to support customer contracts. Our increased focus on deriving value from our intellectual property resulted in $439,000 of intellectual property sales in the fourth quarter, which is more than we sold in all of fiscal 2004.

WiMAX Forum

The WiMAX Forum is an industry-led, non-profit corporation formed to promote and certify the compatibility and interoperability of broadband wireless access products based on Metropolitan Area Network (MAN) specifications developed by international standards organizations. The Forum's goal is to accelerate the introduction of these systems into the marketplace. Its membership has grown from a small number of broadband wireless equipment companies a few years ago, to over 300 corporations, including the global "who's who" of infrastructure equipment, mobile handset, and telecom service providers. WiMAX Forum Certified products will be fully interoperable and are expected to support both fixed and portable broadband applications. Through WiMAX Forum-led efforts, the economies of scale made possible by standards-based, interoperable products are expected to drive price and performance to levels that are unachievable by existing proprietary broadband wireless systems. As a result, telecom service providers worldwide will be able to deliver economical broadband wireless data, voice and video services to both residential and business customers.

Consistent with this strategy, we began discussions with Cisco and worked diligently on the possibility of a positive business resolution of our lawsuit. Under the settlement agreement with Cisco, announced on December 2, we sold Cisco some of our issued and pending patents relating to WiMAX and antenna technology and a non-exclusive license to Wi-LAN's remaining patent portfolio. The Company received a US$10 million cash payment upon closing in January. Cisco granted Wi-LAN a license to use the patents that it purchased in Wi-LAN's products. We retained ownership of the majority of our patent portfolio, including our W-OFDM patents, other WiMAX related patents, the Multi-Code DSSS patents, and our other broadband wireless systems patents. More information about Wi-LAN's patents is available at www.wi-lan.com/ip_products/patent_licensing.html. Pursuant to the agreement, we have agreed to terminate all legal actions pending between Wi-LAN and Cisco. Because this agreement was signed after our fiscal year end, its initial impact on our financial position will not be seen until the release of our first quarter results on March 1, 2006. This agreement facilitates further business development and demonstrates the contribution our technology can provide to the market and to our business results. We believe this is an important signal to the market reinforcing our desire to work productively with partners and it has generated interest from other potential licensees.

…we sold Cisco some of our issued and pending patents relating to WiMAX and antenna technology and a non-exclusive license to Wi-LAN's remaining patent portfolio. The Company received a US$10 million cash payment upon closing in January.

On the equipment side of the business, the Company experienced improved revenue in the second and third quarters of fiscal year 2005 from our existing product lines and the commercial availability and initial sales of the Libra MX™ product. However, Libra MX was later to the market than anticipated and this reduced follow-on revenue. In addition, a major VIP customer curtailed its deployments due to financial constraints, resulting in a drop in Q4 revenue.

As part or our ongoing efforts to reduce the cash used in our operations, we sought partners to assist us in our product development and marketing efforts. For example, we concluded an agreement to partner on WiMAX development with the Russian Academy of Science to meet custom requirements for our customer in the Ukraine, rather than bearing the full costs ourselves. However, we have concluded that although our products incorporate market-leading technology and have been well received by the market, the Company is unable to sustain the ongoing development expense and working capital requirements of the product lines while also growing the intellectual property business. On February 1, 2006 we announced that Wi-LAN will exit its equipment business in an orderly manner, minimizing costs where possible while continuing to maximize the value of the disposition. We expect to complete this action by the end of our second quarter on April 30, 2006, ultimately reducing our workforce by approximately 50 positions. We are pursuing potential partners interested in purchasing one or more of our broadband wireless access product lines, and we are working cooperatively with our suppliers, customers, distributors and other stakeholders to ensure an orderly transition of the business. Also, the TIL-TEK antenna division was reorganized in the third quarter to achieve improved results and we are seeking a buyer for that business.

On February 1, 2006 we announced that Wi-LAN will exit its equipment business in an orderly manner, minimizing costs where possible while continuing to maximize the value of the disposition.

We believe that the steps taken to date and planned will strengthen our Company considerably. They represent a substantial change in the business and have required much time and effort from management, employees and the board. While there is risk that some or all of the discussions with potential partners will not come to fruition or will be on unacceptable terms, we are committed to continuing this process until the right deals are available for the benefit of our shareholders and customers.

We intend to further develop the IP business with our strong patent portfolio, our semiconductor design expertise, our reference design kits for WiMAX subscriber and base stations, and our WiMAX PHY and MAC core designs and software.

The past twelve months have seen much change and with change comes uncertainty. We recognize the negative impact that uncertainty has on the valuation of our shares and are working hard to execute on the strategy that we have set. We intend to further develop the IP business with our strong patent portfolio, our semiconductor design expertise, our reference design kits for WiMAX subscriber and base stations, and our WiMAX PHY and MAC core designs and software. We will also be working to develop the enhancements and extensions to these products that our customers indicate they require.

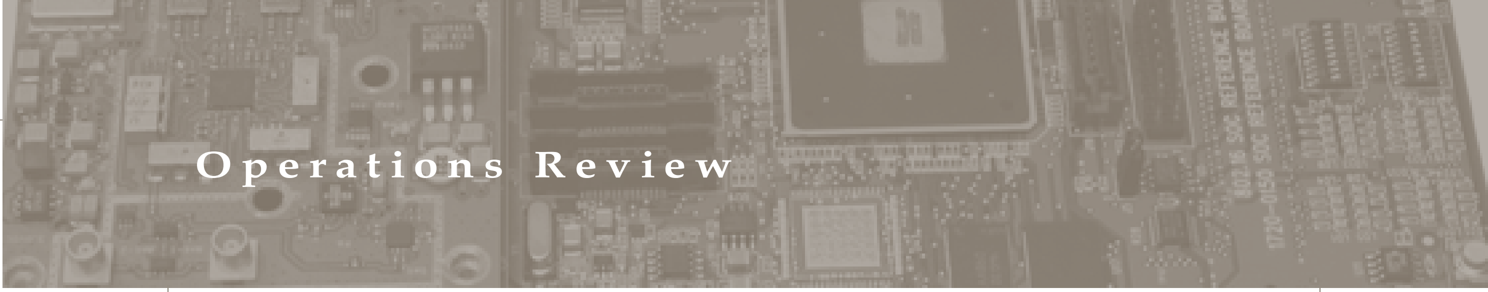
As Wi-LAN improves its focus on intellectual property, board of directors has initiated a search for a new President and CEO, which will include both internal and external candidates.

As Wi-LAN improves its focus on intellectual property, board of directors has initiated a search for a new President and CEO, which will include both internal and external candidates. I will continue to lead the business and drive the ongoing initiatives while the search is underway, and will work with the successful candidate to ensure continuity of the business plan.

I thank you for your patience and support during these trying times, and I look forward, with you, to a successful 2006.

Sincerely,

William A. Dunbar, President and CEO
Wi-LAN Inc.



Operations Review

EXECUTIVE AND BOARD CHANGES

On February 24, 2005, Wi-LAN announced that William Dunbar, C.M., had been appointed President and Chief Executive Officer, replacing Sayed-Amr El-Hamamsy. Mr. Dunbar has over forty years of experience in the telecommunications industry and was previously President and CEO of Northwestel Inc. and WIC Connexus Inc. Under his guidance, Northwestel purchased the telecommunications operations for the eastern Northwest Territories from Bell Canada in 1992. WIC ConneXus was the Local Multipoint Distribution System ("LMDS") license holder for 33 city markets in Canada including Toronto, Vancouver and Edmonton. Mr. Dunbar led this startup company through its early stages, arranging investors, vendor selection, vendor financing, and supply agreements. In addition, Mr. Dunbar was the Chief Operating Officer of Vesper S.A., a Bell Canada International investment and a major Brazilian telecommunications company, during its critical startup phase, implementing telecommunications systems in 29 cities over 16 states in Brazil, and growing the company from startup to over 2,000 employees. In 1995 Mr. Dunbar became a member of the Order of Canada.

On March 14, 2005, Wi-LAN announced that Dr. Hatim Zaghloul had resigned his position as Executive Chairman. Dr. Zaghloul, a co-founder of Wi-LAN, remains as a member of the Board of Directors. Also on March 14, 2005, Wi-LAN announced that Bill Hews had been appointed Chairman of the Board. Mr. Hews has been a board member since April 2000 and was President of Wi-LAN from September 1999 to September 2001. He is President of Fideliter Inc., a private investment company, and he serves on various corporate boards. Prior to September 1999 he was a Vice President at Nortel Networks Corporation, where he gained more than 20 years of operations experience in the telecom equipment market.

