Wi-LAN Inc.

2014 Annual Report

Dear Fellow Shareholders:

Buoyed by many successes and buffeted by a couple of tactical setbacks in 2013, WiLAN entered 2014 in the midst of a strategic review. The review, initiated in October 2013, explored a broad range of potential alternatives to enhance shareholder value. The strategic alternatives considered many options including changes to our dividend policy, the possible acquisition or disposition of assets, joint ventures, the sale of the company and continuing with the current business plan.

In May 2014, following a comprehensive review process, the Board determined that it was in the best interests of WiLAN and our shareholders to execute an updated business plan focused on business diversification, licensing partnerships, improved profitability and increasing the return of cash generated from operations to shareholders.

To diversify our business, our updated business plan called for WiLAN to focus on licensing smaller subsets of our portfolio and adding licensing programs in new market segments. To reduce the risk in our business model, we would limit the outright purchase of patent portfolios we make. Instead, to drive continued diversification and growth of our business, we would focus on attracting portfolios from licensing partners that are willing to share in the risk and success of a licensing program. Our updated business plan also calls for WiLAN to increase the profitability of our business by changing the way we work with law firms by ensuring these firms share in the risk of our licensing programs.

With our new business strategies, we have established a roadmap that calls for WiLAN to more than double our revenues and increase our GAAP earnings to a minimum of 30 cents per share by 2018, representing a 44 cent per share improvement over 2013. In addition, our roadmap is targeting to deliver adjusted earnings of at least 78 cents per share by 2018. We hope that by achieving these targets, the stronger profitability of our business will drive higher returns to shareholders.

Our achievements in 2014 demonstrate that the new strategies are having a positive impact on our business. In 2014, we established our presence in a number of new markets including automotive, building automation and medical technology. As well, we strengthened our presence in the semiconductor market. During the year, we entered into 17 new licensing partnerships bringing the total number of portfolios managed to over 40.

In the medical technology market, we entered into two partnerships, one related to Stent technology and the second partnership with the world-renowned Hospital for Special Surgery in New York, related to orthopedic technologies. We strengthened our presence in the semiconductor market through a partnership with an industry leading Flash memory company. In addition, two partnerships with ROHM, one related to packaging technologies, another related to power management, deepened our coverage of the semiconductor market. We believe that the partnerships signed during 2014 with ROHM and Panasonic, two highly respected Asian companies, solidified WiLAN as a desirable licensing partner.

In 2014, we signed 18 new licenses bringing the total number of companies that have signed licenses to over 295. Nine of the licenses signed were to partner portfolios, including a license signed by Stryker Corporation to our stent portfolio. In addition, five companies including Philips, MasterCard and RPX licensed a data networking technology portfolio. We are pleased that the licenses signed to our partner portfolios collectively returned millions of dollars in revenue to the inventors and companies that developed the licensed technologies.

Our team licensed valuable wireless technologies to new licensees NEC Mobile and Nokia Networks, and signed license renewals with 11 companies. These renewal licenses reinforce the value of the technologies that we have added to our portfolio in recent years. Our Digital TV technologies were licensed by Toshiba and Sony. The license with Sony is notable as it was reached without litigation and included patented technologies developed by our partner SENSIO Technologies. Finally, we are pleased with the progress made by our new network management technology licensing program, signing licenses with four U.S. wireless carriers in 2014.

In 2014, we generated revenues of $98.3 million, representing an 11 percent increase over 2013. Due to the new shared risk fee model that we adopted with external counsel and a lower level of litigation activity, our litigation expenses declined from $44.9 million in 2013 to $9.9 million in 2014, representing a reduction of 78 percent. With cost reductions in other areas of our business, our cash operating expenses decreased from $71.5 million in 2013 to $40.1 million in 2014, representing a reduction of 44 percent.

Benefiting from higher revenues and lower operating expenses, WiLAN's adjusted earnings in 2014 increased 230 percent to $58.7 million or 49 cents per share. Our GAAP earnings increased by over $28 million or 22 cents per share to $9.8 million or 8 cents per share in 2014. With the financial performance that our business delivered in 2014, we believe we are well on our way to delivering the profitability targets that we have set for 2018.

WiLAN entered 2014 as a new member of the S&P/TSX Dividend Aristocrats Index. A Dividend Aristocrat, as defined by Investopedia, is a company that has continuously increased the amount of dividends it pays to shareholders. WiLAN has increased its annual dividend six times in six years, to now sit at CDN 21 cents per common share. Over the same timeframe, WiLAN has returned over $70 million to shareholders through dividend payments, including $18.7 million in 2014.

We ended 2014 with over $127 million in cash and no long-term debt. Our strong balance sheet gives WiLAN the ability to support our partnerships, return capital to shareholders, primarily through dividend payments, and invest in technology research and acquisitions.

In 2014 we moved our U.S. Headquarters from Florida to San Diego, California. San Diego is the home of WiLAN Labs, our Research and Development subsidiary. WiLAN Labs has pioneered important advances in a number of areas including mobile Quality of Experience (QoE), streaming video optimization and techniques for improving data center efficiency and cloud application performance. We believe the commercialization of these technologies, with the support of licensees, industry and academia, will generate new revenue opportunities for WiLAN.

Also in 2014, we expanded our business development and licensing team based in California. This team, signing 11 new patent acquisition/partnerships during the year, drove WiLAN's entry into a number of new markets including the automotive and medical technology markets. Our California team's activities in 2014 did not stop at business development. The team delivered strong licensing results as well, signing agreements that contributed millions of dollars to WiLAN's top and bottom line. A number of these licenses, which generated significant revenue for WiLAN and our partners, were signed in less than four months.

Our successes in 2014 were achieved in a business environment that has become more challenging for patent licensing in recent years. Defendants in patent infringement litigation are increasingly turning to patent office reviews in an attempt to have patents invalidated. As a company that is a firm believer in the importance of patent quality, we are pleased that the validity of our patents, that have received adjudication in patent office reviews, has been upheld. In addition, patent owners are increasingly taking a path to the Appeals Court in an attempt to address flawed lower court rulings and jury verdicts. In 2014, WiLAN successfully appealed conflicting lower court rulings related to a contract dispute with defendant Ericsson. In addition, we are currently appealing the outcome of two cases involving Apple.

Looking to the future, with our revenue backlog and the potential revenue from our current portfolios, our business is positioned to generate significant future revenue. In the current business environment, we expect more patent owners to seek the assistance of a licensing company like WiLAN to help monetize their patent portfolios. Based on our licensing track record and the strength of our team and balance sheet, we believe WiLAN is well positioned to be a licensing partner of choice. With this market dynamic, we believe we will significantly increase the number of active licensing programs that we are managing which will in turn increase the potential future revenues that WiLAN can generate. In addition to seeking out valuable new licensing partnerships, our team will continue to evaluate select technology acquisition opportunities to help strengthen our business in the future.

We would like to thank WiLAN's employees and our Board for their hard work and the dedication that they demonstrated in 2014. We would also like to sincerely thank you, our fellow shareholders, for your continued support.

Best regards,

James Skippen

Paul McCarten	Jim Skippen
Chairman of the Board	President & CEO

Management's Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations

For the Twelve Months ended December 31, 2014 and 2013

February 2, 2015

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is dated February 2, 2015. It should be read in conjunction with the audited consolidated financial statements and notes thereto for Wi-LAN Inc. for the year ended December 31, 2014 (the "Financial Statements"). References in this MD&A to "WiLAN," "Company", "our company," "we," "us" and "our" refer to Wi-LAN Inc. and its consolidated subsidiaries during the periods presented unless the context requires otherwise. The Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP" or "GAAP") and applicable United States Securities and Exchange Commission ("SEC") regulations for annual financial information.

Unless otherwise indicated, all financial information in this MD&A is reported in thousands of United States dollars ("U.S. dollars"), with the exception of share and earnings per share data which is reported in number of shares and U.S. dollars respectively. The tables and charts included in this document form an integral part of this MD&A.

We prepared this MD&A with reference to National Instrument 51-102 - Continuous Disclosure Obligations of the Canadian Securities Administrators. Under the U.S./Canada Multijurisdictional Disclosure System, we are permitted to prepare this MD&A in accordance with Canadian disclosure requirements which may differ from U.S. disclosure requirements. This MD&A provides information for the year ended December 31, 2014 and up to and including January 30, 2015. Additional information filed by us with the Canadian Securities Administrators, including quarterly reports, annual reports and our annual information form for the year ended December 31, 2014 (our "AIF"), is available on-line at www.sedar.com and also on our website at www.WiLAN.com. Our Form 40-F can be found on the SEC's EDGAR website at www.sec.gov.

Our management is responsible for establishing appropriate information systems, procedures and controls to ensure that all financial information disclosed externally, including this MD&A, and used internally by us, is complete and reliable. These procedures include the review and approval of our financial statements and associated information, including this MD&A, first by our management's Disclosure Committee, then by our Board of Directors' Audit Committee (the "Audit Committee") and, finally, by our Board of Directors as a whole (the "Board").

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements and forward-looking information within the meaning of the United States Private Securities Litigation Reform Act of 1995 and other applicable United States and Canadian securities laws, including such statements relating to:

- assumptions and expectations described in our critical accounting policies and estimates;
- our expectation regarding the adoption and impact of certain accounting pronouncements;
- our expectation regarding the growth rates of licensees' businesses and the expected revenues to be collected from such licensees;
- our expectations with respect to revenues to be recorded as a consequence of license agreements with fixed periodic payment structures;
- our expectations with respect to the timing and amounts of any license agreements that may be entered into with respect to any of our litigation matters;
- our expectations with respect to our ability to sign new licenses and to sign renewal agreements with existing licensees;
- our estimates regarding our effective tax rate;
- our expectations with respect to the sufficiency of our financial resources; and
- our expectations regarding continued expansion of our patent portfolio through the acquisition of patents from third-parties and from the development of new inventions or our entry into licensing relationships with third-parties.

The words “expect”, “anticipate”, “estimate”, “may”, “will”, “should”, “would”, “intend”, “believe”, “plan”, “continue”, “anticipate”, “project” or the negative of these words or other variations on these words, comparable terms and similar expressions are intended to identify forward-looking statements and forward-looking information. Forward-looking statements and forward-looking information are based on estimates and assumptions made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate in the circumstances.

We provide forward-looking statements and forward-looking information to assist external stakeholders in understanding our management’s expectations and plans relating to the future as of the date of this MD&A and such statements and information may not be appropriate for any other purposes. The forward-looking statements and forward-looking information in this MD&A are made as of the date of this MD&A only. We have no intention and undertake no obligation to update or revise any forward-looking statements or forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

RISKS AND UNCERTAINTIES

Many factors could cause our actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements and forward-looking information, including, without limitation, the following factors, which are discussed in greater detail under the heading “Risk Factors” in our AIF and should be reviewed in detail by all readers:

- certain of our patents may be found to be invalid, unenforceable and/or not infringed by any specific third-party;
- we will be required to establish the enforceability of our patents in court to obtain material licensing revenues;
- finding, retaining and appropriately compensating expert legal counsel to represent us in litigation matters can be complex and expensive;
- certain of our patents are, and others may be, subject to administrative proceedings that could invalidate or limit the scope of those patents;
- the generation of future V-Chip revenues and the likelihood of our signing additional V-Chip licenses could be negatively impacted by changes in government regulation – in addition, the failure of leading digital television manufacturers to adopt or to continue to use our patented V-Chip technologies or to adopt competing technologies may harm our business;
- licensing our patents can take an extremely long time and may be subject to variable cycles;
- we are reliant on licensees paying royalties under existing licensing agreements and on the additional licensing of our patent portfolio to generate future revenues and increased cash flows;
- delays in renewing or an inability to renew existing license agreements could cause revenue and cash flow to decline;
- royalty rates could decrease for future license agreements;
- reduced spending by consumers and businesses due to the uncertainty of economic and geopolitical conditions may negatively affect us;
- changes in patent or other applicable laws or in the interpretation or application of those laws could materially adversely affect us;
- our industry is subject to increased regulatory scrutiny, political commentary and related proceedings;
- fluctuations in foreign exchange rates impact and may continue to impact our revenues and operating expenses, potentially adversely affecting financial results;
- we will need to acquire or develop new patents to continue and grow our business;
- we may engage in acquisitions or other strategic transactions or make investments that could result in significant changes or management disruption, and fail to enhance shareholder value;

- diversification into new technology areas may result in additional cost, delay and complication to our licensing efforts;
- we may not be able to compete effectively against others to acquire patent assets – any failure to compete effectively could harm our business and results of operations;
- we have made and may make (or attempt to make) future acquisitions of technologies or businesses which could materially adversely affect us;
- our acquisitions of patents are time consuming, complex and costly, which could adversely affect our operating results;
- our quarterly revenue and operating results can be difficult to predict and can fluctuate substantially;
- we may require investment to translate our intellectual property position into sustainable profit in the market;
- there can be no assurance as to the payment of future dividends;
- our ability to recruit and retain management and other qualified personnel is crucial to our ability to develop, market and license our patented technologies;
- our business could be negatively affected as a result of actions of activist shareholders;
- the trading price of our common shares has been, and may continue to be, subject to large fluctuations;
- as a foreign private issuer, we are subject to different United States securities laws and rules than a domestic United States issuer, which may limit the information publicly available to our shareholders;
- if we lose our United States "foreign private issuer" status in the future, it could result in significant additional costs and expenses to us;
- the financial reporting obligations of being a public company in the United States are expensive and time consuming, and place significant additional demands on our management;
- we are an "emerging growth company" under the United States Jumpstart Our Business Startups Act of 2012; we cannot be certain whether the reduced disclosure requirements applicable to emerging growth companies could make our common shares less attractive as an investment;
- an investor may be unable to bring actions or enforce judgments against us and certain of our directors and officers;
- our actual financial results may vary from our publicly disclosed forecasts;
- if at any time we are classified as a passive foreign investment company under United States tax laws, United States holders of our common shares may be subject to adverse tax consequences;
- the acquisition of, investment in, and disposition of our common shares has tax consequences;
- substantial future sales of our common shares by existing shareholders, or the perception that such sales may occur, could cause the market price of our common shares to decline, even if our business is doing well;
- we may require additional capital in the future and no assurance can be given that such capital will be available at all or available on terms acceptable to us;
- certain Canadian laws could delay or deter a change of control; and
- our authorized capital permits our directors to issue preferred shares which may prevent a takeover by a third-party.

These factors should be considered carefully, and readers should not place undue reliance on our forward-looking statements and forward-looking information.

EXPLORATION OF POTENTIAL STRATEGIC ALTERNATIVES

On October 30, 2013 we announced that the Board had initiated a process to explore and evaluate potential strategic alternatives for WiLAN, which could have included a sale or other transaction.

On May 14, 2014 we announced that the Board had concluded its review of strategic alternatives for the Company. Following a comprehensive process, the Board determined that it is in the best interests of the Company and our shareholders to execute an updated business plan focused on business diversification, licensing partnerships, improved profitability and increasing the return of cash generated from operations to shareholders.

NON-GAAP DISCLOSURE

We use the term “adjusted earnings” to reference earnings from continuing operations before stock-based compensation expense, depreciation & amortization expense, interest expense, unrealized foreign exchange gains or losses, restructuring charges, incentive buy-out, success fee, transaction costs, investment income, debenture financing costs, provision for income taxes, and certain other charges all as disclosed in the reconciliation of net earnings/loss to adjusted earnings included in this MD&A. We report adjusted earnings in the belief that it may be useful for certain investors and readers of the financial statements as a measure of our performance. ADJUSTED EARNINGS IS NOT A MEASURE OF FINANCIAL PERFORMANCE UNDER U.S. GAAP. IT DOES NOT HAVE ANY STANDARDIZED MEANING PRESCRIBED BY U.S. GAAP AND IS THEREFORE UNLIKELY TO BE COMPARABLE TO SIMILARLY TITLED MEASURES USED BY OTHER COMPANIES. ADJUSTED EARNINGS SHOULD NOT BE INTERPRETED AS AN ALTERNATIVE TO NET EARNINGS AND CASH FLOWS FROM OPERATIONS AS DETERMINED IN ACCORDANCE WITH U.S. GAAP OR AS A MEASURE OF LIQUIDITY.

