



ANNUAL INFORMATION FORM

For the fiscal year ended

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GLOSSARY OF TERMS

Certain capitalized words and terms used throughout this Annual Information Form are defined below:

"AMPS" means the Advanced Mobile Phone Service, a standard system for analog signal cellular telephone service in the United States and other countries. The term originally used by AT&T refers to its cellular technology. The AMPS standard has been the foundation for the industry in the United States, although it has been slightly modified in recent years. 'AMPS-compatible' means equipment designed to work with most cellular telephones;

"ASP" means applications service provider;

"AVL" means automatic vehicle location, the ability to pinpoint the location of a vehicle within a given range;

"CDMA" means code division multiple access, a digital technique used by cellular network carriers to transmit voice or data by assigning each user a code and spreading the transmission over several frequencies;

"CDPD" means cellular digital packet data;

"Circuit Switched" means a switching technique that establishes a dedicated and uninterrupted connection between the sender and the receiver;

"Common Shares" means the Common Shares in the share capital of the Corporation and "Common Share" means any one of them;

"Corporation" or **"CSI"** or **"CSI Wireless"** or **"Company"** means CSI Wireless Inc., a corporation incorporated pursuant to the *Business Corporations Act* (Alberta);

"DGPS" means differential GPS, a method of obtaining improved position accuracies (in the order of 1 to 5 meters) from an otherwise limited stand-alone GPS. This is accomplished through broadcasting differential corrections from a fixed known location to a GPS unit equipped with a DGPS receiver;

"DSP" means digital signal processor;

"EDGE" means Enhanced Data Rates for Global Evolution;

"GIS" means geographic information system;

"GPRS" means general packet radio service, an extension to the GSM standard to include packet data services. It is scheduled to be launched in trials in late 2000;

"GPS" means global positioning system, consisting primarily of a constellation of 24 satellites controlled by the U.S. Department of Defense. The system is designed to provide world wide positioning services with an accuracy of approximately 10 to 15 meters;

"GPS Unit" is the operating business unit of CSI which designs, manufactures and markets precision GPS positioning products for multiple markets including marine navigation, precision farming, geographic information systems, hydrographic surveying and automatic vehicle location;

"GSM" means the global system for mobile communications, the European standard for digital cellular telephone systems, see also TDMA;

"IP" means internet protocol;

"LED" means light emitting diode;

"M-commerce" means mobile commerce;

"OEM" means original equipment manufacturer and in the context of CSI means those OEM customers who utilized the CSI developed PCB module (such as the SBX-3A) as a "plug-in and use" add on into an existing equipment package supplied to the OEM's customers;

"Packet Switched" means a technique for sending digital data in packets through a network to a remote location. The data sent is assembled by the 'modem,' into individual packets of data;

"PCB" means printed circuit board;

"RTK" means real-time kinematic, a positioning technique that delivers very high accuracy positioning on the order of a few inches;

"Satloc" means Satloc LLC., a wholly-owned subsidiary of CSI Wireless Corporation, incorporated pursuant to the laws of the State of Delaware, with operations located in Arizona;

"TDMA" means time division multiple access, a digital technique used by cellular network carriers to transmit voice or data by assigning each user a particular time slot on a frequency allowing a large number of users to access (in sequence) a single radio frequency channel without interference by allocating unique time slots to each user within each channel;

"Telematics" means in-vehicle communications of data and/or voice to provide services such as roadside assistance, security, and location-based connectivity.

"Telemetry" means a wireless system for the transmission of data (either digital or analog) for remote monitoring;

"TSX" means The Toronto Stock Exchange;

"UMTS" means Universal Mobile Telecommunications Services, the European term for wireless systems based on the IMT-2000 standard;

"Wireless" refers to radio-based systems that allow transmission of telephone and/or data signals through the air without a physical connection, such as a metal wire or fiber optic cable;

"CSI LLC" means CSI Wireless LLC, a wholly-owned subsidiary of CSI Wireless Corporation, incorporated pursuant to the laws of the state of Delaware, with operations located in California;