Mr. Hews is a graduate Industrial Engineer from the University of Toronto and holds an MBA from the University of Western Ontario.

On March 23, 2005, Wi-LAN announced that Keith Bittner was appointed Chief Financial Officer. Mr. Bittner joined Wi-LAN in September 1999 as Controller, and was promoted to Vice President, Finance in 2002 and later to Acting CFO. He is a Certified Management Accountant with over 25 years of experience in financial operations, with strength in financial reporting, financial systems and cash management.

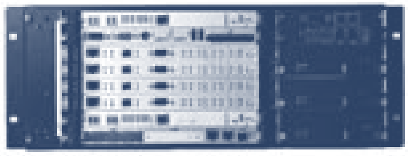
On May 19, 2005 the shareholders of Wi-LAN elected eight directors to hold office until the next annual meeting of shareholders or until their successors are elected or appointed. Henry Burkhalter, William A. Dunbar, William C. Hews, George Horhota and Hatim Zaghloul, all members of the Board in prior years, were reelected. Frank King and Charles N.D. Hotzel elected to retire from the Board due to personal reasons and other commitments. E. Denis Colbourne, John K. Gillberry and William K. Jenkins were elected to the Board for their first term. Mr. Colbourne, a former Nortel Vice President with over 40 years of experience in the high technology industry, is President and CEO of DC-Technologies Ltd, and he maintains established relationships with high-tech executives, investment banks, governments and educational institutions around the world. John Gillberry is Chief Financial Officer of Software Innovation, a developer of secure global work-sharing software to support large capital projects, and, in addition to several other senior executive positions in technology companies, was the founder and president of Bayfield Capital Group, Toronto, a specialized corporate finance advisory firm. Mr. Jenkins, a partner at law firm Fraser Milner Casgrain LLP since 1993, advises corporations, investment dealers and banks with respect to the structuring and implementation of equity and debt financings, mergers and acquisitions, other corporate finance transactions and joint ventures.

In September 2005, Kirk Hamilton was appointed as President of the TIL-TEK Antennas Division, replacing Stephen Tilston. Kirk Hamilton is an executive experienced in leading organizations through change initiatives to deliver greater profitability. In 2000 Mr. Hamilton, as President & CEO of Qnetix Inc., led the company through a turnaround of its managed IT services business, returning the company to profitability for successive quarters and then, as a Board member, led the initiatives to sell the company to larger industry players. From 1990 through 1999, Mr. Hamilton assumed executive leadership roles in building two new telecom businesses, TeleZone Corporation and WIC Connexus Inc. Mr. Hamilton was employed by GE from 1975 through 1989. He received his Masters of Business Administration from the University of Toronto and his B.Eng. (Electrical) from McGill University.

On February 1, 2006 Wi-LAN announced that it has engaged Ray & Berndtson, an executive search firm, to find a successor to Bill Dunbar, its President and CEO. This search will be global, and will seek internal and external candidates. Mr. Dunbar will work with the successful candidate to ensure continuity of the business plan and will remain as a member of the board of directors after the new President and CEO is appointed.

NEW PRODUCT LAUNCH

On November 15, 2004 Wi-LAN announced the launch of Libra MX at the Wireless Broadband Forum in Cambridge, U.K. Libra MX is the industry's first WiMAX platform that meets the performance and throughput requirements of today's demanding point-to-point and point-to-multipoint broadband applications while providing a straightforward migration path to WiMAX compliant networks. Based on Wi-LAN's patented W-OFDM technology – the foundation for WiMAX Certified products – Libra MX is a powerful and flexible solution, including both base stations and subscriber units, for a wide variety of broadband wireless applications.



Wi-LAN's Libra MX Base Station

CORPORATE RESTRUCTURING

On August 11, 2005, Wi-LAN announced the creation of two separate divisions within the Company to focus on maximizing the value of its intellectual property ("IP") portfolio and its wireless broadband equipment business. The formation of separate IP and Product divisions is designed to promote greater customer focus and drive improved business performance from the two key value areas within Wi-LAN. John Seliga, formerly Vice President-Marketing for Wi-LAN, has been named Wi-LAN's Senior Vice President & General Manager, IP Division. Dave King, formerly Senior Vice President-Operations and Technology for Wi-LAN, has assumed the role of Senior Vice President & General Manager, Product Division. Chris Beadle, previously Vice President – Global Sales for Wi-LAN, has assumed the role of Senior Vice President - Global Marketing and Sales for the Product Division.

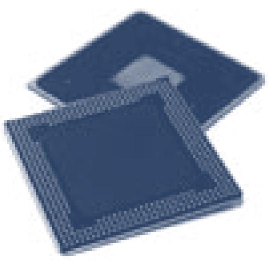
On February 1, 2006 Wi-LAN announced it will continue actions to focus on building the value of its core broadband wireless intellectual property business by exiting its equipment business in an orderly manner. Wi-LAN expects to complete this phased action by the end of its second quarter on April 30, 2006, ultimately reducing its workforce by approximately 50 positions. The company is pursuing potential partners interested in purchasing one or more of its commercial broadband wireless access product lines. Wi-LAN will work cooperatively with its suppliers, customers, distributors and other stakeholders to ensure an orderly transition of the business.

SUBSEQUENT AGREEMENT AND LAWSUIT SETTLEMENT WITH CISCO

On December 2, 2005, subsequent to Wi-LAN's October 31 fiscal year end, Wi-LAN announced that it has signed an agreement with Cisco Systems Inc. (NASDAQ: CSCO) in which the companies have agreed to terminate all legal actions pending between them. Under the agreement, Cisco purchased from Wi-LAN several issued and pending patents relating to WiMAX and antenna technology, and has granted Wi-LAN a license to use these patents in its products. Wi-LAN will retain ownership of its remaining patent portfolio, including its W-OFDM patents and the majority of its other patents that relate to implementation of WiMAX and other broadband wireless systems. As part of the agreement, Cisco also received a license to Wi-LAN's patent portfolio. The Company received US$10 million pursuant to the agreement in January, and expects associated costs to be in the order of US$1 million.

LAUNCH AND DEMONSTRATION OF WI-MAX SYSTEM-ON-CHIP

On April 21, 2005, Fujitsu Microelectronics America, Inc. introduced its WiMAX System-on-Chip ("SoC") and Wi-LAN demonstrated the Fujitsu SoC at the seventh annual Broadband Wireless World in Las Vegas, Nevada. Fujitsu and Wi-LAN have been working closely on WiMAX technology since late 2002. Wi-LAN has combined its system expertise and OFDM technology with Fujitsu's chip design capabilities in a development program that created the new SoC from Fujitsu. The highly integrated, high-performance solution incorporates embedded processors and mixed signal technology in a device that will enable systems developers to provide cost-effective WiMAX Forum Certified equipment.



Fujitsu's WiMAX SoC

SIGNIFICANT PRODUCT DEPLOYMENTS

On January 12, 2005 Wi-LAN announced receipt of a $6.0 million (US$5.0 million) order for Wi-LAN's broadband wireless solutions to provide data and voice services to remote towns in Australia. On July 25, 2005 Wi-LAN and Bushcom Wireless Broadband Communications PTY Ltd. announced that Bushcom had recently signed up its 3000th customer in its broadband wireless network utilizing Wi-LAN's VIP and Libra products. Bushcom's network, by far the largest of its kind in Australia, is being used to provide high-speed data and voice services to residents of rural towns and villages. Wi-LAN filled most of the order in the first three quarters of the fiscal year. In the fourth quarter Bushcom was unable to complete the balance of its deployment due to financial difficulties, causing a reduction in expected sales of approximately $1 million and an increase in allowance for doubtful accounts of $2.26 million.

On July 6, 2005 Wi-LAN announced receipt of $2 million in orders for its broadband wireless solutions, of which over $1 million was initial orders for its Libra MX™ systems. The orders were from customers in Libya, UAE, Saudi Arabia, Oman, Pakistan and Turkey.

On July 20, 2005 Wi-LAN, Radionet OY, Ltd. and WebNet Converged Wireless Network Ltd. announced the launch of WebNet's first urban hot zone deployment in Abbotsford, British Columbia, Canada. Owned and operated by WebNet, the network uses a combination of Wi-LAN high-capacity broadband wireless equipment for backhaul and Radionet's Wi-Fi equipment for last mile connections to enable uninterrupted Wi-Fi connectivity.