DESCRIPTION OF THE BUSINESS

Generally, in exchange for disclosing specific, novel and non-obvious inventions that meet applicable legal requirements in a particular country, a granted patent will provide its holder with time-limited, legally enforceable exclusive rights in that country to practice the inventions disclosed in the patent and to exclude others from practicing those inventions. If the inventions disclosed in the claims of a granted patent meet applicable legal validity and enforceability requirements and are important enough that a third-party wishes to practice those inventions or cannot conduct its business without practicing those inventions, the patent may be of great value to that third-party. Unfortunately, many third-parties are content to practice such inventions, thereby infringing the patent in which they are disclosed, without compensating its holder, believing the holder will not discover the infringement, will be unable to convince the third-party to pay any compensation, or will be unable to prove infringement sufficiently to convince a court to force the third-party to pay appropriate compensation.

If the infringer of patented inventions is willing to properly compensate the patent holder for its unauthorized use of these inventions, however, then the holder will typically grant the infringer permission (i.e. a license) to practice those inventions for a period of time (which may be for the life of the patent), free from the threat of legal action. Compensation for such a license may be a single amount (whether paid in a lump sum or over time) or may be based on sales of products or services that rely on the patented inventions as they are sold over the life of the license.

We seek to apply our licensing, technology, and legal expertise to crystallize the value in patented inventions by obtaining licenses to use inventions we own outright and licenses for the inventions for which third-party inventors and assignees have entrusted the licensing program to us.

During our entire corporate history, we have developed and patented inventions that have proven of great value to third-parties. In addition, we also have a history of acquiring patents that we believe hold great value from other inventors. We also work with patent inventors and owners to unlock the value trapped in patents by developing and licensing their patents while sharing with those inventors and assignees both any revenues generated by these patents and much of the financial risk associated with these licensing programs.

In mid-2006, WiLAN re-focused its business on technology innovation and licensing. At that time, we owned approximately twenty patents including certain patents we believed could be used in a licensing program. In launching this new form of business, a key strategy was to strengthen WiLAN's patent portfolio to sustain long-term revenue opportunities and associated growth.

Over the past eight years, we have grown from 1 employee in mid-2006 to 66 employees at December 31, 2014, increased our patent portfolio from approximately 20 patents in two portfolios to more than 4,000 patents and patent applications worldwide in more than 40 technology portfolios, signed close to 300 licensees, and grown annual revenues from approximately $1.9 million in 2006 to over $98 million in 2014, representing a compound annual growth rate of over 63%.

We plan to build upon our significant base of signed license agreements and increase our licensing opportunities by growing our patent offerings with a combination of technology innovation through internal research and development, patent acquisitions, licensing partnerships with third-party inventors or prior assignees and corporate mergers and acquisitions.

Historically, we licensed patents categorized as Wireless Access and Digital TV and Display technologies.

Technology areas generally included in the Wireless Access program include 3G/4G, Wi-Fi and Bluetooth, as well as other technologies generally applicable to handheld devices or to infrastructures necessary to operate wireless networks. We have generated licensing revenue from companies that sell products described as cellular handsets (such as smart phones) and infrastructure, tablets, laptop computers and Wi-Fi routers. The Wireless Access portfolio contains more than 1,100 patents and patent applications.

The Digital TV and Display portfolio originated with the acquisition of our V-Chip technology patents in July 2007 and has been augmented with acquisitions from several other sources. This portfolio now includes approximately 1,400 patents and patent applications around such technology areas as multimedia processing, display and touch screens and graphical user interfaces, all of which are potentially used in smart phones, digital televisions, "smart" televisions, tablet computers and laptop computers. Approximately 35 - 45% of the available North American digital television market has been licensed to our V-Chip patents and signed agreements are expected to generate revenues for an additional two to three years. This market is not, however, expected to grow any further and, consequently, revenues derived from these signed agreements are also not expected to grow any further. The Digital TV and Display program does, however, have significant depth beyond V-Chip and we are actively licensing these additional technologies.

In addition to our historic patent licensing programs, we are focusing on entering into relationships with third-party inventors and patent owners to license their patents in exchange for sharing in both the reward and the risk in such licensing programs. In these relationships, instead of paying significant amounts up front for the acquisition of patents, we acquire patents from their inventors or owners through a dedicated subsidiary in exchange for a percentage of the recoveries derived from licensing those patents paid to the inventors or owners. We strive to conduct any litigation relating to these patents by way of contingency or "hybrid contingency" arrangements with appropriate legal counsel through which a significant portion of the costs of such counsel are contingent upon and tied to recovery made in any litigation involving the patents. Given the sharing of recoveries among the original inventor or owner of the patents, external legal counsel, and ourselves, we believe that all parties' interests are aligned towards obtaining an appropriate recovery from licensing these patents.

Current patent portfolios that we have acquired through such relationships with third-party inventors and patent owners include patents relating to 3D television technologies, automotive headlight assemblies, phased loop technology, microcontrollers applicable to safety-critical aerospace, medical, industrial and automotive applications, computer gaming, medical stent technologies, irrigation technologies, CMOS image sensors, streaming video technologies, Internet search, building automation, non-volatile Flash memory, semiconductor clocking technologies, smart meter monitoring, LED lighting technologies and many other technologies.

In all of the our licensing programs, if court action is required to protect and enforce our rights, we strive to use legal counsel based on either a “full” or “hybrid” contingency basis through which we share the financial risks of such litigation with its legal counsel. Historically, and in particular for the Wireless Access and Digital TV and Display programs, we sought to retain 100% of the benefits of any patent litigation and therefore we bore 100% of the costs relating to that litigation.

Where we retain litigation counsel on a “full” contingency basis, we pay no legal fees relating to such litigation, instead compensating counsel based on a portion of any actual recovery from the infringer(s) in that litigation, although we may bear the expense of third-parties and disbursements incurred related to that litigation.

Where we retain litigation legal counsel on a “hybrid” contingency basis, we would modify a full contingency model as outlined above to include an agreement to pay a set regular amount to counsel throughout the conduct of a litigation, often subject to a maximum amount, with such payments being considered an advance against the agreed contingency amount.

Finally, our internal research and development efforts seek to generate new inventions in next generation communications technologies and to identify new technology opportunities. This technology innovation complements our ongoing activities to acquire appropriate technology or to partner with technology inventors and owners permitting us to grow our revenues over time. We are actively engaged in ongoing technology research activities generally in the area of wireless broadband, but we continue to engage in research and development in other technology areas as opportunities present themselves.

THE BUSINESS MODEL

We have developed licensing programs that have yielded strong results since mid-2006, having generated cumulative revenues to the end of 2014 of more than half a billion dollars. When approaching a potential licensee, we present compelling reasons to enter into a license agreement with detailed infringement analysis along with a fair and reasonable license rate. In many circumstances, we also present a potential licensee with an array of patents or patent families that may be applicable to the licensee’s business or products thus increasing the value in signing a license. We continue to consistently sign licenses every year and have entered into 11 renewal and 18 entirely new licenses in the last twelve months.

Generally our license agreements take into consideration rights to license the patents covered and releases for past infringement. Related payments may be lump-sum, fixed-price with set payments made over a specified period of time or running royalty based depending on a price per-unit and/or a percentage of product sales or service revenues enjoyed by licensees. Running royalty based licensees generally provide us with quarterly or semi-annual royalty reports which are typically received subsequent to the period in which the underlying sales occurred.

Consideration for license agreements is generally paid in cash, although we have accepted a combination of cash and in-kind patents in the past and may do so again in the future if the patents fit our value proposition and strategic objectives. We recognize revenue from these arrangements as amounts become due and collection is assured.

Royalty rates and the consideration for a license may vary significantly with different licensees because there are many factors that may make different rates and other terms appropriate. These include, without limitation: the clarity of the reads of patent claims on the prospective licensee’s products; the significance of the patented invention to the performance of such products; the strength of the patents generally; the profitability of the products in question; the propensity of the prospective licensee to resist taking a license or to litigate; the number of applicable patents; the volume of products that infringe; the geographies in which infringing products are manufactured and sold; the prospective licensee’s future sales plans; and the prospective licensee’s financial position.

Although we prefer to negotiate license agreements without litigation, we are prepared to take all necessary steps, including investing in litigation, to ensure we receive fair compensation for the use of our patented inventions. If litigation is initiated against a prospective licensee, we seek resolution of the litigation through the signing of a license agreement as early as possible. Licensing discussions may be ongoing with a number of prospective licensees at any time and although we cannot anticipate how any litigation may affect ongoing discussions, our experience is that discussions will often continue through the litigation process and that some parties may be inclined to take licenses before the commencement of trial proceedings or even after the conclusion of trial proceedings.

Notwithstanding our early success in many areas, the business and legal environment for patent licensing companies has become increasingly difficult during the past several years. In this more difficult licensing environment, we will continue to adapt and evolve to achieve success. Recent examples of this evolution include the hiring of highly qualified specialists and subject matter experts in applicable technologies, acquisitions of patents that have strengthened our patent portfolio and entry into significant relationships to gain access to additional patents. As well we signed a number of significant license agreements with large industry leaders in 2011 and 2013. We believe these recent accomplishments have established a strong foundation for our future operations and growth. It may be, however, that the United States Patent and Trademark Office, U.S. courts and U.S. juries are becoming less willing to side with patent assertion companies in proceedings brought by or against technology manufacturers, which may lead to those manufacturers and other potential licensees delaying or resisting taking licenses to our patents or taking licenses on terms less favourable to us.

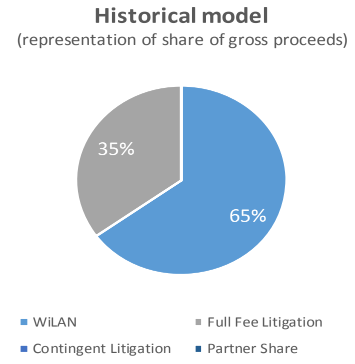
We have addressed changes in the licensing and the litigation landscape proactively. In our initial phase of development, we adopted a strategy characterized by outright acquisitions of patent portfolios and a full fee litigation model. Under this model, we would retain all of the benefit of a license agreement and would pay the litigation expenses as and when incurred. This model would generally be characterized by litigation expense accounting for approximately 35% of the total license revenue available which is consistent with our experience to date.

While we retain a higher portion of the overall revenues under such a model, the risks are more significant and therefore the rate of return is commensurate. We have adopted a new fee model for the majority of our litigations which include an increased component of the compensation for the external litigation counsel being comprised of a percentage of actual license revenues received in consequence of the particular litigation.

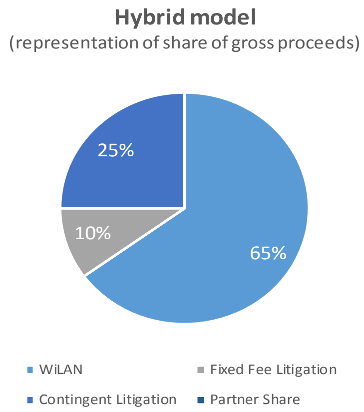
In the hybrid model, generally applicable to license programs where we do not have a recovery sharing component, we will agree to a fixed fee amount, generally a fraction of the overall expected litigation budget, which is a component of an overall contingent amount that reflects the success of the licensing program. We have contingent amounts under such programs ranging from 25% to 35% as of the date of this MD&A.

As outlined above, we have adopted a model wherein the third-party inventor or prior assignee of patents we acquire will be compensated as a percentage of the net recoveries from those patents. Generally, these arrangements are characterized by contingent litigation relationships which may be of the hybrid nature referred to above or where the litigation counsel is exclusively paid through a share of the overall proceeds. The third-party inventor or prior assignee of patents we acquire will share with WiLAN in any recoveries from such patents, generally on a 50/50 basis. We have the flexibility to structure arrangements in a number of ways to address the needs and specific sets of circumstances presented by each of the unique third-party inventors or prior assignees of patents we acquire, and the above discussion is intended to provide a general overview of the various approaches employed to both acquire and license portfolios in the face of a constantly changing marketplace.

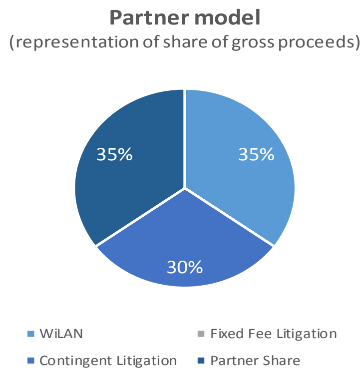
The following charts have been included to assist in understanding the various strategies we employ and generally reflect the strategies and outcomes in four broad categories.



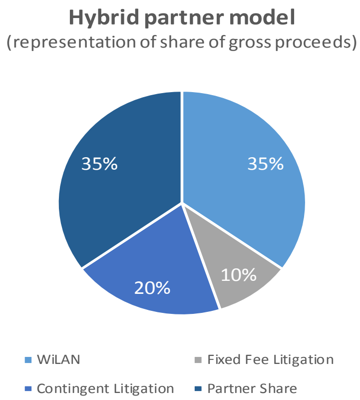
Acquisition Strategy:	Generally characterized as 100% purchase, usually paid in cash although periodically purchase price has been deferred and paid over two or more years
Litigation Strategy:	Full fee with appropriate discounts applied, all absorbed by WiLAN with no contingency amounts paid to the litigation counsel
Recovery model:	We own the portfolios outright in these categories so retain all proceeds. Funding of litigation is often in advance of receipts from related licensing agreements so the recovery model needs to be considered over a longer period of time. Generally under this model, WiLAN would expect to retain 65% to 70% of the overall revenues generated.



Acquisition Strategy:	Generally characterized as 100% purchase, usually paid in cash although periodically purchase price has been deferred and paid over two or more years
Litigation Strategy:	Litigation counsel is paid a percentage of the overall revenues from licenses received as a consequence of the particular litigation. We agree to pay a fixed periodic amount during the litigation which is credited towards the contingent amount.
Recovery model:	We own the portfolios outright in these categories so retain all proceeds. The full fee amount would be paid and expensed periodically and the remaining contingency amount only paid upon successful conclusion of the litigation. Any fixed fee amounts paid would not be recoverable. We have arrangements in place where the total contingency is between 25% and 35%.



Acquisition Strategy:	Generally characterized as no up front consideration although we have and we will likely continue to provide small advances against a partner's eventual share of net recoveries up front.
Litigation Strategy:	Litigation counsel is retained on contingency basis. Expenses, including external experts are sometimes born by the external counsel which is reflected in the overall contingency rate which ranges from 10% to 38% on current programs.
Recovery model:	Our share is generally 50% of the net recoveries (revenues minus expenses) although we have programs that have a partner share based on the gross revenues received as well. With little to no capital investment required to obtain these patents, the reward retained by the company is commensurate with the risk and investment.



Acquisition Strategy:	Generally characterized as no up front consideration although we have and we will likely continue to provide small advances against a partner's eventual share of net recoveries up front.
Litigation Strategy:	Litigation counsel is retained on contingency basis. Expenses, including external experts are sometimes born by the external counsel which is reflected in the overall contingency rate which ranges from 10% to 30% on current programs.
Recovery model:	Our share is generally 50% of the net recoveries (revenues minus expenses) although we have programs that have a partner share based on the gross revenues received as well. With little to no capital investment required to obtain these patents, the reward retained by the company is commensurate with the risk and investment.

RESULTS AND OUTLOOK

Overall performance

The following table sets forth consolidated statements of operations data, which is expressed in thousands of U.S. dollars, except share and per share amounts, for the indicated years as well as certain balance sheet data as at December 31, 2014, 2013, and 2012.

	Year ended December 31, 2014		Year ended December 31, 2013		Year ended December 31, 2012	
	$000's	**%**	$000's	%	$000's	%
Revenue						
Royalties	**$ 98,311**	**100**	$ 88,209	100	$ 87,960	100
	98,311	**100**	88,209	100	87,960	100
Operating expenses						
Cost of revenue	**63,201**	**64**	88,648	100	60,984	69
Research and development	**2,416**	**2**	2,858	3	3,964	5
Marketing, general and administrative	**10,565**	**11**	13,065	15	12,300	14
Foreign exchange loss (gain)	**2,038**	**2**	2,538	3	(5,191)	(6)
Restructuring charges	**—**	**—**	—	—	418	0
Total operating expenses	**78,220**	**80**	107,109	121	72,475	82
Earnings (loss) from operations	**20,091**	**20**	(18,900)	(21)	15,485	18
Investment income	**533**	**1**	728	1	1,277	1
Interest expense	**—**	**—**	—	—	(1,247)	(1)
Debenture financing, net	**—**	**—**	—	—	(31,138)	(35)
Earnings (loss) before income taxes	**20,624**	**21**	(18,172)	(21)	(15,623)	(18)
Provision for (recovery of) income tax expense						
Current	**4,623**	**5**	5,980	7	3,480	4
Future	**6,290**	**6**	(6,059)	(7)	(4,583)	(5)
Provision for (recovery) of income tax expense	**10,913**	**11**	(79)	(0)	(1,103)	(1)
Net earnings (loss)	**$ 9,711**	**10**	$ (18,093)	(21)	$ (14,520)	(17)
Earnings (loss) per share						
Basic	**$ 0.08**		$ (0.15)		$ (0.12)	
Diluted	**0.08**		(0.15)		(0.12)	
Weighted average number of common shares						
Basic	**120,103,422**		120,856,511		121,451,967	
Diluted	**120,368,583**		120,856,511		121,451,967	

	As at December 31, 2014	As at December 31, 2013	As at December 31, 2012
Cash and cash equivalents	**$ 126,311**	$ 130,394	$ 175,246
Short-term investments	**1,336**	1,457	1,617
Total assets	**313,194**	337,201	330,785
Long-term debt	**—**	—	—
Dividends declared per common share	**0.18**	0.16	0.13

Revenues for the twelve months ended December 31, 2014 were $98,311 representing an increase of $10,102 over the twelve months ended December 31, 2013. The increase in revenue is attributable to license agreements signed during the twelve months ended December 31, 2014.

Our license agreements can generally be classified as either: (1) running royalty agreements in which licensees provide reports on their sales activities for the previous fiscal quarter, and calculate and remit the appropriate royalty; or (2) fixed fee arrangements with periodic payments that may be over a period shorter than or equal to the license term. In all cases, licenses provide for a release of past infringement and a license to some or all of our patents for a specified period of time. In certain cases, licenses may also extend to certain patents acquired by us during the term of the license. In all cases, the continued right to the license is subject to the licensee making the required payments defined in the agreement, all of which are non-refundable once received by us. We recognize revenue, generally, when the license fee is earned, fixed and determinable, collectability is reasonably assured, and all other conditions of revenue recognition are met.

Our business is unique because, left to their own devices, entities who infringe our patents are content to not pay fair compensation to us for the right to use the inventions claimed in those patents. Our licensing process involves the preparation of claim charts which are detailed descriptions of the claims in our patents and how those claims relate to a particular technology standard or a particular product offering. These claim charts are presented to entities which we believe to be infringing these patents as the first step in commencing licensing discussions. The licensing process then generally includes countering arguments relating to technology and legal matters relating to these and other patents, arriving at mutually satisfactory business, financial and legal terms for license agreements and signing such license agreements. We note that with more than 4,000 patents, we generally only prepare claim charts on a small subset of the entire portfolio. Accordingly, we will commence license discussions focusing on only a small number of patents that we believe are being infringed.

If licensing discussions are not productive, we may resort to litigation as a means to motivate a potential licensee to negotiate a license. Although our preference is to reach a negotiated license agreement without commencing patent litigation, we have found that many entities will not engage in substantive discussions without litigation. If litigation is required, it will most certainly be on only a subset of the patents that we believe are infringed, for example on only two or three patents out of our entire portfolio. We may also engage in additional infringement litigation against a potential licensee to create additional pressure to enter into a negotiated license agreement.

As a result of the above, we are not necessarily in control of when a license is executed and, accordingly, we may experience fluctuations in revenues year over year.

Operating expenses for the twelve months ended December 31, 2014 were $78,220 or 80% of revenues, representing a decrease of $28,889 or 27% as compared to the twelve months ended December 31, 2013. The decrease in operating expenses is primarily attributable to lower litigation expenses partially offset by an increase in amortization expense.

Litigation expense accounted for approximately $9,908 and $44,942 or 13% and 42% of total operating expenses in each of fiscal 2014 and 2013 respectively. As noted, we would prefer to negotiate licenses without the use of litigation but that is not always possible. Given the number of litigations we are currently involved in, litigation expenses for 2015 are expected to increase over the 2014 levels, perhaps materially. Litigation activities, and therefore expenses, are difficult to predict as there are many factors that can influence any action that is commenced.

We recorded net earnings for the twelve months ended December 31, 2014 of $9,711 or $0.08 per basic and diluted share as compared to a net loss for the twelve months ended December 31, 2013 of $18,093 or $0.15 per basic and diluted share.

We consider adjusted earnings, a non-GAAP measure, to be a good indicator of performance for the business as it more accurately captures financial performance in a given period related to the operations of the business.

The table below reconciles the net earnings/loss to the adjusted earnings.

	Twelve months ended		
	December 31, 2014	December 31, 2013	December 31, 2012
Net earnings (loss) under GAAP	**$ 9,711**	$ (18,093)	$ (14,520)
Adjusted for:			
Unrealized foreign exchange loss (gain)	**892**	1,730	(5,213)
Depreciation and amortization	**35,139**	29,682	25,693
Stock based compensation	**2,081**	4,192	3,894
Restructuring charges	**—**	—	418
Asset write-off relating to restructuring	**—**	—	209
Interest expense	**—**	—	1,247
Debenture financing, net	**—**	—	31,138
Disposal of assets loss	**1**	123	-
Income tax expense (recovery)	**10,913**	(79)	(1,103)
Adjusted earnings	**$ 58,737**	$ 17,555	$ 41,763
Adjusted earnings per basic share	**$ 0.49**	$ 0.15	$ 0.34
Earnings (loss) per basic share under GAAP	**0.08**	(0.15)	(0.12)
Weighted average number of common shares			
Basic	**120,103,422**	120,856,511	121,451,967
Diluted	**120,368,583**	120,856,511	121,451,967

The adjusted earnings for the twelve months ended December 31, 2014 were $58,737 as compared to $17,555 for the twelve months ended December 31, 2013. The increase in adjusted earnings as compared to last year is primarily attributable to an increase in revenue and a decrease in litigation expenses.

Results of Operations for the twelve months ended December 31, 2014 as compared to the twelve months ended December 31, 2013

Revenues

Revenues for the twelve months ended December 31, 2014 were $98,311, representing an increase of $10,102.

	Twelve months ended	
	December 31, 2014	December 31, 2013
Revenues	**$ 98,311**	$ 88,209
(Decrease) increase from comparative period	**11%**	

Our revenues are derived from five principal sources: (i) running royalty agreements pursuant to which licensees pay us royalties based on either a percentage of the net selling price of licensed products or a fixed fee per licensed product sold; (ii) fixed fee royalties consisting of a set quarterly or annual amount for all licensed products sold by licensees; (iii) one-time lump sum fees to cover the sale of all licensed products by a particular licensee, subject to certain limitations; (iv) licensing patents on behalf of our partners; or (v) brokerage which provides the acquirer exclusive rights to the technology. License agreements are generally for a five to eight year period but can be significantly longer. We consider revenue to be earned when we have persuasive evidence of an arrangement, all obligations that we need to perform have been fulfilled in accordance with the terms of the license agreement, including delivery and acceptance, the revenue amount is reasonably determinable and collection is reasonably assured.

Revenues can vary significantly from quarter to quarter depending upon the type of royalty arrangement with licensees, the timing of royalty reporting by licensees, the cyclical nature of licensees' markets and fluctuations in foreign currency and other factors. Revenues can fluctuate based on individual licensees' growth and success rates in their respective markets, and other market factors on their respective businesses and other factors outside of our control. See "Risk Factors" contained in our AIF for more detailed information.

Two licensees individually accounted for 15% and 13%, respectively, of revenues from royalties for the twelve months ended December 31, 2014 as compared to two licensees individually accounted for 20% and 14%, respectively, of revenues from royalties for the twelve months ended December 31, 2013. For the twelve months ended December 31, 2014, the top ten licensees accounted for 74% of revenues from royalties, whereas in the comparable period last year the top ten licensees accounted for 79% of revenues from royalties, respectively.

For the twelve months ended December 31, 2014 and 2013, there were no revenues from brokerage. We may sell patents from our portfolio when we believe the revenue from an outright sale of patents is greater than what can be derived from licensing the patents.

Cost of Revenue

Cost of revenue is comprised of patent licensing expenses which includes royalty obligations, cost of patents sold through brokerage activities (if any), employee related costs and other costs incurred in conducting license negotiations, contingent partner payments and legal fees, litigation expense and amortization of patents expense related to acquired patents. We also consider the expenses related to the management of our patent portfolio as cost of revenue. The management of our patent portfolio involves filing patent applications, prosecuting applications to obtain issued patents, documenting infringement, assessing validity of issued patents, conducting due diligence on patents and applications to be acquired, and other general administrative tasks. Many of these costs are directly related to the size and breadth of our patent portfolio and, therefore, as we add or reduce patents, these costs would be expected to increase or decrease accordingly. We are continuously looking at ways to reduce costs including reducing our patent count if revenues will not be impacted.

Litigation and amortization expenses are not necessarily variable with revenues. We also include, as a cost of revenue, any costs related to sourcing new patent portfolios or developing new strategic partnerships.

The table below provides the details of cost of revenue:

	Twelve months ended	
	December 31, 2014	**December 31, 2013**
Compensation and benefits	**$ 7,883**	**$ 5,920**
Litigation	**9,908**	**44,942**
Patent maintenance, prosecution, and evaluation	**6,864**	**6,130**
Contingent partner payments and legal fees	**1,704**	**—**
Amortization of patents	**34,400**	**28,855**
Stock-based compensation	**840**	**1,103**
Other	**1,602**	**1,698**
	$ 63,201	**$ 88,648**
	64%	**100%**
Decrease from comparative period	**(29%)**	

Cost of revenue for the twelve months ended December 31, 2014 was $63,201 or 64% of revenues as compared to $88,648 or 100% of revenues.

The decrease in expenses is primarily attributable to a decrease in litigation expense partially offset by an increase in amortization expense, patent maintenance, prosecution and evaluation expenses, compensation and benefits and contingent partner payments and contingent legal fees. In general, patent licensing expenses are proportional to the breadth and depth of our licensing and brokerage programs and should be expected to increase as we add programs to our business operations. As a result of the expansion of the number of our licensing programs and an increase in partnering agreements with contingent partner payment arrangements with the previous patent owners and contingent legal fee arrangements with law firms, licensing expenses are expected to increase in fiscal 2015.

Patent management expenses were reclassified as cost of revenue for the twelve months ended December 31, 2014 and the comparative periods adjusted accordingly.

A key element of our strategy involves acquiring additional patents or obtaining exclusive licensing arrangements through relationships with patent holders that may be accounted for as acquisitions. Any further acquisitions will increase amortization expense from our current levels. We have acquired approximately $304,000 in patents since November 1, 2006.

Litigations are a normal part of our business which may extend over multiple years and are principally a discretionary cost, not directly related to or necessarily proportional to the revenues we generate. Our litigation expenses consist of all expenses related to the conduct of our litigation activities and include the costs of external legal counsel and third-party costs including those of expert witnesses and other service providers required during the course of litigations.

Pursuant to our engagement of McKool Smith (“McKools”) in respect of certain litigations that concluded in 2011, in consideration for a discount on fees in connection with such litigations, we have agreed to pay McKools a success fee based on achieving certain minimum financial measures attributable to such litigations. Upon achieving these financial measures, McKools will be entitled to receive a percentage of the proceeds actually received pursuant to the licensing agreements relating to these litigations up to a maximum of $27,986. We have collected and expect to collect proceeds from these license agreements over the next four years. Should we collect these amounts as contemplated in the agreements, McKools will be entitled to the entire success fee. We accrued the full amount of the success fee obligation in fiscal 2011. As at December 31, 2014, the current and long term portion of the success fee obligation is $3,736 and $3,639, respectively. During the twelve months ended December 31, 2014, we paid McKools $4,032 (twelve months ended December 31, 2013 - $3,896) based on proceeds collected as of September 30, 2014.

For the twelve months ended December 31, 2014, litigation expenses amounted to $9,908 as compared to $44,942 for the same period last year. The decrease in litigation expenses is attributable to a decrease in the level of litigation activities in comparison to the same period last year and new shared risk fee arrangements entered into with our external counsel. Litigation expenses are expected to vary from period to period due to the variability of litigation activities and any contingent payments that may be required from licenses signed in any particular quarter. We expect an increase in litigation expenses in fiscal 2015 as a result of an increase in litigation activities.

In the course of our normal operations, we are subject to claims, lawsuits and contingencies. Accruals are made in instances where it is probable that liabilities may be incurred and where such liabilities can be reasonably estimated. Although it is possible that liabilities may be incurred in instances for which no accruals have been made, we have no reason to believe that the ultimate outcome of these matters would have a significant impact on our consolidated financial position.

On December 16, 2013, we engaged the services of McKools to represent us in certain patent infringement litigation. Pursuant to this engagement, in consideration for a discounted fixed fee arrangement, we have agreed to pay McKools a success fee which is based on a percentage of proceeds received (as defined in the respective agreements) pursuant to future license agreements resulting from these patent infringement litigations. As at December 31, 2014, the success fees are not yet determinable because the total proceeds have not yet been determined and therefore no amounts have been accrued.

Our partnering programs relate to specific patent portfolios owned or controlled by our operating subsidiaries, have contingent partner payment arrangements with the previous patent owners and most often contingent legal fee arrangements with law firms. As these licensing programs generate revenues we will expect to incur contingent partner payments and contingent legal fees. The contingent partner payments and contingent legal fees are expected to fluctuate from period to period based on the amount of revenues recognized each period, the terms and conditions of the particular contingent legal fee arrangements, the type of contingent partner payment arrangements with the previous patent owners and the mix of specific patent portfolios generating revenues each period.

Research and development expense

We designed, developed and sold or licensed a variety of advanced digital wireless technologies, systems and products since our inception in the early 1990s until 2006. Over the course of our history, we have been able to explore emerging technologies, identify needs created by the development of advanced wireless systems and build technologies for those new requirements. Today, we are focusing our research and development ("R&D") efforts on advanced wireless technologies. These efforts have fostered inventions that form the basis of a number of new patent applications. The costs associated with these efforts, principally staff costs (including stock-based compensation) and certain external consultants, are classified as R&D. Research expense is predominately employee related costs and therefore any changes in spending will be a result of changes to future staffing levels.

The table below provides the details of R&D expense:

	Twelve months ended	
	December 31, 2014	December 31, 2013
Compensation and benefits	**$ 1,990**	$ 1,609
Depreciation	**153**	483
Stock-based compensation	**26**	426
Other	**247**	340
	$ 2,416	$ 2,858
Percent of revenue	**2%**	3%
Decrease from comparative period	**(15%)**	

For the twelve months ended December 31, 2014, R&D expenses were $2,416 or 2% of revenue as compared to $2,858 or 3% of revenue for the twelve months ended December 31, 2013. The decrease in spending for the twelve months ended December 31, 2014 is primarily attributable to a decrease in stock-based compensation expense and depreciation partially offset by an increase in staffing costs as a result of an increase in R&D staffing from six to seven and accrued variable compensation costs.