On Oct. 24, 2005, Wi-LAN announced receipt of $1.6 million in orders for its broadband wireless solutions from customers in Saudi Arabia, Lebanon and the Gulf Region, including $500,000 of orders for the Libra MX WiMAX platform. The products are being used for large-scale data, voice and video surveillance networks throughout the region. In addition to repeat orders for Libra MX from existing customers, a new Libra MX order for a video surveillance application in Lebanon was included.

PRODUCT DEVELOPMENT AND JOINT MARKETING AGREEMENTS

On June 27, 2005 Wi-LAN and G7 Soft Co. Ltd. of South Korea announced an agreement to advance the development of Wi-LAN's Libra Mobilis™ products for public transit applications. Once it completes further development of the products, Wi-LAN's South Korean partner will be the exclusive seller of the products in South Korea, and Wi-LAN will retain exclusive rights to sell Libra Mobilis products elsewhere. The agreement includes profit-sharing provisions for product sales. In December 2005, Jcast Networks of South Korea assumed G7 Soft's contractual responsibilities.

Wi-LAN's Libra Mobilis Product

On October 26, 2005, Altera Corporation (NASDAQ: ALTR) and Wi-LAN announced the formation of a partnership to deliver the first programmable, low-cost WiMAX-compliant base transceiver station modem solution supporting the IEEE 802.16-2004 standard. The solution allows base station developers to deliver WiMAX-compliant products that can be upgraded in the field by service providers in response to changing customer requirements and market conditions. The programmability of Altera's Field Programmable Gate Arrays ("FPGA's"), which form an integral part of the solution, also provides developers with the flexibility to rapidly make changes to their design and still meet their time to market goals.

On October 19, 2005, Wi-LAN announced that Wi-LAN and Trans-World Communications Group ("TWC"), a broadband service provider in the Ukraine, have agreed on terms to develop a specialized version of Wi-LAN's Libra MX WiMAX platform. The agreement is backed by a purchase order from TWC, for Wi-LAN's Libra MX products, that is part of TWC's initial deployment of a nation-wide broadband wireless network in the Ukraine. TWC, in collaboration with the IITP, a research and development institute of the Russian Academy of Sciences, intends to accelerate the development of Wi-LAN's Libra MX and Libra MAX product lines optimized for the Ukraine and the Eastern Europe region. TWC's broadband wireless network, expected to be complete by 2007, is planned to provide high-speed data, voice and video services to businesses and residences of rural towns and villages.

SALE OF HEAD OFFICE BUILDING

On April 20, 2005 Wi-LAN announced it had entered into an agreement to sell its head office building in Calgary. Wi-LAN remained as a tenant of the building, leasing approximately one-third of the facility. Wi-LAN purchased the building in March 2004 with the intent of selling it and leasing back only the portion of the building that it occupies. Proceeds from the sale of the building, in the amount of $12.2 million, were used to pay off the $7.8 million mortgage on the building and improve the Company's cash balance by approximately $4 million, after transaction costs and closing adjustments of approximately $0.4 million. The sale closed on April 29, 2005. In January 2006, in order to further reduce expenses and improve operational efficiency, Wi-LAN moved to its new headquarters at Deerfoot 17 Building, 200, 2710 – 17th Avenue S.E., Calgary, Alberta T2A 0P6.

Wi-LAN's new headquarters at Deerfoot 17 Building, Calgary, Alberta

Financial Highlights

(In thousands of Canadian dollars)	**2005**	2004	2003	2002	2001
STATEMENT OF OPERATIONS INFORMATION					
Revenue by product category					
- Libra series (based on patented W-OFDM)	**$ 5,927**	$ 6,604	$ 4,518	$ 2,705	$ 458
- Other broadband radios (Ultima3, VIP and others)	**15,399**	14,370	17,466	15,766	12,596
- Antennas (Til-Tek Antennas division)	**3,974**	4,032	4,643	4,852	11,384
License, technology and engineering services	**444**	330	235	–	364
Total Revenue	**25,744**	25,336	26,862	23,323	24,802
Cost of product sales	**17,143**	13,010	13,767	20,013	21,303
Gross profit	**8,601**	12,326	13,095	3,310	3,499
Sales and marketing	**9,928**	6,135	5,423	6,096	10,950
Research and development	**9,435**	6,987	4,582	5,359	11,790
Operations and administration	**6,896**	5,282	5,006	6,511	12,992
Interest on long-term debt	**286**	227	–	–	–
Depreciation and amortization	**1,261**	1,070	1,219	1,425	1,745
Consolidation costs, special charges, stock-based comp.	**603**	–	770	–	5,037
Operating loss	**(19,808)**	(7,375)	(3,905)	(16,081)	(39,015)
Amortization and impairment of goodwill	**(6,364)**	–	–	(16,159)	(5,219)
Impairment of investments and gains on sale / disposal	**160**	–	(286)	(1,698)	(961)
Interest, foreign exchange and other income	**238**	386	(350)	792	1,058
Net loss before tax	**(25,774)**	(6,989)	(4,541)	(33,146)	(44,137)
Income taxes	**(4)**	(60)	(65)	(61)	(59)
Net loss from continuing operations	**(25,778)**	(7,049)	(4,606)	(33,207)	(44,196)
Gain (loss) on discontinued operations	**–**	–	–	27,409	(54,516)
Net loss	**(25,778)**	(7,049)	(4,606)	(5,798)	(98,712)
Loss per share ($ per share)	**$ (0.61)**	$ (0.17)	$ (0.15)	$ (0.19)	$ (3.68)
OPERATING DATA (% OF REVENUE)					
Gross margin	**33%**	49%	49%	14%	14%
Sales and marketing	**39%**	24%	20%	26%	44%
Research and development	**37%**	28%	17%	23%	48%
Operations and administration	**27%**	21%	19%	28%	52%
CASH FLOW INFORMATION					
Operations (including non-cash working capital changes)	**$(14,747)**	$ (6,344)	$ (260)	$ (4,834)	$ (33,903)
Financing	**(7,834)**	12,549	22,222	4,483	26,027
Investments	**12,503**	(19,990)	5	238	1,897
Discontinued operations	**–**	–	–	166	(1,059)
Cash flow	**(10,078)**	(13,785)	21,967	53	(7,038)
Cash, beginning of period	**13,768**	27,553	5,586	5,533	12,571
Cash, end of period	**3,690**	13,768	27,553	5,586	5,533
BALANCE SHEET INFORMATION					
Working capital	**$ 1,017**	$ 17,332	$ 28,383	$ 7,303	$ 13,663
Long-term financial liabilities (1)	**80**	7,493	–	135	159
Shareholders' equity	**10,916**	35,830	34,880	14,640	15,666
Total assets	**25,578**	54,234	44,683	25,119	52,035

Notes: (1) Long-term financial liabilities include capital lease obligation and long-term debt.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis ("MD&A"), compiled as of December 14, 2005 and revised as of February 3, 2006, 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 wireless 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.

Results of Operations

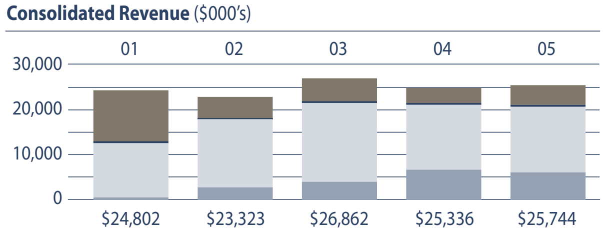
SELECTED ANNUAL INFORMATION

Refer to Financial Highlights on page 9, which is included by reference in this MD&A.

CONSOLIDATED REVENUE ($000'S)

Consolidated revenue for fiscal year 2005, set out in the *Financial Highlights* on page 9, consists of four major components: OFDM radios (Libra product series); other broadband wireless radios (including the VIP, Ultima3, AWE and LR product lines); license, technology and engineering revenue (IP Division); and antennas (TIL-TEK Antenna Division). On February 1, 2006 Wi-LAN announced that it would be exiting its broadband wireless equipment business in an orderly manner, minimizing costs where possible while continuing to maximize the value of the disposition. The broadband wireless equipment business accounts for the OFDM radios and other broadband wireless radios revenue components (for further information refer to Change in Corporate Focus on page 15 and note 16(c) to the Consolidated Financial Statements). As well, the Company has determined that the Antenna Division is not core to its operations and is seeking a buyer for the division. To date no definitive terms have been arrived at and there is no assurance that a successful transaction will be completed.

Consolidated Revenue ($000's)



Consolidated revenue in fiscal year 2005 was comparable to 2004, as customers delayed purchase of established OFDM-based Libra products in favor of the new Libra MX series, which became commercially available in April 2005.