Marketing, general and administration expense

Marketing, general and administration ("MG&A") expenses represent the cost of corporate services including facilities, executive management, finance, corporate legal, human resources, office administration, marketing and communications, information technology and all costs associated with being a public company.

The table below provides the details of MG&A expense:

	Twelve months ended	
	December 31, 2014	December 31, 2013
Compensation and benefits	**$ 4,258**	$ 5,173
Depreciation	**568**	528
Stock-based compensation	**1,181**	2,479
Public company costs	**1,999**	1,596
Facilities	**689**	562
Other	**1,870**	2,727
	$ 10,565	$ 13,065
Percent of revenue	**11%**	15%
Decrease from comparative period	**(19%)**	

For the twelve months ended December 31, 2014, MG&A expenses amounted to $10,565 or 11% of revenues as compared to $13,065 or 15% of revenue. The decrease in spending for the twelve months ended December 31, 2014 is primarily attributable to a decrease in staffing costs as a result of changes in staffing levels, stock-based compensation, consulting costs, travel costs and recruiting costs partially offset by an increase in accrued costs related to deferred stock units granted to the non-executive members of our Board during the three months ended March 31, 2014.

MG&A costs will vary from period to period depending on activities and initiatives undertaken, and changes in staffing levels in any given period.

Foreign exchange loss

The table below provides the details of the foreign exchange loss:

	Twelve months ended	
	December 31, 2014	December 31, 2013
Realized foreign exchange loss	**$ 1,146**	$ 808
Unrealized foreign exchange loss	**892**	1,730
	$ 2,038	$ 2,538
Percent of revenue	**2%**	3%
Decrease from comparative period	**(20%)**	

Our realized foreign exchange loss is attributable to unhedged transactions denominated in currencies other than our functional currency, U.S. dollars. The realized foreign exchange loss is a result of the change in exchange rates in effect when foreign denominated transactions are initially recorded and the corresponding settlement.

The unrealized foreign exchange loss recognized in the twelve months ended December 31, 2014 resulted from the translation of monetary accounts, primarily cash and cash equivalents, short-term investments, dividends, and accounts payable, denominated in Canadian dollars to U.S. dollars and foreign exchange contracts we held at December 31, 2014. The change from the same period last year is attributable to the decrease in the level of monetary accounts denominated in Canadian dollars.

In addition to the impact of the translation of our foreign currency denominated monetary balances in the twelve months ended December 31, 2014, the unrealized foreign exchange loss relates to the foreign exchange contracts we held as at December 31, 2014. From time to time we utilize forward contracts to enhance our ability to manage foreign currency exchange rate risk and exposure to currency rate fluctuations related primarily to future cash outflows of Canadian dollars. The foreign exchange forward contracts require us to sell U.S. dollars for Canadian dollars at prescribed rates.

As at December 31, 2014, we held foreign exchange forward contracts totaling approximately $17,700 which mature at various dates through to October 2015. During the twelve months ended December 31, 2014, we recorded an unrealized foreign exchange loss of approximately $732 related to the foreign exchange forward contracts held as at December 31, 2014.

We cannot accurately predict foreign exchange movements and as such, cannot accurately predict future gains and losses related to unhedged transactions denominated in currencies other than U.S. dollars.

Investment income

Our recorded investment income for the twelve months ended December 31, 2014 was $533 as compared to $728 for the twelve months ended December 31, 2013. Investment income includes interest earned on deposits and short-term investments as well as, gains on equity holdings. For the twelve months ended December 31, 2014 and 2013, investment income included gains on equity holdings of nil. The decrease in investment income for the twelve months ended December 31, 2014 is attributable to a decreased cash position.

Provision for (recovery of) income taxes

The table below provides the details of income tax expense/recovery:

	Twelve months ended	
	December 31, 2014	December 31, 2013
Current income tax expense	**$ 4,623**	$ 5,980
Deferred income tax expense (recovery)	**6,290**	(6,059)
	$ 10,913	$ (79)
Current income tax expense % of revenue	**4.7%**	6.8%

Income tax expense for the twelve months ended December 31, 2014 was $10,913 as compared to an income tax recovery of $79 for the same period last year.

The increase in the deferred income tax expense is primarily attributable to the utilization of certain previously recognized Canadian loss carryforwards and an increase in the valuation allowance for our Canadian and U.S. subsidiaries. There is a valuation allowance of $14,323 as at December 31, 2014 (December 31, 2013 - $10,983) against deferred tax assets for our Canadian and U.S. subsidiaries. We establish a valuation allowance for any portion of our deferred tax assets for which management believes it is more likely than not that we will be unable to utilize the assets to offset future taxes. We will continue to evaluate our deferred income tax position quarterly and record any adjustment necessary in that period.

We expect to continue to utilize certain previously recognized Canadian loss carryforwards. Until such time as our licensing programs in certain of our Canadian and U.S, subsidiaries generate sufficient taxable income we expect to continue to maintain a full valuation allowance against deferred tax assets for these Canadian and U.S. subsidiaries. As a result, we expect our provision for deferred income tax expense to be disproportionately higher when compared to our estimated average annual rate.

We claim R&D expenditures and related investment tax credits based on our interpretation of the applicable legislation in the *Income Tax Act* (Canada). These claims are subject to review by the Canada Revenue Agency. For the twelve months ended December 31, 2014, we recorded non-refundable investment tax credits earned of nil.

The current income tax expense for the twelve months ended December 31, 2014 and 2013, consisted primarily of foreign taxes withheld on royalty revenues received from licensees in foreign tax jurisdictions for which there is no treaty relief. Withholding tax expense for the twelve months ended December 31, 2014 was 4.7% of revenue as compared to 6.8% of revenue for the same period last year. The decrease in withholding tax expense as a percentage of revenue is attributable to an increase in revenue from jurisdictions for which there is tax treaty relief.

SELECTED CONSOLIDATED QUARTERLY RESULTS
(Unaudited)

Thousands of U.S. dollars except per share amounts	**Three months ended December 31, 2014**	Three months ended September 30, 2014	Three months ended June 30, 2014	Three months ended March 31, 2014
Revenues	**$ 22,102**	$ 24,576	$ 25,655	$ 25,978
Adjusted earnings	**$ 12,182**	$ 13,162	$ 16,623	$ 16,769
Adjusted earnings per share				
Basic	**$ 0.10**	$ 0.11	$ 0.14	$ 0.14
Diluted	**$ 0.10**	$ 0.11	$ 0.14	$ 0.14
Net earnings (loss)	**$ 518**	$ (375)	$ 5,599	$ 3,969
Net earnings (loss) per share				
Basic	**$ 0.00**	$ (0.00)	$ 0.05	$ 0.03
Diluted	**$ 0.00**	$ (0.00)	$ 0.05	$ 0.03
Weighted average number of common shares				
Basic	**120,215,989**	120,211,493	120,065,465	119,916,260
Diluted	**120,415,297**	120,211,493	120,335,029	120,260,260

Thousands of U.S. dollars except per share amounts	Three months ended December 31, 2013	Three months ended September 30, 2013	Three months ended June 30, 2013	Three months ended March 31, 2013
Revenues	$ 29,175	$ 20,724	$ 19,941	$ 18,369
Adjusted earnings (loss)	$ 17,227	$ (263)	$ (762)	$ 1,353
Adjusted earnings (loss) per share				
Basic	$ 0.14	$ -	$ (0.01)	$ 0.01
Diluted	$ 0.14	$ -	$ (0.01)	$ 0.01
Net earnings (loss)	$ 2,432	$ (6,459)	$ (7,632)	$ (6,434)
Net earnings (loss) per share				
Basic	$ 0.02	$ (0.05)	$ (0.06)	$ (0.05)
Diluted	$ 0.02	$ (0.05)	$ (0.06)	$ (0.05)
Weighted average number of common shares				
Basic	119,972,775	120,701,944	121,225,490	121,545,062
Diluted	120,350,286	120,701,944	121,225,490	122,166,911

Historically, our operating results have fluctuated on a quarterly basis and we expect that quarterly results will continue to fluctuate in the future. The operating results for interim periods should not be relied upon as an indication of the results to be expected or achieved in any future period or any fiscal year as a whole. The factors affecting our revenue and results, many of which are outside of our control, include the factors set out under the heading “Risks and Uncertainties” above which are discussed in greater detail under the heading “Risk Factors” in our AIF which we urge readers to review carefully and, also include the following:

- competitive conditions in our industry, including strategic initiatives by us, our licensees or competitors, new products or services or the implementation and take-up of new standards, product or service announcements and changes in pricing policy by us or our licensees;
- market acceptance of our patented technologies;
- our ability to sign license agreements;
- decisions relating to our patents issued pursuant to litigation or administrative proceedings;
- the discretionary nature of purchase and budget cycles of our licensees’ customers and changes in their budgets for, and timing of, purchases;
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- general weakening of the economy resulting in a decrease in the overall demand for products and services that infringe our patented technologies or otherwise affecting the capital investment levels of our current and prospective licensees;
- timing of product development and new product initiatives; and
- the length and variability of the licensing cycles for our patented technologies.

Because our quarterly revenue is dependent upon a relatively small number of transactions, even minor variations in the rate and timing of payment of royalties could cause us to plan or budget inaccurately, and those variations could adversely affect our operating results. Delays or reductions in the amounts of royalty payments would adversely affect our business, results of operations and financial condition.

CAPITAL AND LIQUIDITY

Cash and cash equivalents, and short-term investments amounted to $127,647 at December 31, 2014, representing a decrease of $4,204 from the $131,851 held at December 31, 2013. The decrease is primarily attributable to the payments for patents acquired in the current and previous years totaling $43,062 and the payment of dividends totaling $18,725, partially offset by cash generated from operations of $58,629.

At December 31, 2014 we had working capital of $94,006, long-term success fee obligation of $3,639 and patent finance obligations of $27,465 which relates to deferred payment terms on patents and patent rights we acquired in fiscal 2013 and 2014.

During the twelve months ended December 31, 2014, patent acquisitions have totaled approximately $29,198 of which $26,500 were acquired under deferred payment terms. As at December 30, 2014, the current and long-term portions of the patent finance obligation are $17,418 and $27,465, respectively. We expect the repayment of the long-term portion of the patent finance obligation to be completed within the next one to four years.

The $43,062 of payments for patents acquired in the current and previous years is comprised of $2,716 for patents acquired during fiscal 2014, $5,000 for patents acquired in fiscal 2013, and $35,346 for patents acquired under deferred payment terms in fiscal 2011, 2013 and 2014.

We have a revolving credit facility available in the amount of CDN$8,000 or the equivalent in U.S. dollars for general corporate purposes and a further CDN$2,000 for foreign exchange facility. Canadian dollar or U.S. dollar amounts advanced under this credit facility are payable on demand and bear interest at the bank's Canadian prime rate plus 1.0%

per annum or U.S. base rate plus 1.0% per annum. Borrowings under this facility are collateralized by a general security agreement over our cash and cash equivalents, receivables and present and future personal property. As at and during the twelve months ended December 31, 2014, we had no borrowings under this facility.

On March 7, 2013, we received regulatory approval to make a normal course issuer bid (the “2013NCIB”) through the facilities of the TSX. Under the 2013 NCIB, we could purchase up to 11,846,843 common shares. The 2013 NCIB commenced on March 11, 2013 and wascompleted on March 10, 2014. We repurchased 1,903,200 common shares under the 2013 NCIB during the twelve months ended December 31, 2013 for a total of $7,134. During the twelve months ended December 31, 2014, nil common shares were repurchased under the 2013 NCIB.

Effective May 27, 2014, we received regulatory approval to make a normal course issuer bid (the “2014 NCIB”) pursuant to which we are permitted to purchase up to 11,676,510 common shares for cancellation. The 2014 NCIB commenced on May 29, 2014 and will be completed on May 28, 2015. During the twelve months ended December 31, 2014, we repurchased 150,000 common shares under the 2014 NCIB for a total of $472.

We plan to use our cash resources to fund our operations and any litigation that might be required, and to purchase additional high quality patent portfolios and patent licensing businesses that are identified and fit our value proposition and strategic objectives.

Our ability to generate cash from operations going forward is based on collecting royalties under our signed licenses and additional licensing of our patent portfolio to companies around the world. It is difficult to predict the timing and nature of future licenses.

We plan to finance our cash requirements for operating expenses, litigation costs and technology acquisitions by a combination of cash generated from licensing our patent portfolio and, if desirable based on market conditions, by selling common shares and debt securities to the public.

A summary of our contractual obligations due by period for the next 5 years is noted below:

	Payments due by Period				
Contractual Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Long term debt	$ -	$ -	$ -	$ -	$ -
Capital lease obligations	-	-	-	-	-
Operating leases	4,349	667	1,608	830	1,244
Purchase obligations	-	-	-	-	-
Other long term obligations	54,780	21,863	32,917	-	-
Total contractual obligations	$ 59,129	$ 22,530	$ 34,525	$ 830	$ 1,244

OUTSTANDING COMMON SHARE DATA

We are authorized to issue an unlimited number of common shares, 6,350.9 special preferred, redeemable, retractable, non-voting shares and an unlimited number of preferred shares, issuable in series. As at December 31, 2014, there were 120,247,647 common shares and no special or preferred shares issued and outstanding. We also maintain a Share Option Plan, an Employee Share Purchase Plan and a Deferred Stock Unit Plan. Under the Share Option Plan, we can issue a maximum of 10% of our issued and outstanding common shares from time to time which was, as at December 31, 2014, 12,024,765 common shares combined. The common shares authorized for issuance under the Employee Share Purchase Plan and the Deferred Stock Option Plan are limited to 500,000 and 430,000, respectively. As at December 31, 2014, we had 9,465,372 options outstanding, 244,526 deferred stock units outstanding and have issued 441,400 shares under the Employee Share Purchase Plan.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Dr. Michel Fattouche, a member of our Board of Directors, has provided consulting services to us. For the twelve months ended December 31, 2014, consulting services have totaled $76 (twelve months ending December 31, 2013 – $98) all of which had been paid as at year end.

FOURTH QUARTER REVIEW

Results of Operations for the three months ended December 31, 2014 as compared to the three months ended December 31, 2013

Revenues

Revenues for the three months ended December 31, 2014 were $22,102, representing a decrease of $7,073 or 24% over the same period last year. The decrease in revenues is primarily attributable to license agreements signed during fiscal 2013 certain of which had front end loaded fixed payment amounts.

	Three months ended	
	December 31, 2014	December 31, 2013
Revenues	**$ 22,102**	$ 29,175
Decrease from comparative period	**(24%)**	

Three licensees individually accounted for 14%, 12%, and 10%, respectively, of revenues from royalties for the three months ended December 31, 2014 as compared to three licensees individually accounted for 24%, 15%, and 11%, respectively, for the three months ended December 31, 2013. For the three months ended December 31, 2014 and 2013, the top ten licensees accounted for 81% and 88% respectively, of revenues from royalties.

Cost of Revenue

The table below provides the details of cost of revenue:

	Three months ended	
	December 31, 2014	December 31, 2013
Compensation and benefits	**$ 1,862**	$ 1,561
Litigation	**3,471**	4,565
Patent maintenance, prosecution, and evaluation	**1,769**	1,987
Contingent partner payments and legal fees	**89**	—
Amortization of patents	**8,774**	8,562
Stock-based compensation	**125**	341
Other	**370**	516
	$ 16,460	$ 17,532
Percent of revenue	**74%**	60%
Decrease from comparative period	**(6%)**	

Cost of revenue for the three months ended December 31, 2014 was $16,460 or 74% of revenues as compared to $17,532 or 60% of revenues. The decrease in expenses is primarily attributable to a decrease in litigation expenses partially offset by an increase in amortization and compensation and benefits costs.

For the three months ended December 31, 2014, litigation expenses amounted to $3,471 as compared to $4,565 for the same period last year. The decrease in litigation for the three months ended December 31, 2014 is attributable to a decrease in the level of litigation activities in comparison to the same period last year and new shared risk fee arrangements entered into with our external counsel. Litigation expenses are expected to vary from period to period due to the variability of litigation activities.

During the three months ended December 31, 2014, we paid McKools $869 of the success fee payable based on proceeds collected during the three months ended September 30, 2014.

Research and development expense

The table below provides the details of R&D expense:

	Three months ended	
	December 31, 2014	December 31, 2013
Compensation and benefits	**$ 482**	$ 349
Depreciation	**11**	75
Stock-based compensation	**3**	138
Other	**76**	100
	$ 572	$ 662
Percent of revenue	**3%**	2%
Decrease from comparative period	**(14%)**	

For the three months ended December 31, 2014, R&D expenses were $572 or 3% of revenue as compared to $662 or 2% of revenue for the three months ended December 31, 2013. The decrease in spending for the three months ended December 31, 2014 is primarily attributable to a decrease in stock-based compensation and depreciation partially offset by an increase in staffing costs.

Marketing, general and administration expense

The table below provides the details of MG&A expense:

	Three months ended	
	December 31, 2014	December 31, 2013
Compensation and benefits	**$ 1,057**	$ 1,357
Depreciation	**114**	164
Stock-based compensation	**235**	595
Public company costs	**164**	377
Facilities	**164**	151
Other	**397**	899
	$ 2,131	$ 3,546
Percent of revenue	**10%**	12%
Decrease from comparative period	**(40%)**	

For the three months ended December 31, 2014, MG&A expenses amounted to $2,131 or 10% of revenues as compared to $3,546 or 12% of revenue. The decrease in spending for the three months ended December 31, 2014 is primarily attributable to a decrease in staffing costs, stock based compensation, and consulting costs in support of the strategic alternative review announced in October 2013 which was concluded in May 2014.

Foreign exchange loss

The table below provides the details of the foreign exchange loss:

	Three months ended	
	December 31, 2014	December 31, 2013
Realized foreign exchange loss	**$ 202**	$ 258
Unrealized foreign exchange loss	**482**	806
	$ 684	$ 1,064
Percent of revenue	**3%**	4%
Decrease from comparative period	**(36%)**	

The unrealized foreign exchange loss recognized in the three months ended December 31, 2014 resulted from the translation of monetary accounts, primarily cash and cash equivalents, short-term investments, dividends, and accounts payable, denominated in Canadian dollars to U.S. dollars and foreign exchange contracts we held at December 31, 2014. The change from the same period last year is attributable to the decrease in the level of monetary accounts denominated in Canadian dollars.

Investment income

Our recorded investment income for the three months ended December 31, 2014 was $131 as compared to $175 for the three months ended December 31, 2013. Investment income includes interest earned on deposits and short-term investments, as well as, gains on equity holdings.

Provision for income taxes

The table below provides the details of the provision for income taxes:

	Three months ended	
	December 31, 2014	December 31, 2013
Current income tax expense	**$ 915**	$ 2,093
Deferred income tax expense	**953**	2,021
	$ 1,868	$ 4,114
Current income tax expense % of revenue	**4.1%**	7.2%

Income tax expense for the three months ended December 31, 2014 was $1,868 as compared to $4,114 for the same period last year.

The decrease in the deferred income tax expense as compared to the same period last year is primarily attributable to a decrease in earnings resulting in a decrease in the utilization of certain previously recognized Canadian loss carryforwards.

We claim R&D expenditures and related investment tax credits based on our interpretation of the applicable legislation in the *Income Tax Act* (Canada). These claims are subject to review by the Canada Revenue Agency. For the three months ended December 31, 2014, we recorded non-refundable investment tax credits earned of nil.

The current income tax expense for the three months ended December 31, 2014 and 2013, consisted primarily of foreign taxes withheld on royalty revenues received from licensees in foreign tax jurisdictions for which there is no treaty relief. Withholding tax expense for the three months ended December 31, 2014 was 4.1% of revenue as compared to 7.2% of revenue for the same period last year. The decrease in withholding tax expense as a percentage of revenue is attributable to an increase in revenue from jurisdictions for which there is tax treaty relief.

PROPOSED TRANSACTIONS

There are no proposed transactions.

CRITICAL ACCOUNTING POLICIES, INCLUDING INITIAL ADOPTION OF POLICIES, AND CRITICAL ESTIMATES

Our management is required to make judgments, assumptions and estimates in applying our accounting policies and practices which have a significant impact on our financial results. The following outlines the accounting policies and practices involving the use of professional judgment and estimates that are critical to determining our financial results.

Revenue recognition

Our revenue consists principally of royalty revenue from licensing our own patent portfolio. We also generate royalty revenue from licensing patent portfolios on behalf of our partners. We consider revenue to be earned when we have persuasive evidence of an arrangement, the obligation has been fulfilled in accordance with the terms of the licensing agreement, including delivery and acceptance, the amounts are fixed or determinable and collection is reasonably assured. We defer recognizing revenue until such time as all criteria are met. Determination of whether or not these criteria have been met may require us to make judgments, assumptions and estimates based upon current information and historical experience.

Our royalty revenues consist of fixed fee and running royalty payments.

Royalties from running royalty arrangements can be based on either a percentage of sales or number of units sold for which we earn royalties at the time the licensees' sales occur. The licensees are obligated to provide us with quarterly or semi-annual royalty reports. Our licensees do not, however, report and pay royalties owed for sales in any given reporting period until after the conclusion of that reporting period. As we are unable to estimate the licensees' sales in any given reporting period to determine the royalties due to us, we recognize running royalty revenues based on royalties reported by the licensees during the quarter and when other revenue recognition criteria are met. We monitor the receipt of reports to ensure that there is not a disproportionate number of months of revenue in any given fiscal year.

Royalties from fixed fee royalty arrangements may consist of one or more installments of cash. The timing and amount of revenue recognized from each licensee depends upon a variety of factors, including the specific terms of each agreement and the nature of the deliverables and obligations. Where agreements include multiple elements, we assess if the deliverables have standalone value upon delivery, and if so, we account for each deliverable separately. When multiple-deliverables included in an arrangement are separated into different units of accounting, the arrangement consideration is allocated to the identified separate units based on a relative selling price hierarchy. We determine the relative selling price for a deliverable based on our best estimate of selling price ("BESP"). We determine BESP by considering our overall pricing objectives and market conditions. Significant pricing practices taken into consideration include discounting practices, the size and volume of transactions, the customer demographic, the geographic area covered by licenses, price lists, licensing strategy, historical standalone licenses and contracted royalty rates. The determination of BESP is made through consultation with and approval by management, taking into consideration the licensing strategy.

Generally, as part of our partnering agreements with third-parties, we are able to recover certain out-of-pocket expenses and legal costs. These amounts are included in revenue in the period which the aforementioned revenue criteria is met and the amounts become reimbursable.

Revenue arrangements with extended payment terms, where fees are fixed in one or more installments of cash and which contain terms that could impact the amounts ultimately collected, are generally recognized as collection becomes reasonably assured.

Investment Tax Credits

At December 31, 2014, we have approximately $6,171 (December 31, 2013 - $5,935) of non-refundable investment tax credits carried forward, relating primarily to past R&D. These credits can be applied against future income taxes payable and are subject to a 20 year carry-forward period. Judgment is required in determining the amount of unutilized investment tax credits to record as an asset. In assessing the potential utilization of investment tax credits, we have considered whether it is more likely than not that some portion or all of the unutilized investment tax credits will be realized based upon estimates of our anticipated income tax position in future periods. We will continue to evaluate our future income tax position quarterly and record any adjustment necessary in that period.

Valuation of Deferred Income Tax Assets and Future Income Tax Expense/Recovery

As at December 31, 2014, we had accumulated $19,813 of unused R&D expenditures for income tax purposes. These deductions are available without expiry to reduce future year's taxable income. We also had approximately $92,396 of temporary differences and tax losses available for carry forward. As a result, as of December 31, 2014, we have a deferred income tax asset of $34,910 of which $20,587 has been recorded. Judgment is required in determining the amounts of deferred income tax assets and liabilities and the related valuation allowance recorded against the net deferred income tax assets. In assessing the potential realization of deferred income tax assets, we consider all available evidence, both positive and negative. The realization of deferred tax assets is dependent on our ability to generate sufficient future taxable income during periods prior to the expiration of tax attributes to fully utilize these assets. Our forecasted future operating results are highly influenced by, among other factors, assumptions regarding (1) our ability to achieve forecasted revenue, (2) our ability to effectively manage our expenses relative to our forecasted revenue and (3) market conditions in the technology areas in which we operate. We considered both positive and negative evidence and based on revenue from existing contracts and spending managed to the revenue levels determined future taxable income will be sufficient to utilize existing tax attributes.

We assess the probability that deferred income tax assets will be recovered from future taxable income, and whether a valuation allowance is required to reflect any uncertainty at each reporting period. We will continue to evaluate our deferred income tax position quarterly and record any adjustment necessary in that period. As at December 31, 2014, we had a valuation allowance of $14,323 (December 31, 2013 - $10,983) primarily related to net operating losses and capital losses in certain operating subsidiaries which we have assessed as more likely than not that these losses will not be utilized.

Patents

We have acquired patents and patent rights (hereinafter, collectively "patents") directly, through business acquisitions or as full or partial payments for licensing fees. In determining the fair value of these patents, we make estimates and judgments about the future income-producing capabilities of these assets and related future cash flows. We also make estimates about the useful lives of these assets based on assessment of the legal and economic lives of the patents and potential future licensing revenues achievable from our patent portfolio. Our patent portfolio as at December 31, 2014 is being amortized on a straight-line basis over the remaining useful lives of the patents which range from approximately one to fourteen years. If our basis for assessing the useful lives of the intangibles and potential future licensing revenues achievable from our patent portfolio is adversely affected by future events or circumstances, we will record write-downs of patents, write-down of other intangible assets, or changes in the estimated useful lives of these assets, which would result in changes to amortization expense in the future. Such changes would not affect cash flows.

The carrying value of patents is reviewed for impairment when events or circumstances indicate that the carrying amount may not be recoverable. Impairments are determined by comparing the carrying value to the estimated undiscounted future cash flows to be generated by those assets. If this assessment indicates that the carrying value of the patents is not recoverable, the carrying value is then compared with the estimated fair value of the assets, and the carrying value is written down to the estimated fair value. We have determined that there were no indications of possible impairment during the twelve months ended December 31, 2014.

Goodwill

Goodwill is subject to annual impairment tests or on a more frequent basis if events or conditions indicate that goodwill may be impaired.

As a whole, we are considered one reporting unit. We estimate the value of our reporting unit based on market capitalization. If we determine that our carrying value exceeds our fair value, we would conduct the second step of the goodwill impairment test which compares the implied fair value of the goodwill (determined as the excess fair value over the fair value assigned to our other assets and liabilities) to the carrying amount of goodwill.

We have determined there were no indications of possible impairment during the twelve months ended December 31, 2014.

Estimation uncertainty

Critical accounting policies and estimates utilized in the normal course of preparing our consolidated financial statements require the determination of the best estimate of selling price, future cash flows utilized in assessing net recoverable amounts and net realizable values, discount rates, amortization, allowance for bad debt, legal contingency estimate, useful lives of property, equipment and intangible assets, valuation of intangibles, valuation of debt securities, assumptions for the fair value of stock options granted, timing of payments related to patent finance obligations and measurement of deferred taxes. In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis where required.

These estimates have been applied in a manner consistent with that in the prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in the consolidated financial statements. The estimates are impacted by many factors, some of which are highly uncertain. The interrelated nature of these factors prevents us from quantifying the overall impact of these movements on our financial statements in a meaningful way. These sources of estimation uncertainty relate in varying degrees to virtually all asset and liability account balances.

Critical accounting estimates are defined as estimates that are very important to the portrayal of our financial position and operating results and require management to make judgments based on underlying assumptions about future events and their effects.

These underlying assumptions are based on historical experience and other factors that we believe to be reasonable under the circumstances and are subject to change as events occur, as additional information is obtained and as the environment in which we operate changes.

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

Recent accounting pronouncements

See Note 2, “Significant Accounting Policies”, of Notes to Audited Consolidated Financial Statements for a full description of recent accounting pronouncements including the respective expected dates of adoption.

DISCLOSURE CONTROLS AND PROCEDURES

In conformance with National Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings of the Canadian Securities Administrators, we have filed certificates signed by our Chief Executive Officer and Chief Financial Officer that, among other things, deal with the matter of disclosure controls and procedures.

Our management has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2014, and based on our evaluation has concluded that these are effective.

The evaluation took into consideration our corporate disclosure policy and the functioning of our executive officers, Board and Board Committees. In addition, our evaluation covered our processes, systems and capabilities relating to regulatory filings, public disclosures and the identification and communication of material information.

Critical accounting estimates are defined as estimates that are very important to the portrayal of our financial position and operating results and require management to make judgments based on underlying assumptions about future events and their effects.

These underlying assumptions are based on historical experience and other factors that we believe to be reasonable under the circumstances and are subject to change as events occur, as additional information is obtained and as the environment in which we operate changes.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and our Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Because of its inherent limitations, however, internal control over financial reporting may not prevent or detect misstatements on a timely basis.

Our management evaluated, under the supervision of the Chief Executive Officer and Chief Financial Officer, the effectiveness of our internal control over financial reporting as at December 31, 2014. We based our evaluation on criteria established in "Internal Control over Financial Reporting – 2013" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and, based on that evaluation, we have concluded that, as of December 31, 2014, our internal control over financial reporting is effective.

No Attestation Report of the Registered Public Accounting Firm

Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to an exemption for emerging growth companies under the U.S. Jumpstart Our Business Startups Act.

We shall continue to be deemed an emerging growth company until the earliest of:

(a) the last day of our fiscal year during which we had total annual gross revenues of $1,000,000,000 (as such amount is indexed for inflation every 5 years by the SEC to reflect the change in the U.S. Consumer Price Index for All Urban Consumers published by the U.S. Bureau of Labor Statistics, setting the threshold to the nearest $1,000,000) or more;

(b) the last day of our fiscal year following the fifth anniversary of the date of the first sale of our common equity securities pursuant to an effective IPO registration statement, which for us would be February 7, 2017;

(c) the date on which we have, during the previous 3-year period, issued more than $1,000,000,000 in non-convertible debt; or

(d) the date on which we are deemed to be a large accelerated filer.

As an emerging growth company we are exempt from Section 404(b) of the U.S. Sarbanes-Oxley Act of 2002 and in particular exempt from the requirement that the registered accounting firm attest to and report on the assessment on the effectiveness of the internal control structure and procedures for financial reporting.

CHANGES IN INTERNAL CONTROLS

There have been no changes in our "internal control over financial reporting" that occurred during the twelve months ended December 31, 2014 which have materially affected or are reasonably likely to materially affect the internal control over financial reporting.

The consolidated financial statements and other financial information of WiLAN included in this annual report are the responsibility of the Company's management and have been examined and approved by its Audit Committee and Board of Directors. The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in the United States of America and include amounts that are based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

To discharge its responsibility for financial reporting and the safeguarding of assets, the Company maintains internal control systems designed to provide reasonable assurances that financial information is reliable and accurate. Management recognizes its responsibility for conducting the Company's affairs to comply with the requirements of applicable laws and establishes financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the consolidated financial statements and other financial information such as the management's discussion and analysis of financial condition and results of operations ("MD&A") through its Audit Committee, which consists solely of outside directors. The Audit Committee meets at least quarterly with management and annually with the independent auditors to review the Company's reported financial performance and discuss audit, internal control, accounting policy and financial reporting matters.