Sales in the first half of the fiscal year of Wi-LAN's **Libra product series**, based on Wi-LAN's patented W-OFDM technology, were $2,395, compared to $3,782 in the first two quarters of 2004 as customers deferred purchases of the current generation of Libra systems in favor of the Libra MX™ product series, Wi-LAN's WiMAX platform, which began shipping in April (the end of the second quarter), rather than the original target date of January 2005. Sales of the Libra product series recovered to $3,532 in the second half of fiscal 2005, compared to $2,821 in the second half of fiscal year 2004. This substantially offset the reduced sales of Libra products in the first half of the year, achieving OFDM-based products sales of $5,927 (excluding $694 of current deferred revenue in the fourth quarter) for fiscal year 2005, compared to $6,604 in the twelve months ended October 31, 2004. However, the three-month delay in general availability of Libra MX had a negative impact on revenue from the Libra product series for fiscal year 2005.

License, technology and engineering services revenue improved in the 2005 fiscal year. Most of the 2005 amount was contributed in the fourth quarter and was mainly for engineering services and the sale of reference boards for WiMAX compliant systems.

Sales of **other broadband wireless systems** were strong in the first nine months of fiscal year 2005 but declined significantly in the fourth quarter. This decline was largely due to financial difficulties experienced by a major customer, causing a reduction in expected sales of approximately $1 million in the fourth quarter.

TIL-TEK Antenna Division sales continued at the 2004 fiscal year rate of approximately $4 million.

GROSS PROFIT ($000'S AND % OF CONSOLIDATED REVENUE)

Gross profit, presented in the Financial Highlights table on page 8, was impacted negatively in the 2005 fiscal year by costs associated with deferred revenue of $266, and by inventory adjustments of $2,181. Wi-LAN is continuing to take measures to improve profit margins, including exiting its broadband wireless product business and focusing its efforts on new higher-margin products in the IP Division.

OPERATING EXPENSES ($000'S)

Operating expenses, presented in the *Financial Highlights* table on page 9, increased by $8,708 in fiscal year 2005 over fiscal year 2004. Operating expenses include accrued retention bonuses (through Deferred Stock Units ("DSU's")), severance costs, bad debt expense, warranty accruals, and fair value of warrants issued to Technology Partnerships Canada ("TPC"), and these amounts, set out in the following table, can cause operating expenses to vary significantly:

Accrued retention bonuses, severance costs, bad debt expense, warranty accruals, and fair value of warrants issued to TPC included in:	Twelve months ended		
	Oct. 31, 2005	Oct. 31, 2004	Increase (decrease)
Sales and marketing expense	$ 4,232	$ 729	$ 3,503
Research and development expense	1,345	1,380	(35)
Operations expense	650	–	650
General and administration expense	389	–	389
	$ 6,616	$ 2,109	$ 4,507

Excluding the above amounts, operating expenses increased by $4,201 in fiscal year 2005 over fiscal year 2004 as follows:

Operating expenses excluding the above amounts	Oct. 31, 2005	Oct. 31, 2004	Increase (decrease)
Sales and marketing expense	$ 5,696	$ 5,406	$ 290
Research and development expense	8,090	5,607	2,483
Operations expense	2,398	2,292	106
General and administration expense	3,459	2,990	469
Interest on long-term debt	286	227	59
Depreciation and amortization	1,261	1,070	191
Stock-based compensation	603	–	603
	$ 21,793	$ 17,592	$ 4,201

- Sales staff have a large variable component to their compensation, so changes in **sales and marketing expense** will generally be correlated with changes in revenue.

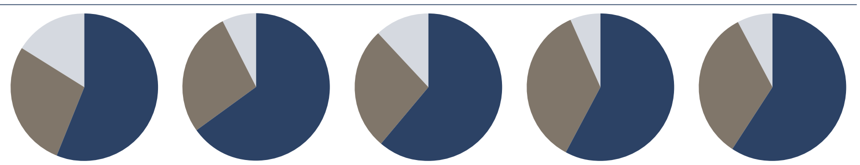
- During the first three quarters of the 2005 fiscal year Wi-LAN focused its **research and development** on its Libra MX and WiMAX systems. In the fourth quarter, Wi-LAN began realigning resources to increase its corporate focus on Intellectual Property ("IP") opportunities and on February 1, 2006 the Company announced that it would take the necessary steps to exit the existing product sales business (refer to *Change in Corporate Focus* on page 15).

- **Operations expense** in the 2005 and 2004 fiscal years related largely to upgrades and modifications to broadband wireless access products.

- **General and administration expense** varies from year to year due to variations in finance, legal, business development, investor relations and corporate communications activities.

- **Stock-based compensation** was $603 in fiscal year 2005. In fiscal year 2004, stock based compensation was accounted for as a credit to share capital and no compensation expense was recognized.

Operating Expense ($000's)



In 2005 Wi-LAN continued to spend a significant portion of its operating expenses on research and development of broadband wireless products. In 2006 significant technical resources have been shifted to self-funding projects in the IP Department and the Company is in the process of exiting its broadband wireless products business.

NET LOSS ($000'S)

Net loss for the 2005 fiscal year, set out in the *Financial Highlights* on page 9, was $(25,578) or $(0.61) per share, compared with net loss of $(7,049) or $(0.17) per share in the 2004 fiscal year, an increase of $(18,529). In addition to the operating items set out above, the following items contributed to the annual net loss:

- **Impairment of goodwill and impairment of investments** for fiscal year 2005 were $(6,364) and $(70) respectively, compared with $nil for fiscal year 2004. Goodwill is not amortized and is tested annually for impairment. Impairment of investments results from Company reviews of the fair value of portfolio investments held. For further disclosure, refer to note 3(g) to the *Consolidated Financial Statements*.

- Other non-operating items accounted for a $468 reduction in net loss in fiscal year 2005, compared to a $386 reduction in net loss in fiscal year 2004.

  - **Interest income** is due to changes in interest income earned on cash balances, which varied throughout the reporting periods.

  - **Gains on disposal** are due to the timing of minor disposals of assets and equity investments throughout the reporting periods.

  - **Other income** was largely rent revenue for fiscal years 2005 and 2004.

  - **Foreign exchange gain (loss)** is due to gains and losses on foreign exchange transactions and the translation of revenue and expense from United States ("US") dollars to Canadian dollars. Wi-LAN products use components usually priced in US dollars and Wi-LAN sells most of its products priced 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 continued 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 2005 and 2004 foreign exchange losses.

- **Income tax** paid by the Company was due to Canadian federal large corporations tax.

In summary, the following items accounted for $(16,100) of the $(25,778) net loss in the 2005 fiscal year:

- Costs associated with deferred revenue of $266 and inventory adjustments of $2,181 (see *Gross Profit* section on page 11);
- Accrued retention bonuses (through DSU's), severance costs, bad debt expense, warranty, and obligation to issue warrants to Technology Partnerships Canada that accounted for $6,616 of operating expenses (see *Operating Expenses* section on pages 11 and 12);
- Fair value of stock based compensation, included in fiscal year 2005 but not in fiscal year 2004, in the amount of $603 (see *Operating Expenses* section on pages 11 and 12); and
- Charges of $6,364 and $70 for impairment of goodwill and investments respectively.

The Company is undertaking several initiatives to improve its financial results through growing revenue from its intellectual property, improving gross margin, reducing operating expenses and exiting its broadband wireless products business. Wi-LAN is focusing on its higher-margin intellectual property business to improve gross profit, as outlined in the Gross Profit section on page 10. Operating expenses are being controlled through exiting the company's broadband wireless equipment business and seeking partners to share in the Company's intellectual property development and marketing efforts.

FINANCIAL CONDITION, LIQUIDITY, AND REQUIREMENTS OUTLOOK ($000'S)

The Company's **cash balance** on October 31, 2005 is set out in the *Financial Highlights* on page 9. The reduction in cash in the year of $(10,078) was due primarily to cash used in operations before changes in non-cash working capital of $(16,662). Cash from investments of $12,503 offset cash used in financing of $(7,834), as the Company sold its head office building, receiving proceeds of $11,787 and paying off its mortgage of $(7,842). Changes in non-cash working capital balances improved cash in fiscal year 2005 by $1,915, primarily due to a reduction in accounts receivable of $1,114 offset by an increase in prepaid expenses of $(1,264), and increases in accounts payable and deferred revenue of $1,078 and $548 respectively.

The Company's **working capital** on October 31, 2005 is set out in the *Financial Highlights* on page 9.

Subsequent to the 2005 fiscal year end, on December 2, 2005 Wi-LAN announced that it has signed an agreement with Cisco in which the companies have agreed to terminate all legal actions pending between them. In January 2006, the Company received approximately US$9.0 million, net of legal and other expenses associated with the transaction. For further information refer to notes 12(c) and 16(a) to the *Consolidated Financial Statements*.

The Company is evaluating various financing and strategic alternatives, in light of the decision announced on February 1, 2006 to exit the broadband wireless equipment business, and management's belief that Wi-LAN's strengths in broadband wireless intellectual property can be significantly improved through building partnerships with other industry participants. The Company retained GMP Securities Ltd. to advise on alternatives which currently include, but are not limited to, seeking investment from industry partners, strategic investors, existing shareholders or other investors, and selling of assets.

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	$ Nil	$ Nil	$ Nil	$ Nil	$ Nil
Capital lease obligations	141	61	80	Nil	Nil
Operating leases	3,215	454	1,494	1,014	253
Purchase obligations [1]	Nil	Nil	Nil	Nil	Nil
Other long term obligations [2]	4,508	4,508	Nil	Nil	Nil
Total contractual obligations	$ 7,864	$ 5,023	$ 1,574	$ 1,014	$ 253

Notes: [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 notes 3(n) and 10(b) to the *Consolidated Financial Statements*.

SUMMARY OF QUARTERLY RESULTS ($000's)

($000's unless stated otherwise)	3 months ended							
Statement of Operations Info.	Oct. 31, 2005	July 31, 2005	Apr. 30, 2005	Jan. 31, 2005	Oct. 31, 2004	July 31, 2004	Apr. 30, 2004	Jan. 31, 2004
Revenue – geographic								
Americas	$ 3,065	$ 3,076	$ 3,198	$ 2,803	$ 3,552	$ 3,292	$ 3,512	$ 3,051
Europe, Middle East & Africa	1,463	1,998	1,655	1,425	2,187	2,026	2,147	2,314
Asia Pacific	405	2,653	2,726	1,277	409	826	829	1,190
Revenue by product category								
OFDM radios	1,759	1,773	840	1,555	1,402	1,419	1,742	2,040
Other radios	1,666	5,110	5,564	3,059	3,741	3,614	3,621	3,394
Antennas	1,069	844	1,170	891	1,005	1,072	1,125	830
License, tech. & eng. revenue	439	–	5	–	–	39	–	291
Total revenue	4,933	7,727	7,579	5,505	6,148	6,144	6,488	6,555
Gross profit	36	3,185	2,940	2,440	2,895	2,900	2,921	3,610
% of revenue	0.7%	41.2%	38.8%	53.0%	47.1%	47.2%	45.0%	55.1%
Operating loss	(10,398)	(3,554)	(3,212)	(2,644)	(2,657)	(2,239)	(1,810)	(669)
Net loss	(16,881)	(3,481)	(2,968)	(2,448)	(2,861)	(2,168)	(1,509)	(511)
Net loss per share ($/share)	$ (0.40)	$ (0.08)	$ (0.07)	$ (0.06)	$ (0.07)	$ (0.05)	$ (0.04)	$ (0.01)
Cash Flow Information	Oct. 31, 2005	July 31, 2005	Apr. 30, 2005	Jan. 31, 2005	Oct. 31, 2004	July 31, 2004	Apr. 30, 2004	Jan. 31, 2004
Cash from (used in) operations[1]	$ (3,742)	$ (1,924)	$ (4,252)	$ (4,829)	$ (610)	$ (4,002)	$ (794)	$ (565)
Financing	–	(9)	(6,990)	(60)	(874)	(22)	10,758	1,539
Investments	(57)	(44)	11,917	(88)	(92)	(5,507)	(12,035)	(1,581)
Change in cash	(3,799)	(1,977)	675	(4,977)	(1,576)	(9,531)	(2,071)	(607)
Cash, beginning of period	7,489	9,466	8,791	13,768	15,344	24,875	26,946	27,553
Cash, end of period	3,690	7,489	9,466	8,791	13,768	15,344	24,875	26,946
Balance Sheet Information	Oct. 31, 2005	July 31, 2005	Apr. 30, 2005	Jan. 31, 2005	Oct. 31, 2004	July 31, 2004	Apr. 30, 2004	Jan. 31, 2004
Working capital	$ 1,017	$ 11,209	$ 18,364	$ 15,705	$ 17,332	$ 20,218	$ 27,332	$ 28,522
Long term debt	–	–	–	7,757	7,842	7,932	8,000	–
Shareholders' equity	10,916	27,736	31,120	33,851	35,830	41,881	38,715	36,504
Total assets	25,578	41,776	42,276	49,673	54,234	55,349	53,666	45,511

Note: [1] Cash from (used in) operations includes change in non-cash operating working capital balances.

FOURTH QUARTER RESULTS ($000'S)

Wi-LAN's consolidated results for the three months ended October 31, 2005 are set out in the *Summary of Quarterly Results* on page 14.

Wi-LAN's **consolidated revenue** for the three months ended October 31, 2005 consists of four major components: OFDM radios (Libra series products); other broadband wireless radios (including the VIP, Ultima3, AWE and LR product lines); license, technology and engineering revenue (IP Division); and antennas (TIL-TEK Antenna Division). The Company experienced strong demand for its WiMAX platform, Libra MX, in the fourth quarter, and license, technology and engineering services revenue also improved. These improvements were offset by a decline in sales of Wi-LAN's established broadband wireless products. This decline was largely due to financial difficulties experienced by a major customer in the fourth quarter, causing a reduction in expected sales of approximately $1 million in the quarter. TIL-TEK Antenna Division sales were approximately the same as the comparable period ended October 31, 2004.

Gross profit for the fourth quarter was impacted negatively by costs associated with deferred revenue of $266 and by inventory adjustments of $1,635 included in cost of goods sold. Wi-LAN is taking measures to improve profit margins, including exiting its broadband wireless product business and focusing its efforts on higher-margin products in the IP Division.

In summary, the following items accounted for $(13,161) of the $(16,881) **net loss** in the three months ended October 31, 2005:

- Costs associated with deferred revenue of $266 and inventory adjustments of $1,635 included in cost of goods sold;
- Accrued retention bonuses (through DSU's), severance costs, bad debt expense, warranty, and obligation to issue warrants to Technology Partnerships Canada that accounted for $4,789 of operating expenses;
- Fair value of stock based compensation, included in fiscal year 2005 but not in fiscal year 2004, in the amount of $37 in the fourth quarter; and
- Charges of $6,364 and $70 for impairment of goodwill and investments respectively.

CHANGE IN CORPORATE FOCUS

Wi-LAN is taking action to improve cash flow and profitability by realigning resources to increase its corporate focus on Intellectual Property opportunities, a key value driver for the Company. The improved outlook for IP sales, along with differences in customer segments and channel strategies for IP and products, provided impetus for the Company to create in August 2005 two separate divisions to focus on maximizing the value of its IP portfolio and its wireless broadband equipment business.Further, on February 1, 2006, the Company announced that it would exit the broadband wireless product business in an orderly manner, minimizing costs where possible while continuing to maximize the value of the disposition. Wi-LAN expects to complete this phased action by the end of its second quarter on April 30, 2006, ultimately reducing its workforce by approximately 50 positions. The company is pursuing potential partners interested in purchasing one or more of its commercial broadband wireless access product lines. Wi-LAN will work cooperatively with its suppliers, customers, distributors and other stakeholders to ensure an orderly transition of the business. At the same time, the company is working with several industry players to execute novel approaches to market its existing IP solutions, patent portfolio and expertise, and to develop new IP solutions for the growing broadband wireless fixed and mobile markets. For further information refer to note 16(c) to the *Consolidated Financial Statements*.

With the launch in April of the WiMAX system-on-chip ("SoC") co-developed by Wi-LAN and Fujitsu Microelectronics America ("Fujitsu"), opportunities for the generation of license, technology and engineering services revenue are improving and the Company's IP business is expected to grow its contribution to financial results in fiscal year 2006. Wi-LAN has an agreement in place to collect royalties on Fujitsu's sales of the WiMAX SoC and the Company is marketing additional IP solutions that resulted from its SoC development. These solutions, a WiMAX Media Access Control Layer ("MAC") core, a WiMAX Physical Layer ("PHY") base-band core and a WiMAX reference design and board, are designed to allow semiconductor companies and broadband wireless equipment suppliers to accelerate their WiMAX product development.