PricewaterhouseCoopers LLP ("PwC") have audited the consolidated financial statements in accordance with generally accepted auditing standards. PwC are the external auditors who were appointed by the Company's shareholders.

James D. Skippen
CEO

Shaun McEwan, CA
CFO

To the Shareholders of Wi-LAN Inc.

We have audited the accompanying consolidated financial statements of Wi-LAN Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2014 and 2013 and the consolidated statements of operations and comprehensive earnings, shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting principles in the United States of America and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Wi-LAN Inc. and its subsidiaries as at December 31, 2014 and 2013 and their financial performance and their cash flows for the years then ended in accordance with generally accepted accounting principles in the United States of America.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
February 2, 2015
Ottawa, Ontario

Wi-LAN Inc.
Consolidated Statements of Operations and Comprehensive Earnings
(in thousands of United States dollars, except share and per share amounts)

	Year ended December 31, 2014	Year ended December 31, 2013
Revenue		
Royalties	**$ 98,311**	$ 88,209
Operating expenses		
Cost of revenue	**63,201**	88,648
Research and development	**2,416**	2,858
Marketing, general and administration	**10,565**	13,065
Foreign exchange loss	**2,038**	2,538
Total operating expenses	**78,220**	107,109
Earnings (loss) from operations	**20,091**	(18,900)
Investment income	**533**	728
Earnings (loss) before income taxes	**20,624**	(18,172)
Provision for (recovery of) income tax expense (Note 3)		
Current	**4,623**	5,980
Deferred	**6,290**	(6,059)
	10,913	(79)
Net and comprehensive earnings (loss)	**$ 9,711**	$ (18,093)
Earnings (loss) per share (Note 10(g))		
Basic	**$ 0.08**	$ (0.15)
Diluted	**$ 0.08**	$ (0.15)
Weighted average number of common shares		
Basic	**120,103,422**	120,856,511
Diluted	**120,368,583**	120,856,511

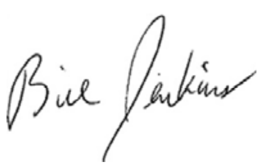
See accompanying notes to consolidated financial statements

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

As at	**December 31, 2014**	December 31, 2013
Current assets		
Cash and cash equivalents	**$ 126,311**	$ 130,394
Short-term investments	**1,336**	1,457
Accounts receivable (Note 11)	**2,198**	11,999
Prepaid expenses and deposits	**494**	593
	130,339	144,443
Loan receivable (Note 4)	**1,268**	1,075
Furniture and equipment, net (Note 5)	**1,894**	2,159
Patents, net (Note 6)	**146,485**	150,025
Deferred tax asset (Note 3)	**20,585**	26,876
Goodwill	**12,623**	12,623
	$ 313,194	$ 337,201
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	**$ 18,915**	$ 25,012
Current portion of patent finance obligations (Note 8)	**17,418**	19,480
	36,333	44,492
Patent finance obligations (Note 8)	**27,465**	32,552
Success fee obligation (Note 9)	**3,639**	7,048
	67,437	84,092
Commitments and contingencies (Note 12)		
Shareholders' equity		
Capital stock (Note 10 (c))	**426,037**	425,238
Additional paid-in capital (Note 10 (d))	**16,375**	14,635
Accumulated other comprehensive income	**16,225**	16,225
Deficit	**(212,880)**	(202,989)
	245,757	253,109
	$ 313,194	$ 337,201

See accompanying notes to consolidated financial statements

On behalf of the Board:



Richard Shorkey
Director

William Jenkins
Director

Wi-LAN Inc.
Consolidated Statements of Cash Flow
(in thousands of United States dollars)

	Year ended December 31, 2014	Year ended December 31, 2013
Cash generated from (used in)		
Operations		
Net earnings (loss)	**$ 9,711**	$ (18,093)
Non-cash items		
Stock-based compensation	**2,081**	4,192
Depreciation and amortization	**35,139**	29,682
Foreign exchange loss (gain)	**1,082**	(1,350)
Disposal of assets	**1**	80
Disposal of patents	**-**	43
Deferred income tax expense recovery	**6,290**	(6,059)
Accrued investment income	**(193)**	(156)
Change in non-cash working capital balances		
Accounts receivable	**9,801**	(10,860)
Prepaid expenses and deposits	**98**	(279)
Payments associated with success fee obligation	**(4,032)**	(3,897)
Accounts payable and accrued liabilities	**(1,349)**	(2,779)
Cash (used in) generated from operations	**58,629**	(9,476)
Financing		
Dividends paid	**(18,725)**	(18,370)
Common shares repurchased under normal course issuer bid	**(472)**	(7,134)
Common shares issued for cash on the exercise of options	**759**	478
Common shares issued for cash from Employee Share Purchase Plan	**171**	196
Cash used in financing	**(18,267)**	(24,830)
Investing		
Sale of short-term investments	**121**	160
Purchase of furniture and equipment	**(422)**	(1,795)
Purchase of patents	**(43,062)**	(10,261)
Cash used in investing	**(43,363)**	(11,896)
Foreign exchange (loss) gain on cash held in foreign currency	**(1,082)**	1,350
Net cash and cash equivalents used in the year	**(4,083)**	(44,852)
Cash and cash equivalents, beginning of year	**130,394**	175,246
Cash and cash equivalents, end of year	**$ 126,311**	$ 130,394

See accompanying notes to consolidated financial statements

Wi-LAN Inc.
Consolidated Statements of Shareholders' Equity
(in thousands of United States dollars)

	Capital Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Deficit	Total Equity
Balance - December 31, 2012	431,067	11,074	16,225	(166,104)	292,262
Comprehensive loss:					
Net loss	-	-	-	(18,093)	(18,093)
Shares issued:					
Stock-based compensation expense (Note 10 (d))	-	4,192	-	-	4,192
Exercise of stock options (Note 10 (c))	721	(243)	-	-	478
Sale of shares under Employee Share Purchase Plan (Note 10 (c))	196	-	-	-	196
Shares repurchased under normal course issuer bid (Note 10 (c))	(6,746)	(388)	-	-	(7,134)
Dividends declared (Note 10 (c))	-	-	-	(18,792)	(18,792)
Balance - December 31, 2013	$ 425,238	$ 14,635	$ 16,225	$ (202,989)	$253,109
Comprehensive earnings:					
Net earnings	-	-	-	9,711	9,711
Shares issued:					
Stock-based compensation expense (Note 10 (d))	-	2,081	-	-	2,081
Exercise of stock options (Note 10 (c))	1,160	(401)	-	-	759
Sale of shares under Employee Share Purchase Plan (Note 10 (c))	171	-	-	-	171
Shares repurchased under normal course issuer bid (Note 10 (c))	(532)	60	-	-	(472)
Dividends declared (Note 10 (c))	-	-	-	(19,602)	(19,602)
Balance - December 31, 2014	$ 426,037	$ 16,375	$ 16,225	$ (212,880)	$245,757

See accompanying notes to consolidated financial statements

Wi-LAN Inc.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

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

1. NATURE OF BUSINESS

Wi-LAN Inc. ("WiLAN" or the "Company") is an intellectual property licensing company which develops, acquires, licenses and otherwise enforces a range of patented technologies which are utilized in products in the communications and consumer electronics markets. The Company generates revenue by licensing its patents to companies that sell products utilizing technologies including: Wi-Fi, WiMAX, LTE, CDMA, DSL, DOCSIS, Bluetooth and V-Chip. The Company also generates revenue by licensing patent portfolios on behalf of its partners and, if necessary, the enforcement of their patented technologies.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the generally accepted accounting principles in the United States of America ("U.S. GAAP"). The consolidated financial statements of WiLAN include the accounts of WiLAN and its wholly owned subsidiaries. All inter-company transactions and balances have been eliminated in the consolidated financial statements.

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year. None of these reclassifications had an impact on reported net earnings/ loss for any of the years presented.

The significant accounting policies are summarized below:

Estimates and Assumptions

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the years. Actual results could differ from those estimates. The significant accounting policies contained herein include estimates and assumptions with respect to best estimate of selling price, determination of discount rates, recoverability of deferred tax assets, determination of indicators of impairment assessment, initial estimate of risk of concessions, timing of payments related to patent finance obligations, and the assumptions for the fair value of stock options granted.

Revenue Recognition

The Company's revenue consists principally of royalty revenue from licensing its own patent portfolio. The Company may also generate royalty revenue from licensing patent portfolios on behalf of its partners. The Company considers revenue to be earned when it has persuasive evidence of an arrangement, the obligation has been fulfilled in accordance with the terms of the licensing agreement, including delivery and acceptance, the amounts are fixed or determinable and collection is reasonably assured. The Company defers recognizing revenue until such time as all criteria are met. Determination of whether or not these criteria have been met may require the Company to make judgments, assumptions and estimates based upon current information and historical experience.

The Company's royalty revenues consist of fixed fee and running royalty payments.

Royalties from running royalty arrangements can be based on either a percentage of sales or number of units sold for which the Company earns royalties at the time the licensees' sales occur. The licensees are obligated to provide the Company with quarterly or semi-annual royalty reports and these reports are typically received subsequent to the period in which the licensees underlying sales occurred. The Company's licensees do not, however, report and pay royalties owed for sales in any given reporting period until after the conclusion of that reporting period. As the Company is unable to estimate the licensees' sales in any given reporting period to determine the royalties due to it, the Company recognizes running royalty revenues based on royalties reported by the licensees during the quarter and when other revenue recognition criteria are met. The Company monitors the receipt of royalty reports to ensure that there is not a disproportionate number of months of revenue in any given fiscal year.

Wi-LAN Inc.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

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

Royalties from fixed fee royalty arrangements may consist of one or more installments of cash. The timing and amount of revenue recognized from each licensee depends upon a variety of factors, including the specific terms of each agreement and the nature of the deliverables and obligations. Where agreements include multiple elements, the Company assesses if the deliverables have standalone value upon delivery, and if so, accounts for each deliverable separately. When multiple-deliverables included in an arrangement are separated into different units of accounting, the arrangement consideration is allocated to the identified separate units based on a relative selling price hierarchy. WiLAN determines the relative selling price for a deliverable based on its best estimate of selling price ("BESP"). WiLAN determines BESP by considering its overall pricing objectives and market conditions. Significant pricing practices taken into consideration include discounting practices, the size and volume of transactions, the customer demographic, the geographic area covered by licenses, price lists, licensing strategy, historical standalone licenses and contracted royalty rates. The determination of BESP is made through consultation with and approval by management, taking into consideration the licensing strategy.

As part of the partnering agreements with third parties, the Company is able to recover certain out-of-pocket expenses and legal costs. These amounts are included in revenue in the years which the aforementioned revenue criteria is met and the amounts become reimbursable.

Revenue arrangements with extended payment terms, where fees are fixed in one or more installments of cash and which contain terms that could impact the amounts ultimately collected, are generally recognized as collection becomes assured.

Stock-based Compensation

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

Deferred Stock Units ("DSUs")

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

Restricted Share Units ("RSUs")

The Company has a RSU plan for certain employees and directors. Under the RSU plan, units are settled in cash based on the market value of WiLAN's common shares on dates the RSUs vest. The RSUs vest over a three-year period. The accrued liability and related expense for the RSUs are adjusted to reflect the market value of the common shares at each balance sheet date.

Income Taxes

The Company uses the liability method of accounting for income taxes. Deferred income tax assets and liabilities are determined based on the difference between the accounting and tax bases of the assets and liabilities and measured using the substantively enacted tax rates that are expected to be in effect when the differences are estimated to be reversed. In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The realization of deferred income tax assets is dependent upon the generation of sufficient future taxable income during the periods prior to the expiration of the associated tax attributes.

Wi-LAN Inc.
NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2014 and 2013
(thousands of United States dollars, except share and per share amounts, unless otherwise stated)

Cost of Revenue
Cost of revenue includes patent licensing expenses, royalty obligations, staff costs (including stock-based compensation) and other costs incurred in conducting license negotiations as well as litigation, the expenses related to the management of the patent portfolio, contingent partner payments and legal fees and amortization expense related to acquired patents, are expensed as incurred.

Research and Development ("R&D")
R&D includes engineering expenses, staff costs (including stock-based compensation) and certain external consultants related to the development efforts, as well as, are expensed as incurred.

Computation of Earnings (Loss) Per Share
Basic earnings/loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted earnings/loss per share is computed using the treasury stock method.

Foreign Currency Translation
The Company's functional currency is the U.S. dollar; monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at exchange rates prevailing at the balance sheet date. Revenue and expenses are translated at the average rate for the period. The gains and losses from foreign currency denominated transactions are included in foreign exchange gain/loss in the consolidated statement of operations and comprehensive earnings.

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

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

Short-term Investments
Short-term investments are designated as "held to maturity" and accounted for at amortized cost using the effective interest rate method. Short-term investments comprise GICs with maturities of one-year or less at the date of investment and their carrying value approximates their fair value.

Loan Receivable
The loan receivable is accounted for at amortized cost using the effective interest rate method.

Furniture and Equipment
Furniture and equipment is carried at cost less accumulated depreciation. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets as follows:

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

Wi-LAN Inc.
NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2014 and 2013
(thousands of United States dollars, except share and per share amounts, unless otherwise stated)

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

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

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

In the event the fair value of the reporting unit, including goodwill, is less than the carrying value, the implied fair value of the reporting unit's goodwill is compared with its carrying value to measure the amount of any impairment loss. When the carrying value of goodwill in the reporting unit exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

Patent Finance Obligations
Patent finance obligations have maturities beyond one year. Patent finance obligations, at inception, are recorded at their fair value using an estimated risk-adjusted discount rate and the carrying value is at amortized cost using the effective interest rate method.

Business Segment Information
The Company has one operating segment; Intellectual Property. The Company generates the majority of its revenues in U.S. dollars from several geographic regions; however it has allocated its revenues to the location in which the license originated. Licenses and revenue are substantially attributable to Canada, as are long-lived assets.

Adoption of accounting pronouncements
In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2014-9 "Revenue from Contracts with Customers." The new accounting standards update requires an entity to apply a five step model to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as well as, a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard becomes effective for reporting periods beginning after December 15, 2016, with no early adoption permitted. The Company is currently assessing the impact of this new standard.

Wi-LAN Inc.
NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2014 and 2013
(thousands of United States dollars, except share and per share amounts, unless otherwise stated)

3. **TAXES**
The reconciliation of the expected provision for income tax expense/recovery to the actual provision for income tax recovery/expense reported in the consolidated statements of operations and comprehensive earnings/loss for the years ended December 31, 2014 and 2013 is as follows:

	2014	2,013
Earnings (loss) before income taxes	**$ 20,624**	$ (18,172)
Expected income tax expense (recovery) at Canadian statutory income tax rate of 26.5% (2013 - 26.5%)	**5,465**	(4,815)
Permanent differences	**2,814**	1,126
Effect of change in tax rates	**-**	90
Effect of unused tax credits	**-**	667
Foreign withholding taxes paid	**212**	84
Foreign rate differential	**(918)**	(588)
Increase in valuation allowance	**3,340**	3,357
Provision for (recovery of) income tax expense	**$ 10,913**	$ (79)

During the years ended December 31, 2014 and 2013, the reported loss before income taxes includes foreign losses of $7,940 and $3,239, respectively.