The IP Division's business objective is to improve the Company's financial results by providing constructive IP solutions to WiMAX equipment suppliers and semiconductor manufacturers and helping them to accelerate their WiMAX product development. To support this objective, in the fourth quarter of fiscal year 2005 the technical staff of the division has been increased, primarily through transferring staff from the Product Division, and most of the new IP staff have been assigned to development projects supported by industry partners, providing immediate revenue to offset expenditures. These projects are primarily focused on enhancements to existing WiMAX PHY and MAC products to add features to the versions designed for fixed WiMAX applications, and to develop products designed for mobile WiMAX. Wi-LAN's IP Division is positioned to provide its customers with industry-leading products and services including key IEEE 802.16 PHY and MAC core designs and software, semiconductor design expertise, reference design kits for WiMAX subscriber and base stations, and access to Wi-LAN's WiMAX-applicable patent portfolio. The Company will continue to place increased focus on its IP business opportunities going forward.

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 these estimates.

The Company's Critical Accounting Policies have been reviewed and discussed with the Company's Audit Committee. For further information refer to note 3 to the *Consolidated Financial Statements*.

CHANGES IN ACCOUNTING POLICIES

Stock-Based Compensation

In prior fiscal years, Wi-LAN applied the fair value based method of accounting only to stock options granted to contract personnel and to warrants issued upon research and development contracts for non-recoverable research and development expenses, and the intrinsic value method of accounting was applied to employee stock options. In the 2005 fiscal year, Wi-LAN is accounting for employee stock options using the fair value based method. For further details, refer to note 3(m) to the *Consolidated Financial Statements*.

Equity Obligations

In prior financial statement presentations, Wi-LAN accounted for its obligation to issue warrants under the TPC program as a charge to research and development expense and an accrual to shareholders' equity. In the current fiscal year, Wi-LAN is accounting retroactively for the obligation to TPC as debt of $4,508 in fiscal year 2005, $3,665 in fiscal year 2004, and $2,285 in fiscal year 2003. If the warrants, which have a fair value of $5 million, are exercised, this obligation will be again be treated as equity and shown as share capital. For further details, refer to note 3(n) and note 10(b) to the *Consolidated Financial Statements*.

Deferred Stock Units

In 2005, a Deferred Stock Unit ("DSU") plan was established for certain designated employees and directors. Under the plan, DSU's are payable in cash upon the occurrence of certain specified events and are expensed on the date of grant as compensation expense and recorded as an accrued liability. For further details, refer to note 3(o) to the *Consolidated Financial Statements*.

IMPACT OF INFLATION ($000'S)

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 ($000'S)

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 the twelve months ended October 31, 2005, a Canadian one-cent decrease in the value of the US dollar is estimated to decrease the Company's revenue and net income by $218 and $73 respectively.

CONTINGENT LIABILITIES

As at October 31, 2005, the Company was committed to purchase up to 50,000 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 (estimated to be April 2007). As at October 31, 2005 and 2004 no liability has been accrued for this commitment, as the ultimate amount of SoC's that may need to be purchased cannot be determined.

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. Subsequent to the 2005 fiscal year end, on December 2, 2005 Wi-LAN announced that it has signed an agreement with Cisco in which the companies have agreed to terminate all legal actions pending between them.

The Company is engaged in three separate legal actions and, as the amount of liability is undetermined at this time, no liability has been accrued for claims on these actions:

- In September 2002 the Company, its former Executive Chairman, and Wi-Com Technologies Inc. (a private Alberta company), among others, were served with two Statements of Claim. The lawsuits allege the defendants are liable for failing to deliver certain common share certificates in a timely manner to the claimants.
- In August 2001, the Company was served with a Statement of Claim for alleged breach of a patent license and technology transfer agreement.
- In June 2005, the Company was served with a lawsuit for alleged defective products.

For further information refer to Note 12 to the *Consolidated Financial Statements*.

DISCLOSURE CONTROLS AND PROCEDURES

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

Management has evaluated the effectiveness of the Company's disclosure controls and procedures as of December 14, 2005, and based on its evaluation has concluded that these are effective. The evaluation took into consideration the Company's Corporate Disclosure Policy and the functioning of its executive officers, board of directors and board committees. In addition, the evaluation covered the Company's processes, systems and capabilities relating to regulatory filings, public disclosures, and the identification and communication of material information.

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:

- 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 intellectual property 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 and partnerships;
- 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.

William A. Dunbar,
President and CEO

Keith Bittner
Chief Financial Officer

Auditors' Report

We have audited the consolidated balance sheets of Wi-LAN Inc. as at October 31, 2005 and 2004 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, 2005 and 2004 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, 2005 except for note 16 (c) which is as of February 3, 2006

Consolidated Balance Sheets

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

As at October 31,		2005		2004
				(restated – note 3(n))
ASSETS				
Current assets:				
Cash and cash equivalents	$	3,690	$	13,768
Accounts receivable		5,723		6,837
Inventories (note 4)		3,184		3,278
Prepaid expenses and deposits		1,612		348
		14,209		24,231
Property, plant and equipment (note 5)		1,310		12,121
Trademarks, patents and licences (note 6)		10,059		10,512
Long-term investments (note 7)		–		231
Restricted cash (note 5)		–		775
Goodwill		–		6,364
	$	25,578	$	54,234
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities	$	7,348	$	6,270
Warrant obligation (notes 3(n) and 10(b))		4,508		–
Warranty liabilities		405		214
Capital lease obligation (note 8)		61		–
Current portion of deferred gain on sale of property (note 5)		176		–
Deferred revenue		694		66
Current portion of long-term debt (note 9)		–		349
		13,192		6,899
Capital lease obligation (note 8)		80		–
Warranty liabilities		421		267
Deferred gain on sale of property (note 5)		969		–
Long-term debt (note 9)		–		7,493
Warrant obligation (notes 3(n) and 10(b))		–		3,665
Deferred revenue		–		80
Shareholders' equity:				
Share capital (note 10)		184,921		184,833
Contributed surplus		5,696		400
Deficit		(179,701)		(149,403)
		10,916		35,830
Future operations (note 2)				
Commitments and contingencies (note 12)				
Subsequent events (note 16)				
	$	25,578	$	54,234

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Bill Hews
Director

John Gillberry
Director

Consolidated Statements of Operations and Deficit

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

Years ended at October 31,	2005	2004
Revenue:		
Product	$ 25,300	$ 25,006
License, technology and engineering services	444	330
	25,744	25,336
Cost of product sales	17,143	13,010
	8,601	12,326
Expenses:		
Sales and marketing	9,928	6,135
Research and development (note 10(b))	9,435	6,987
Operations	3,048	2,292
General and administrative	3,848	2,990
Interest on long-term debt	286	227
Amortization	1,261	1,070
Stock-based compensation (notes 3(m) and 10(b))	603	–
	28,409	19,701
Operating loss before the following	(19,808)	(7,375)
Impairment of goodwill	(6,364)	–
Impairment of investments	(70)	–
Interest and bank charges	(85)	(117)
Interest income	176	384
Gain on disposal of long-term investments	142	–
Gain on sale of property	88	–
Other income	297	351
Foreign exchange loss	(150)	(232)
Net loss before income taxes	(25,774)	(6,989)
Income taxes (note 13)	(4)	(60)
Net loss	(25,778)	(7,049)
Deficit, beginning of year	(149,403)	(142,354)
Stock-based compensation (note 3(m))	(4,520)	–
Deficit, end of year	$ (179,701)	$ (149,403)
Net loss per share – basic and diluted	$ (0.61)	$ (0.17)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

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

Years ended at October 31,	2005	2004
Cash provided by (used in):		
Operations:		
Net loss from operations	$ (25,778)	$ (7,049)
Items not involving cash:		
Amortization	1,261	1,070
Fair value of warrants and options issued to Technology Partnership Canada (note 10(b))	843	1,380
Fair value of warrants and options issued (note 10(b))	808	513
Gain on disposal of long-term investments	(142)	–
Gain on sale of property	(88)	–
Impairment of investments	70	–
Impairment of goodwill	6,364	–
Cost of excess space	–	(255)
	(16,662)	(4,341)
Change in non-cash operating working capital balances:		
Accounts receivable	1,114	(1,319)
Inventories	94	(831)
Prepaid expenses and deposits	(1,264)	(170)
Accounts payable and accrued liabilities	1,078	612
Deferred revenue	548	(290)
Warranty liabilities	345	71
Cost of excess space	–	(76)
	(14,747)	(6,344)
Financing:		
Common shares issued for cash on private placement	–	4,114
Common shares issued for cash on exercise of stock options	56	689
Proceeds of long-term debt	–	8,000
Repayment of long-term debt	(7,842)	(158)
Capital lease payments	(48)	(96)
	(7,834)	12,549
Investments:		
Purchase of property and equipment	(260)	(13,803)
Purchase of trademarks, patents and licenses	(102)	(5,412)
Restricted cash	775	(775)
Proceeds on sale of long-term investments, net	303	–
Proceeds on sale of property, net	11,787	–
	12,503	(19,990)
	(10,078)	(13,785)
Cash and cash equivalents, beginning of year	13,768	27,553
Cash and cash equivalents, end of year	$ 3,690	$ 13,768

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 11 – 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. FUTURE OPERATIONS:

The Company continues to incur significant losses and has realized a net loss of $25.6 million in 2005. In addition, cash utilized in operations in 2005 was $14.7 million compared to $6.3 million in 2004. These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which is dependent upon the Company's ability to generate future profitable operations and receive any necessary financing to enable the Company to meet its obligations as they become due. There is no certainty that operations will be profitable or that all necessary financing will be obtained. If the Company is unable to obtain sufficient additional funding to finance continuing operations, the Company's ability to maintain continued operations will be adversely affected. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

3. 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. All inter-company transactions have been eliminated. 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.

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

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, 2004. 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 the 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. In 2005 an impairment test was performed on goodwill and intangible assets and it was determined that the goodwill carrying value was impaired and the impaired amount was expensed. In 2004 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 (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:

Prior to November 1 2004, the Company applied the fair value based method of accounting only to stock options granted to contract personnel and warrants issued upon research and development contracts for non-recoverable research and development expenses, and applied the intrinsic value method of accounting to employee stock options. Under the intrinsic method, any consideration paid by employees on the exercise of stock options was credited to share capital and no compensation expense was recognized.

In accordance with amended Canadian standards, beginning November 1, 2004, entities are required to account for employee stock options using the fair value based method. Under the fair value based method, compensation is measured at fair value at the date of grant and is expensed over the option's vesting period. In accordance with one of the transitional provisions permitted, the Company retroactively applied the fair value based method to all employee stock options granted on or after November 1, 2001 and prior to November 1, 2004. The Company has not restated prior year's reported amounts, and accordingly, has increased opening deficit at November 1, 2004 by $4,520,000, and contributed surplus by the same amount. The fair value of options granted are now expensed in the financial statements in accordance with the standard previously described by charging stock-based compensation and increasing contributed surplus. On the exercise of stock options, cash received is credited to share capital and the amount previously charged to contributed surplus is credited to share capital.

(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 accounted for its obligation to TPC as a financial liability effective November 1, 2004. Since that date the Company is required to account for the obligation to TPC as debt rather than equity in share capital as was the previous accounting treatment. If the warrants, which have a fair value of $5 million, are exercised, this obligation would be treated again as equity and shown as share capital. This change has been applied retroactively with the restatement of prior period financial statements for comparative purposes.

(o) Deferred stock units:

In 2005, the Company's Board of Directors approved the establishment of a deferred stock unit plan for certain designated employees and directors. Under the plan, deferred stock units are payable in cash upon the occurrence of certain specified events and are expensed on the date of grant as compensation expense and recorded as an accrued liability based on the previous ten trading day weighted average market value of the Company's common shares on that date. The expense and the related liability are adjusted to reflect changes in the previous ten trading day weighted average market value of the common shares.

(p) Comparative information:

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

4. INVENTORIES:

	2005	2004
Parts and sub-assemblies	$ 1,258	$ 884
Work-in-progress	789	211
Finished goods	1,137	2,183
	$ 3,184	$ 3,278

5. PROPERTY, PLANT AND EQUIPMENT:

October 31, 2005	Cost	Accumulated amortization	Net book value
Machinery and business equipment	$ 2,284	$ 1,793	$ 491
Computer software and equipment	3,206	2,794	412
Furniture and fixtures	1,229	1,176	53
Vehicles	14	12	2
Land	15	–	15
Building	440	103	337
	$ 7,187	**$ 5,877**	**$ 1,310**

October 31, 2004	Cost	Accumulated 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

At October 31, 2005 property, plant and equipment included assets under capital leases with a cost of $189,000, accumulated amortization of $29,000 and a net book value of $160,000.

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. 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 was added to the cost of the property. The Company had also provided, as additional security for the mortgage, cash on deposit of $775,000.

In April 2005 the Company sold its head office building in Calgary for $11.8 million, net of selling costs of $380,000. The proceeds of the sale were used to repay the mortgage balance of $7.8 million and the debt repayment removed the restrictions on cash of $775,000. As part of the sale arrangement, the Company committed to a seven-year lease on approximately 35,000 square feet at market rates with the purchaser of the building for a total commitment over the term of the lease of approximately $3.4 million. A lease deposit of $350,000 was required as part of the lease agreement. The gain on the sale of approximately $1.2M is being recognized over the term of the operating lease, in accordance with Canadian generally accepted accounting principles.

6. TRADEMARKS, PATENTS AND LICENSES:

October 31, 2005	Cost	Accumulated amortization	Net book value
Trademarks	$ 75	$ 25	$ 49
Patents and licenses	10,927	917	10,010
	$ 11,002	$ 943	$ 10,059

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

On May 21, 2004 the Company acquired 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 were subject to certain time-based escrow release provisions, which expired 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, 2005, Wi-LAN had issued an additional 463,835 common shares to Ensemble Communications Inc. at prices ranging from $1.33 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 $697,000, 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:

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

No book value of the Company's long-term investment portfolio remained as at October 31, 2005. 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. The market value of these investments may differ from the realizable value due to the liquidity of such shares. The Cell-Loc Location Technologies Inc., Capitol Energy Resources Ltd., Interwave Communications International Ltd. and NTG Clarity Networks Inc. shares were sold in 2005. 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 periodically reviews the carrying value of its portfolio investments. Write-downs of $70,000 in 2005 ($Nil in 2004) to net realizable value were recorded as it was determined that the carrying value of certain investments had a decline that was other than temporary and recovery, given present conditions, of the book value of the investments is unlikely.

8. CAPITAL LEASE OBLIGATIONS:

The Company leases equipment under capital leases expiring in December 2007. As at October 31, 2005, the future minimum lease payments under capital leases were as follows:

2006	$ 74
2007	74
2008	11
	159
Less amount representing interest at approximately 12.9%	18
	141
Less current portion	61
	$ 80

Interest expense on capital lease obligations or the year ended October 31, 2005 is $14,000 (2004 - $Nil).

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 was secured by the Company's Calgary head office building. The term of the mortgage was 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 could have been fixed at any time during the term of the mortgage at the Government of Canada Bond rate plus 2%. The mortgage was repaid in April 2005 as part of the sale of the property.

(b) Line of credit:
The Company has a credit facility with a Canadian commercial bank secured by cash to cover up to $50,000 in Letters of Credit. As at October 31, 2005 $50,000 (2004 - $50,000) 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
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
Balance, October 31, 2004	41,818,416	184,833
Issued under Ensemble agreement price protection provisions	363,994	521
Share price adjustment (note 6)	–	(521)
Exercise of stock options	46,774	56
Transfer from contributed surplus on options exercised	–	32
Balance, October 31, 2005	**42,229,184**	**$ 184,921**

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 is to be repaid based on a rate of 1.24% of annual sales in excess of $30 million, commencing February 1, 2007.

In addition, the TPC is to receive warrants having a fair value of $5 million measured on the date of issuance, no later than June 30, 2006, using the Black-Scholes pricing model and exercisable for a five-year term, subject to regulatory approvals. If the regulatory authorities do not approve the warrants, the Company is obligated to repay $5 million with interest effective June 30, 2006. 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 $.84 million (2004 - $1.38 million) has been charged to research and development expense and the credit has been recorded as a liability. Since inception of the agreement, the Company has accrued $4.5 million of its obligation to issue the warrants.

The Company may be offside pursuant to certain covenants in their agreement with TPC. The Company and TPC are in discussions to determine if non-compliance has occurred and are working to remedy the situation. The Company has reflected in their accounts receivable an amount that is net of any penalties that may be assessed.

The Company has received $1.75 million and accrued $.62 million (2004 – received $1.31 million and accrued $.95 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 $6.89 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		Weighted Average
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
Expired	(3,699,312)	1.85	5.25	4.03
Outstanding at October 31, 2005	**22,388**	**$ 3.35**	**$ 3.35**	**$ 3.35**

The warrants outstanding at October 31, 2005 have expiry dates ranging from October 29, 2006 to December 29, 2006.

(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 entitled 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. All warrants expired unexercised. 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. Options to acquire 60,000 units were exercised prior to the August 13, 2005 expiry date.