The significant components of the Company's future income tax assets and liabilities as at December 31, 2014 and 2013 are as follows:

	2014	2013
Tax loss carryforwards	**$ 29,731**	$ 32,981
Scientific research and experimental development ("SR&ED") carryforwards	**5,251**	5,345
Share issue costs	**213**	497
Investment tax credits	**4,571**	4,571
Accounts payable and accrued liabilities	**2,559**	3,102
Difference between tax and book value of finance obligations	**(693)**	(985)
Difference between tax and book value of capital and intangible assets	**(6,758)**	(7,694)
Difference between tax and book value of loan receivable	**36**	42
Total future income tax asset	**34,910**	37,859
Valuation allowance	**(14,323)**	(10,983)
Net future income tax asset	**$ 20,587**	$ 26,876

Management has assigned probabilities to the Company's expected future taxable income based on significant risk factors, sensitivity analysis and timing of non-capital tax losses. The amount of the future income tax asset considered realizable could change materially in the near term, based on future taxable income during the carryforward period. The valuation allowance consists of $6,515 in Canada and $7,808 in the US.

Wi-LAN Inc.
NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2014 and 2013
(thousands of United States dollars, except share and per share amounts, unless otherwise stated)

As at December 31, 2014, the Company had unused non-capital tax losses of approximately $92,396 (2013 - $108,283) and SR&ED expenditure pool totaling $19,813 (2013 - $20,198) that are due to expire as follows:

	SR&ED Expenditure Pool	Tax Losses
2021	$ -	$ 203
2022	-	603
2023	-	616
2024	-	-
2025	-	-
2026	-	-
2027	-	1
2028	-	10
2029	-	29,578
2030	-	5,468
2031	-	8,602
2032	-	35,755
2033	-	11,560
Indefinite	19,813	-
	$ 19,813	$ 92,396

The Company also has investment tax credits of $6,171, that expire in various amounts from 2017 to 2032, and $22,068 of capital losses carried forward with no expiry date. Investment tax credits, which are earned as a result of qualifying SR&ED expenditures, are recognized and applied to reduce income tax expense in the year in which the expenditures are made and their realization is reasonably assured.

A reconciliation of the beginning and ending amounts of uncertain income tax benefits for the years ended December 31, 2014 and 2013 is as follows:

	2014	2013
Balance at January 1	**$ -**	$ -
Tax postions related to current year:		
Additions	**-**	-
Reductions	**-**	-
Tax postions related to prior years:		
Additions	**-**	-
Reductions	**-**	-
Balance at December 31	**$ -**	$ -

The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax provision. In the years ended December 31, 2014 and 2013, there were no interest or penalties included in the income tax provision.

The Company files Canadian and U.S. federal and state income tax returns. The Company is subject to examination by the tax authorities for the tax years ended 2008 through 2013.

Wi-LAN Inc.
NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2014 and 2013
(thousands of United States dollars, except share and per share amounts, unless otherwise stated)

4. LOAN RECEIVABLE

On October 19, 2012 (the "Closing Date"), the Company advanced a term loan facility in the amount of $1,000 to Montebello Technologies LLC (the "Borrower"). The loan bears interest at 15% per annum, compounded annually and a maturity date of October 18, 2017 at which time the outstanding principal and accrued interest is to be fully repaid. The term loan facility is collateralized by a general security agreement.

In accordance with the terms and conditions of the loan agreement the use of the funds is solely and exclusively for the purchase and monetization of patents and for the period commencing on the Closing Date to and including the tenth anniversary of the Closing Date, the Company will be entitled to receive (a) 15% of the first $10 million in gross revenue and (b) 10% of all gross revenue over the first $10 million realized by the Borrower from any patents acquired utilizing the term loan facility.

To estimate the fair value, at inception, the Company considered the estimated future cash flow projections using an effective interest rate of 18%.

The carrying value of the term loan facility is as follows:

	As at December 31, 2014	As at December 31, 2013
15% Term loan facility	**$ 1,000**	$ 1,000
Unamortized discount	**(94)**	(110)
Accrued interest	**362**	185
Net carrying amount	**$ 1,268**	$ 1,075

5. FURNITURE AND EQUIPMENT

	Cost	**Accumulated Depreciation**	**Net Book Value**
As at December 31, 2014			
Leasehold improvements	**$ 1,373**	**$ 184**	**$ 1,189**
Computer equipment and software	**2,825**	**2,545**	**280**
Furniture and equipment	**852**	**427**	**425**
	$ 5,050	**$ 3,156**	**$ 1,894**
As at December 31, 2013			
Leasehold improvements	$ 1,211	$ 48	$ 1,163
Computer equipment and software	2,632	2,130	502
Furniture and equipment	791	297	494
	$ 4,634	$ 2,475	$ 2,159

The Company purchased furniture and equipment totaling $422 during 2013 (2013 - $1,795).

Wi-LAN Inc.
NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2014 and 2013
(thousands of United States dollars, except share and per share amounts, unless otherwise stated)

6. **PATENTS**

	Cost	Accumulated Amortization	Net Book Value
As at December 31, 2014			
Patents	**$ 312,702**	**$ 166,217**	**$ 146,485**
As at December 31, 2013			
Patents	$ 283,504	$ 133,479	$ 150,025

The Company purchased patents totaling $29,198 during 2014 (2013 - $61,020) and recorded amortization expense of $32,738 (2013 - $27,798). As of December 31, 2014, the estimated remaining economic useful lives of the patents range from one to fourteen years.

The estimated future amortization expense of patents as of December 31, 2014 is as follows:

Year ending December 31:	Amount
2015	$ 31,290
2016	24,124
2017	13,516
2018	10,649
2019	9,582
	$ 89,161

7. **GOODWILL**
At December 31, 2014 and 2013, the fair value of the reporting unit exceeded its carrying value. Accordingly, the Company determined that goodwill was not impaired and no further testing was performed.

8. **PATENT FINANCE OBLIGATIONS**
On January 27, 2011, the Company acquired certain patents for future considerations while entering into a licensing agreement with the same counter-party. The Company has accounted for the non-monetary transaction at fair value using the income approach to value the patents acquired. To estimate the fair value, the Company considered the estimated future royalties, related costs and applied a discount rate of 16.5%. The obligation is based on the quarterly discounted payment stream of $688 and an effective interest rate of 4.75%.

As at December 31, 2014, the current and long-term portion of this obligation is nil.On June 18, 2013, the Company acquired the right to license certain patents, the consideration for which is to be fully paid on or before June 18, 2023; however; the timing of the payments is subject to the Company entering into certain future license agreements with third-parties. The Company has set up the liability based on its expected payment schedule using a discount rate of 6.0%. The discount rate is an estimate of a risk-adjusted rate giving consideration to rates for revolving debt with no fixed payments.

As at December 31, 2014, the current and long-term portion of this obligation is $4,271 and $13,120, respectively.

On September 13, 2013, the Company acquired certain patents which were determined at a future date while entering into a licensing agreement with the same counter-party. The obligation was based on the quarterly payment stream of $1,389 using a discount rate of 4.5%. The discount rate is an estimate of a risk-adjusted rate giving consideration to rates for secured term debt with fixed payments over a five year term.

Wi-LAN Inc.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

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

As at December 31, 2014, the current and long-term portion of this obligation is $4,792 and $14,345, respectively.

On June 26, 2014, the Company acquired certain patents for future considerations while entering into a licensing agreement with the same counter-party. The obligation was based on an initial payment of $2,143, a $12,000 payment in July 2014 and, beginning August 2014, six quarterly payments of $2,143 using a discount rate of 4.75%. The discount rate is based on interest rates for secured term debt with fixed payments over a two year term.

As at December 31, 2014, the current and long term portion of this obligation is $8,355 and nil, respectively.

The current and long-term portions of these obligations are reflected as follows:

	Gross	Unamortized Discount	Net Carrying Amount
As at December 31, 2014			
Patent finance obligation, due November 26, 2015	**$ 8,572**	**$ (217)**	**$ 8,355**
Patent rights finance obligation, due June 18, 2023	**18,000**	**(609)**	**17,391**
Patent finance obligation, due August 18, 2018	**20,833**	**(1,696)**	**19,137**
	47,405	**(2,522)**	**44,883**
Current portion			**(17,418)**
			$ 27,465

	Gross	Unamortized Discount	Net Carrying Amount
As at December 31, 2013			
Patent finance obligation, due December 27, 2014	$ 2,670	$ -	$ 2,670
Patent rights finance obligation, due June 18, 2023	28,000	(979)	27,021
Patent finance obligation, due August 18, 2018	25,000	(2,659)	22,341
	55,670	(3,638)	52,032
Current portion			(19,480)
			$ 32,552

Payments are expected to be as follows:

2015	$ 18,127
2016	8,556
2017	13,556
2018	7,166
	$ 47,405

Wi-LAN Inc.
NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2014 and 2013
(thousands of United States dollars, except share and per share amounts, unless otherwise stated)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at December 31, 2014	As at December 31, 2013
Trade payables	**$ 2,522**	$ 4,326
Accrued compensation	**3,883**	2,918
Accrued legal costs	**100**	680
Dividends	**5,196**	4,527
Success fee obligation	**3,736**	4,358
Accrued partner program royalties	**974**	-
Patent acquisition liability	**-**	5,000
Accrued other	**2,504**	3,203
	$ 18,915	$ 25,012

The success fee obligation is pursuant to the Company's engagement with a law firm, for which the firm is entitled to a percentage of proceeds actually received from certain license agreements signed by the Company related to certain litigation matters concluded in 2011 in which the firm was representing the Company. Should the Company collect these amounts as contemplated in the agreements, the firm will be entitled to the entire success fee of $27,986. For the year ended December 31, 2011, the Company accrued the full, undiscounted amount of the success fee obligation.

The current and long term portion of this liability is reflected as follows:

	As at December 31, 2014	As at December 31, 2013
Success fee obligation	**$ 7,375**	$ 11,406
Current portion	**(3,736)**	(4,358)
	$ 3,639	$ 7,048

Wi-LAN Inc.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

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

10. SHARE CAPITAL

a) Authorized

Unlimited number of common shares.

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

An unlimited number of preferred shares, issuable in series.

b) Issued and Outstanding

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

	As at December 31, 2014	As at December 31, 2013
Common shares	**120,247,647**	119,909,016
Securities convertible into common shares		
Stock options	**9,465,372**	10,340,968
Deferred stock units (DSUs)	**244,526**	89,198
	129,957,545	130,339,182

As at December 31, 2014, no preferred shares or special preferred shares were issued or outstanding.

c) Common Shares

	Number	**Amount**
December 31, 2012	121,540,562	$ 431,067
Issued on exercise of stock options	205,254	478
Transfer from additional paid-in capital on exercise of options	-	243
Issued on sale of shares under Employee Share Purchase Plan	66,400	196
Repurchased under normal course issuer bid	(1,903,200)	(6,746)
December 31, 2013	119,909,016	$ 425,238
Issued on exercise of stock options	423,031	759
Transfer from additional paid-in capital on exercise of options	-	401
Issued on sale of shares under Employee Share Purchase Plan	65,600	171
Repurchased under normal course issuer bid	(150,000)	(532)
December 31, 2014	120,247,647	$ 426,037

Wi-LAN Inc.
NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2014 and 2013
(thousands of United States dollars, except share and per share amounts, unless otherwise stated)

The Company paid quarterly cash dividends as follows:

	2014		2013	
	Per Share	**Total**	Per Share	Total
1st Quarter	**$ 0.040**	**$ 4,510**	$ 0.035	$ 4,234
2nd Quarter	**0.040**	**4,339**	0.040	4,867
3rd Quarter	**0.040**	**4,510**	0.040	4,848
4th Quarter	**0.050**	**5,366**	0.040	4,421
	$ 0.170	**$ 18,725**	$ 0.155	$ 18,370

The Company declared quarterly dividends as follows:

	2014	2013
1st Quarter	**$ 0.040**	$ 0.040
2nd Quarter	**0.040**	0.040
3rd Quarter	**0.050**	0.040
4th Quarter	**0.050**	0.040

On March 7, 2013, the Company received regulatory approval to make a normal course issuer bid (the “2013 NCIB”) through the facilities of the TSX. Under the 2013 NCIB, the Company is permitted to purchase up to 11,846,843 common shares. The 2013 NCIB commenced on March 11, 2013 and was completed on March 10, 2014. The Company repurchased 1,903,200 common shares under the 2013 NCIB for a total of $7,134.

On May 27, 2014, the Company received regulatory approval to make a normal course issuer bid (the “2014 NCIB”) through the facilities of the Toronto Stock Exchange. Under the 2014 NCIB, the Company is permitted to purchase up to 11,676,510 common shares. The 2014 NCIB commenced on May 29, 2014 and is expected to be completed on May 28, 2015. The Company repurchased 150,000 common shares under the 2014 NCIB during the twelve months ended December 31, 2014 for a total of $532.

The Company records share repurchases as a reduction to shareholders’ equity. A portion of the purchase price of the repurchased shares is recorded as a decrease to additional paid-in capital when the price of the shares repurchased exceeds the average original price per share received from the issuance of Common Stock or an increase to additional paid-in capital when the prices of the shares repurchased is less than the average original price per share received from the issuance of Common Stock. During the year ended December 31, 2014, the cumulative price of the shares repurchased was less than the proceeds received from the issuance of the same number of shares. For the year ended December 31, 2014, $60 was recorded as an increase to additional paid-in capital). During the year ended December 31, 2013, the cumulative price of the shares repurchased exceeded the proceeds received from the issuance of the same number of shares. For the year ended December 31, 2014, $388 was recorded as a decrease to additional paid-in capital.

Wi-LAN Inc.
NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2014 and 2013
(thousands of United States dollars, except share and per share amounts, unless otherwise stated)

d) Stock Options

WiLAN has an Option Plan, a DSU plan, an Employee Stock Purchase Plan, and a RSU plan for its directors, employees and consultants. The current RSU plan calls for settlement only in cash. The Option Plan, the DSU plan and the Employee Stock Purchase Plan are considered "security based compensation arrangements" for the purposes of the TSX. The Company is authorized to issue up to an aggregate of 10% of its outstanding common shares under these "security based compensation arrangements", with the common shares authorized for issuance under the DSU plan limited to 430,000 and under the Employee Purchase Plan limited to 500,000. The options vest at various times ranging from immediate vesting on grant to vesting over a three to four year period. Options generally have a six-year life.

Option activity for the years ended December 31, 2014 and 2013 was as follows:

		Options Outstanding			Exercisable Options	
	Number of Options	Price Range		Weighted Average Exercise Price	Number	Weighted Average Exercise Price
December 31, 2012	8,185,949	$ 1.42	$ 7.09	$ 4.83	3,637,490	$ 4.21
Granted	2,872,800	3.37	4.37	4.09		
Exercised	(205,254)	1.88	4.50	2.39		
Forfeited	(512,527)	3.33	7.09	5.87		
December 31, 2013	10,340,968	$ 1.88	$ 7.09	$ 4.62	5,314,786	$ 4.61
Granted	**555,000**	**3.25**	**4.23**	**$ 3.57**		
Exercised	**(423,031)**	**1.42**	**2.53**	**1.95**		
Forfeited	**(1,007,565)**	**3.33**	**7.06**	**5.02**		
December 31, 2014	**9,465,372**	**$ 1.42**	**$ 7.06**	**$ 4.63**	**6,760,992**	**$ 4.83**

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

	2014	2013
Risk free interest rate	**1.6%**	1.3%
Volatility	**49%**	43%
Expected option life (in years)	**4.7**	3.6
Dividend yield	**4.6%**	3.4%
Forfeiture rate	**8.9%**	4.5%

The weighted average fair value per option granted during the year ended December 31, 2014 was CDN $1.04 (2013 – CDN $1.15).

The intrinsic value of options exercised was CDN $610 for the year ended December 31, 2014 (2013 – CDN $465). Intrinsic value is the total value of exercised options based on the price of the Company's common shares at the time of the exercise less the proceeds received from the employees to exercise the options.

The intrinsic value of the exercisable options was $544 as at December 31, 2014.

The total fair value of options vested was $3,891 for the year ended December 31, 2014.

Wi-LAN Inc.
NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2014 and 2013
(thousands of United States dollars, except share and per share amounts, unless otherwise stated)

As of December 31, 2014, there was $1,425 of total unrecognized stock-based compensation cost, net of expected forfeitures, related to unvested stock-based compensation arrangements granted under the stock option plan. This cost is expected to be recognized over a weighted average period of 1.61 years.