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. All warrants expired unexercised. 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. No options were exercised prior to the April 29, 2005 expiry date.

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

	Number of Options Outstanding	Price/Share		Weighted Average
		Price Range		
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
Expired	(1,093,688)	2.95	5.25	3.85
Outstanding at October 31, 2005	**–**	**$ –**	**$ –**	**$ –**

(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 10% of the outstanding common shares of the Company.

Options granted during the year have a weighted average fair value of $.55 (2004 - $1.60) 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.

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

	2005	2004
Risk free interest rate	**5%**	5%
Volatility	**57%**	68%
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, 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
Granted	1,020,450	0.72	1.60	1.31		
Exercised	(46,774)	1.00	2.92	1.18		
Cancelled	(1,116,588)	1.00	14.45	4.87		
Outstanding at October 31, 2005	**3,246,193**	**$ 0.72**	**$ 45.80**	**$ 2.58**	**2,953,422**	**$ 2.64**

For various price ranges, weighted average characteristics of outstanding employee stock options at October 31, 2005, which expire between November 30, 2005 and October 17, 2010, were as follows:

Range of Exercise Prices		Outstanding Stock Options at Oct 31, 2005	Remaining Term of Option in Years	Weighted Average	Exercisable Stock Options at Oct 31, 2005	Weighted Average
$ 0.75	$ 0.99	197,825	4.71	$ 0.91	124,113	$ 0.93
1.00	1.07	158,650	2.19	1.00	148,400	1.00
1.20	1.38	614,250	4.01	1.37	611,550	1.37
1.39	1.68	484,081	3.50	1.51	371,525	1.49
1.72	2.77	284,850	2.55	2.13	262,363	2.12
2.80	3.13	142,377	2.78	2.99	116,343	2.99
3.20	3.42	451,225	1.27	3.42	445,863	3.42
3.44	3.61	458,525	2.87	3.61	445,725	3.61
3.78	4.61	283,000	2.79	4.32	261,632	4.35
4.65	45.80	171,410	0.62	5.85	165,908	5.88
		3,246,193		$ 2.58	2,953,422	$ 2.64

(f) Deferred stock unit plan:

In 2005 the Company granted 780,990 deferred stock units to designated employees and directors. The expense and the related liability are adjusted to reflect changes in the market value of the common shares. As at October 31, 2005 the Company had outstanding 779,990 deferred stock units and in 2005 had accrued and expensed $718,000 under the plan.

(g) Per share amounts:

The calculation of basic loss per common share is based on the weighted average number of common shares outstanding of 42.1 million (2004 – 40.3 million). The diluted per share amounts are not presented separately as the result would be anti-dilutive.

11. SUPPLEMENTAL CASH FLOW INFORMATION:

Cash interest paid in 2005 was $371,000 (2004 - $344,000). Cash interest received in 2005 was $176,000 (2004 - $369,000). Cash taxes paid in 2005 was $17,000 (2004 – $86,000).

12. COMMITMENTS AND CONTINGENCIES:

(a) In September 2002 the Company, its former Executive Chairman, and Wi-Com Technologies Inc. (a private Alberta company), among others, were served with two Statements of Claim. 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 and has also filed a counterclaim against the claimants. 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, in October 2005 the Company won an appeal against its insurance company, wherein the Court of Appeal reversed a trial judgment and declared that Wi-LAN's insurance company has a duty to defend in the above stated actions pursuant to the terms of a directors' and officers' liability insurance policy.

(b) In August 2002, the Company signed an agreement with a major application specific integrated circuit ("ASIC") manufacturer that commits Wi-LAN to purchase $2.1 million of ASIC's if the manufacturer or the Company is not able to find purchasers for $3.8 million of ASIC's. This agreement was amended in March 2004 and the commitment date to purchase ASIC's was extended from July 2005 to two years from the date the ASIC is completed and put into commercial production (estimated to be April 2007). As at October 31, 2005 and 2004 no liability has been accrued with respect to this commitment and the amount of ASIC's to be purchased is indeterminable.

(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, 2005 and 2004, no liability has been accrued with respect to this Counterclaim. Subsequent to October 31, 2005 the Company resolved the outstanding lawsuit with Cisco Systems Inc. (note 16(a)).

(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.

(e) In June 2005, the Company was served with a lawsuit for alleged defective products. Wi-LAN's sole responsibility under the contract is to repair or replace defective products, which it did. Wi-LAN believes that the lawsuit is frivolous and without merit and it will vigorously defend it. To date, it has yet to be determined if legal liability exists, and accordingly, no provision has been made in these statements.

13. 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:

	2005	2004
Computed "expected" income tax benefit at Canadian statutory income tax rate of 33.62% (2004 – 34.37%)	**$ (8,665)**	$ (2,402)
Foreign tax rate differential	**1**	(2)
Other permanent differences	**2,725**	651
Benefit of future tax assets not recognized	**5,939**	1,753
Large corporations tax	**4**	60
Actual income tax expense	**$ 4**	$ 60

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:

	2005			2004
	Canada	**US**	**Total**	Total
Long-term investments	**$ 1,222**	**$ –**	**$ 1,222**	$ 1,483
Accounts payable	**710**	**–**	**710**	162
Capital assets and intangibles amortization	**2,304**	**–**	**2,304**	2,657
Loss carry-forwards	**30,564**	**592**	**31,156**	26,580
Development expenses carry-forward	**5,515**	**–**	**5,515**	5,515
Share issue costs	**394**	**–**	**394**	747
Other	**2**	**–**	**2**	3
Gross future tax asset	**40,711**	**592**	**41,303**	37,147
Less: valuation allowance	**(40,711)**	**(592)**	**(41,303)**	(37,147)
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, 2005 the Company had non-capital losses for income tax purposes of approximately $77,830,000 that expire in various amounts from 2006 to 2015. The Company has capital losses of approximately $26,150,000 with an unlimited carry forward period. The Company also has research and development tax deductions of approximately $16,400,000 with an unlimited carryforward period. No recognition for the benefit of the tax loss carryforwards or the research and development tax deductions has been made in the financial statements.

14. 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.

	2005	2004
Revenue by Geographic Region:		
Americas	**$ 12,142**	$ 13,407
Europe Middle East and Africa	**6,541**	8,674
Asia Pacific	**7,061**	3,255
Total	**$ 25,744**	$ 25,336

	2005	2004
Revenue by Product Category:		
W-OFDM	**$ 5,927**	$ 6,604
Other data radios	**15,399**	14,370
Antennas	**3,974**	4,032
License, technology and engineering services	**444**	330
Total	**$ 25,744**	$ 25,336

During 2005 the Company had two customers whose purchases equaled 26% of total product revenue and individually, were greater than 10% of total sales of the Company.

15. 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 approximated carrying value as the terms of the debt were 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.

16. SUBSEQUENT EVENTS:

(a) On December 2, 2005 the Company signed an agreement with Cisco Systems Inc. in which the companies have agreed to terminate all legal actions pending between them (note 12(c)). Under the agreement, Cisco Systems Inc. purchased from Wi-LAN several issued and pending patents relating to WiMAX and antenna technology, and has granted Wi-LAN a license to use these patents in its products. As part of the agreement, Cisco Systems Inc. also received a license to Wi-LAN's patent portfolio. Upon closing, which management expects to occur prior to December 31, 2005, the Company is to receive US$10 million and expects to incur associated costs of approximately US$1 million.

(b) On December 5, 2005 the Company signed a term sheet to enter into an agreement to borrow up to $2 million for a term of up to 4 months with interest only payments based on an interest rate of 2% per month until maturity. The term sheet also requires the payment of a 3% commitment fee. The debt will be secured by a promissory note, a general security agreement covering all assets of the Company and an assignment of proceeds from the settlement agreement noted in (a) above, financings and sales of assets.

(c) On January 26, 2006 the Board of Directors of the Company resolved to take the necessary steps to exit the existing product sales business (subsequently called the product division) in an orderly manner, minimizing costs where possible while continuing to maximize the value of the disposition.

In 2005 the product sales business revenues were $25,300,000 (2004 - $25,006,000).

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Chief Financial Officer

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Kirk Hamilton
President, TIL-TEK Antennas Division

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Lynel Barrow
Vice President, Legal General Counsel and Corporate Secretary

Ken Wetherell
Vice President, Corporate Communications & Investor Relations

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Denis Colbourne [2,3]
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John Gillberry [1]
Bill Hews [4]
George Horhota [1,2]
Bill Jenkins [2]
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3 Member of Nominating and Governance Committee
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