Details of the outstanding options at December 31, 2014 are as follows:

Range of Exercise Prices		Outstanding Options at December 31, 2014	Remaining Term of Options in Years	Weighted Average Exercise Price	Exercisable Options at December 31, 2014	Weighted Average Exercise Price
$ -	$ 3.00	638,868	0.96	$ 2.53	638,868	$ 2.53
3.01	4.00	1,378,323	4.78	3.45	349,325	3.44
4.01	7.09	7,448,181	2.93	5.03	5,772,799	5.17
$ 1.88	$ 7.09	9,465,372	3.07	$ 4.63	6,760,992	$ 4.83

Stock-based compensation expense for the year ended December 31, 2014 was $2,081 (2013 - $4,192). The following provides a summary of the stock-based compensation expense for the years ended December 31, 2014 and 2013:

	2014	2013
Cost of revenue	**$ 840**	$ 1,128
Research and development	**61**	611
Marketing, general and administration	**1,180**	2,453
	$ 2,081	$ 4,192

During the year ended December 31, 2014, 1,007,565 stock options were forfeited as they related to former employees.

e) Deferred Stock Units

The Company has a Deferred Stock Unit ("DSU") plan as a tool to assist in the retention of selected employees and directors and to help conserve the Company's cash position. Under the DSU plan, DSUs may be awarded and will become due when the conditions of retention have been met and employment terminated or completed. The value of each DSU is determined in reference to the Company's common share price, and the DSU value is payable in either cash or shares at the Company's option.

DSUs issued and outstanding as at December 31, 2014 were 244,526 (2013 - 89,198). The liability recorded in respect of the outstanding DSUs was $742 as at December 31, 2014 (2013 - $301). The change in the liability is recorded as compensation expense.

During the year ended December 31, 2014, DSUs were granted to certain directors in lieu of cash for their quarterly fees earned and dividends paid during the year ended December 31, 2013.

Wi-LAN Inc.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

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

f) Restricted Share Units

The Company implemented a Restricted Share Unit ("RSU") plan for certain employees and directors in January 2007. Under the RSU plan, units are settled in cash based on the market value of WiLAN's common shares on the dates when the RSUs vest. The accrued liability and related expense for the RSUs are adjusted to reflect the market value of the common shares at each balance sheet date. The liability recorded in respect of the vested RSUs was $1,376 as at December 31, 2014 (2013 - $579). The change in the liability is recorded as compensation expense.

RSU activity for the years ended December 31, 2014 and 2013 was as follows:

	Number of RSUs
December 31, 2012	523,186
Granted	143,365
Settled	(272,989)
Forfeited	(32,248)
December 31, 2013	361,314
Granted	**1,251,522**
Settled	**(115,517)**
Forfeited	**(203,041)**
December 31, 2014	**1,294,278**

During the year ended December 31, 2014, 203,041 RSUs (2013 – 32,248) were forfeited as they related to former employees.

g) Per Share Amounts

The weighted average number of common shares outstanding used in the basic and diluted earnings per share ("EPS") computation was:

	2014	2013
Basic weighted average common shares outstanding	**120,103,422**	120,856,511
Effect of options	**265,161**	-
Diluted weighted average common shares outstanding	**120,368,583**	120,856,511

The effect of options totaling 8,763,349 for fiscal 2014 (fiscal 2013 – 9,215,081), were anti-dilutive.

11. **FINANCIAL INSTRUMENTS**

The Company is exposed to a number of risks related to changes in foreign currency exchange rates, interest rates, collection of accounts receivable and loan receivable, settlement of liabilities and management of cash and cash equivalents.

Wi-LAN Inc.
NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2014 and 2013
(thousands of United States dollars, except share and per share amounts, unless otherwise stated)

Fair Value
The Company uses various valuation techniques and assumptions when measuring fair value of its assets and liabilities. The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. This guidance established a hierarchy that prioritizes fair value measurements based on the types of input used for the various valuation techniques (market approach, income approach and cost approach). The levels of the hierarchy are described below:

Level 1 Inputs — Level 1 includes financial instruments for which quoted market prices for identical instruments are available in active markets.

Level 2 Inputs — Level 2 includes financial instruments for which there are inputs other than quoted prices included within Level 1 that are observable for the instrument such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets with insufficient volume or infrequent transactions (less active markets) or model-driven valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data, including market interest rate curves, referenced credit spreads and pre-payment rates.

Level 3 Inputs — Level 3 includes financial instruments for which fair value is derived from valuation techniques including pricing models and discounted cash flow models in which one or more significant inputs are unobservable, including the company's own assumptions. The pricing models incorporate transaction details such as contractual terms, maturity and, in certain instances, timing and amount of future cash flows, as well as assumptions related to liquidity and credit valuation adjustments of marketplace participants.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalent, and short-term investments: The carrying amount approximates fair value because of the short maturity of those instruments.

Loan receivable: The fair value is estimated based on currently available market interest rates for instruments with similar terms.

Patent finance obligations: The fair values are estimated based on the quoted market prices for those or similar instruments or on the current rates offered to the Company for debt of similar terms.

Foreign exchange contracts: The fair value of foreign currency contracts is estimated by obtaining quotes from brokers.

The estimated fair values of the Company's financial instruments are as follows:

		As at December 31, 2014		As at December 31, 2013	
	Hierarchy Level	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Cash and cash equivalents	**1**	**$ 126,311**	**$ 126,311**	$ 130,394	$ 130,394
Short-term investments	**1**	**1,336**	**1,336**	1,457	1,457
Loan receivable	**2**	**1,268**	**1,268**	1,075	1,075
Patent finance obligations	**2**	**44,883**	**44,883**	52,032	52,032
Foreign currency contracts	**2**	**(732)**	**(732)**	(668)	(668)

Wi-LAN Inc.
NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2014 and 2013
(thousands of United States dollars, except share and per share amounts, unless otherwise stated)

As of December 31, 2014, the Company held foreign exchange forward contracts totaling approximately $17,700 which mature at various dates through to October 2015. The Company uses quoted market prices for similar instruments in an active market and, therefore, the foreign exchange forward contracts are classified as Level 2 in the fair value hierarchy.

Credit risk

Credit risk is the risk of financial loss to the Company if a licensee or counter-party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments, accounts receivable, loan receivable, and forward foreign exchange contracts.

The Company's cash and cash equivalents, and short-term investments consist primarily of deposit investments that are held only with Canadian chartered banks. Management does not expect any counter-parties to fail to meet their obligations.

The Company's loan receivable is a term loan facility which is collateralized by a general security agreement. Management does not expect the borrower to fail to meet its obligations.

The Company's exposure to credit risk with its accounts receivable from licensees is influenced mainly by the individual characteristics of each licensee. The Company's licensees are for the most part, manufacturers and distributors of telecommunications and consumer electronics products primarily located in the United States, Canada, Taiwan, Korea, Japan, Hong Kong and China. Credit risk from accounts receivable encompasses the default risk of the Company's licensees. Prior to entering into licensing agreements with new licensees the Company assesses the risk of default associated with the particular company. In addition, on an ongoing basis, management monitors the level of accounts receivable attributable to each licensee and the length of time taken for amounts to be settled and where necessary, takes appropriate action to follow up on those balances considered overdue. The Company has had no significant bad debts for any periods presented.

Two licensees individually accounted for 15% and 13%, respectively of revenues from royalties for the year ended December 31, 2014 (for the year ended December 31, 2013 – two licensees individually accounted for 20% and 14%, respectively). Management does not believe that there is significant credit risk arising from any of the Company's licensees for which revenue has been recognized. However, should one of the Company's major licensees be unable to settle amounts due, the impact on the Company could be significant. The maximum exposure to loss arising from accounts receivable is equal to their total carrying amounts. At December 31, 2014, one licensee individually accounted for 57% of total accounts receivable (December 31, 2013 – three licensees individually accounted for 58%, 17% and 10%, respectively of total accounts receivable).

Financial assets past due

The following table provides information regarding the aging and collectability of the Company's accounts receivable balances as at December 31, 2014:

Current	$ 1,798
Past due 1 - 30 days	171
Past due 31 - 60 days	32
Past due 61 - 90 days	124
Over 91 days past due	211
Less allowance for doubtful accounts	(138)
	$ 2,198

Wi-LAN Inc.
NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2014 and 2013
(thousands of United States dollars, except share and per share amounts, unless otherwise stated)

The definition of items that are past due is determined by reference to terms agreed with individual licensees. As at January 22, 2015, approximately $7 of past due amounts have been collected. None of the amounts outstanding have been challenged by the respective licensees and the Company continues to conduct business with them on an ongoing basis. Accordingly, management has no reason to believe that this balance is not fully collectable in the future.

The Company reviews financial assets past due on an ongoing basis with the objective of identifying potential matters which could delay the collection of funds at an early stage. Once items are identified as being past due, contact is made with the respective company to determine the reason for the delay in payment and to establish an agreement to rectify the breach of contractual terms. At December 31, 2014, the Company had a provision for doubtful accounts of $138 (2013 - $193) which was made against accounts receivable where collection efforts to date have been unsuccessful.

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

At December 31, 2014, the Company had cash and cash equivalents and short-term investments of $127,647, credit facilities of $8,000 and accounts receivable of $2,198 available to meet its obligations.

The Company has a revolving credit facility available in the amount of CDN$8,000 or the equivalent in U.S. dollars for general corporate purposes and a further CDN$2,000 for foreign exchange facility. Canadian dollar or U.S. dollar amounts advanced under this credit facility are payable on demand and bear interest at the bank's Canadian prime rate plus 1.0% per annum or U.S. base rate plus 1.0% per annum. Borrowings under this facility are collateralized by a general security agreement over our cash and cash equivalents, receivables and present and future personal property. As at and during the twelve months ended December 31, 2014, the Company had no borrowings under this facility.

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

Interest rate risk
The only financial instruments that expose the Company to interest rate risk are its cash and cash equivalents and short-term investments. The Company's objectives of managing its cash and cash equivalents and short-term investments are to ensure sufficient funds are maintained on hand at all times to meet day to day requirements and to place any amounts which are considered in excess of day to day requirements on short-term deposit with the Company's banks so that they earn interest. When placing amounts of cash and cash equivalents into short-term investments, the Company only places investments with Canadian chartered banks and ensures that access to the amounts placed can be obtained on short-notice. A one percent increase/decrease in interest rates could have resulted in an approximate increase/decrease to investment income of $1,276.

Currency risk
A portion of WiLAN's revenues and operating expenses are denominated in Canadian dollars. Because the Company reports its financial performance in US dollars, WiLAN's operating results are subject to changes in the exchange rate of the Canadian dollar relative to the US dollar. Any decrease in the value of the Canadian dollar relative to the US dollar has an unfavourable impact on Canadian dollar denominated revenues and a favourable impact on Canadian dollar denominated operating expenses. Approximately 9% of the Company's cash and cash equivalents and short term investments are denominated in Canadian dollars and are subject to changes in the exchange rate of the Canadian dollar relative to the US dollar.

Wi-LAN Inc.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

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

For the year ended December 31, 2014, the Company had revenues and expenses denominated in Canadian dollars of approximately nil and $18,135, respectively. Fluctuations in foreign currency rates between the U.S. and Canadian dollars could impact the net exposure approximating $18,135 and adversely affect net earnings of the Company.

At December 31, 2014, the Company had Canadian dollar denominated cash and cash equivalents and short-term investments, and accounts receivable balances of approximately $14,523 and nil respectively, offset by accounts payable and accrued liabilities totaling approximately $11,288. Fluctuations in foreign currency rates between the U.S. and Canadian dollars could impact the net exposure approximating $3,235 and adversely affect net earnings of the Company.

A one cent increase/decrease in foreign currency rates between the U.S. and Canadian dollars could have resulted in an approximate increase/decrease to net and comprehensive loss of $24.

The Company may manage the risk associated with foreign exchange rate fluctuations by, from time to time, entering into forward foreign exchange contracts and engaging in other hedging strategies. To the extent that WiLAN engages in risk management activities related to foreign exchange rates, it may be subject to credit risks associated with the counterparties with whom it contracts.

The Company’s objective in obtaining forward foreign exchange contracts is to manage its risk and exposure to currency rate fluctuations related primarily to future cash inflows and outflows of Canadian dollars. The Company does not use forward foreign exchange contracts for speculative or trading purposes.

As of December 31, 2014, the Company held foreign exchange forward contracts with a notional value totaling approximately $17,700 maturing at various dates through to October 2015. For the year ended December 31, 2014 the Company recorded approximately $732 of losses related to its foreign exchange forward contracts.

12. COMMITMENTS AND CONTINGENCIES

a) Operating lease

The Company has lease agreements for office space and equipment with terms extending to 2023. The aggregate minimum annual lease payments under these agreements are as follows:

		Amount
2015	$	667
2016		650
2017		523
2018		435
2019 and thereafter		2,074
	$	4,349

b) Other

In connection with the acquisition of certain patents and patent rights, the Company has agreed to future additional payments to the former owners of the respective patents or patent rights, based on future revenues (as defined in the respective agreements) generated as a result of licensing the respective patents or patent portfolios. For the year ended December 31, 2014, partner royalties have totaled $974 (year ended December 31, 2013 – Nil) all of which remains outstanding as at December 31, 2014.

Wi-LAN Inc.
NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2014 and 2013
(thousands of United States dollars, except share and per share amounts, unless otherwise stated)

On December 16, 2013, the Company engaged the services of an external law firm to represent the Company in certain patent infringement litigations. Pursuant to this engagement, in consideration for a discounted fixed fee arrangement, the Company has agreed to pay the firm a success fee which is based on a percentage of proceeds received (as defined in the respective agreements) pursuant to future license agreements resulting from these patent infringement litigations. As at December 31, 2014, the success fees are not yet determinable because the total proceeds have not yet been determined and therefore no amounts have been accrued.

13. SUPPLEMENTAL CASH FLOW INFORMATION

	2014	2013
Net interest received in cash, included in operations	**$ (352)**	$ (554)
Taxes paid	**5,045**	3,082
Patents acquired under deferred financing arrangement	**26,482**	48,509
Patent acquisition liability	**-**	5,000

14. RELATED-PARTY TRANSACTION

Dr. Michel Fattouche, a member of the Company's Board of Directors, has provided consulting services to the Company. For the year ended December 31, 2014, consulting services have totaled $76 (year ended December 31, 2013 – $98) all of which had been paid as at year end.

DIRECTORS

W. Paul McCarten (1,2)
Chairman of the Board

James Skippen
President & Chief Executive Officer

Robert Bramson (1)
Chairman of the Compensation Committee

Dr. Michel Fattouche

John Gillberry (3)

William Jenkins
Chairman of the Governance and Nominating Committee (2,3)

Jim Roche (1,2)

Richard Shorkey
Chairman of the Audit Committee (3)

Member of (1) Compensation Committee, (2) Governance and Nominating Committee, (3) Audit Committee

OFFICERS

James Skippen
President & Chief Executive Officer

Shaun McEwan
Chief Financial Officer

Michael Vladescu
Chief Operating Officer

Prashant Watchmaker
General Corporate Counsel and Secretary

STOCK EXCHANGE LISTINGS

TORONTO STOCK EXCHANGE
Symbol: WIN

NASDAQ GLOBAL SELECT MARKET
Symbol: WILN

TRANSFER AGENT

COMPUTERSHARE INVESTOR SERVICES INC

PUBLIC FILINGS – SEDAR & EDGAR

WiLAN's publicly filed documents are available on:

SEDAR at www.sedar.com: and on

EDGAR at www.sec.gov/edgar.shtml.

AUDITORS

PRICEWATERHOUSECOOPERS LLP

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CANADIAN IMPERIAL BANK OF COMMERCE

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