"Wireless Unit" is the operating business unit of CSI that designs, manufactures and markets products that allow companies to remotely monitor and manage assets using existing cellular networks to send and receive business - critical data;

YOU SHOULD NOT RELY ON FORWARD-LOOKING STATEMENTS BECAUSE THEY ARE INHERENTLY UNCERTAIN

This Annual Information Form contains forward-looking statements. These statements relate to future events or future performance. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential," "continue," or the negative of these terms or other comparable terminology. These statements are only predictions. The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth elsewhere in this Annual Information Form and other risks and uncertainties, certain of which are beyond the Corporation's control, including the impact of general economic conditions, industry conditions, increased competition, the lack of availability of qualified personnel or management, fluctuations in foreign exchange or interest rates, stock market volatility, and obtaining approvals of regulatory authorities. These factors should not be construed as exhaustive.

In addition, this Annual Information Form contains forward-looking statements attributed to third party industry sources. You should not place undue reliance on these forward-looking statements. Although management of CSI believes that the expectations reflected in the forward-looking statements are reasonable, future results, levels of activity, performance or achievements cannot be guaranteed. Moreover, neither CSI nor any other person assumes responsibility for the accuracy or completeness of the forward-looking statements and neither CSI nor any other person undertakes any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances. See "Management's Discussion and Analysis".

ANNUAL INFORMATION FORM

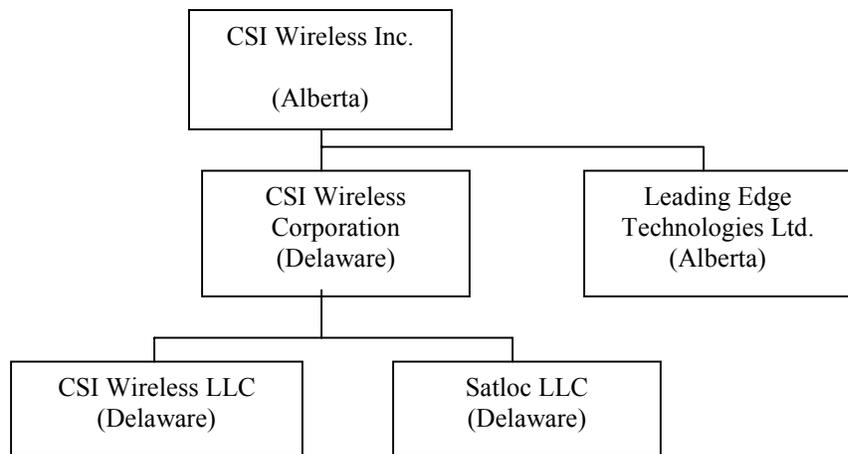
CERTAIN INTERPRETATION MATTERS

Unless the context otherwise requires, all references to the "Corporation" or "CSI Wireless" or "CSI" of the "Company" include CSI Wireless Inc. and its predecessors and subsidiaries as a whole. Certain terms have the meanings specified in the Glossary.

THE CORPORATION

CSI was incorporated as Canadian Systems International Inc. under the laws of the Province of Alberta on July 31, 1990. On October 26, 1992 the Corporation changed its name to Communication Systems International Inc. Effective April 30, 1996, the Corporation amended its articles to effect, among other things, a redesignation of the Corporation's Class A Common Shares to Common Shares, a stock split of the Common Shares on a 12,500 for 1 basis and to delete the "private company" share transfer restrictions. On June 21, 2000 by articles of amendment, the Corporation changed its name to CSI Wireless Inc. CSI designs and manufactures low cost precision products for the global positioning system ("GPS") industry and wireless data and communications industries. The Corporation's registered and head office is located at 4110 – 9th Street S.E., Calgary, Alberta, T2G 3C4.

Corporate Structure



The Corporation has four wholly-owned subsidiaries: CSI Wireless Corporation, Satloc LLC., ("Satloc") and CSI Wireless LCC, all are incorporated under the laws of the state of Delaware; and Leading Edge Technologies Ltd. ("Leading Edge"), a corporation incorporated under the laws of the Province of Alberta. In this annual information form, the "Corporation", the "Company", "CSI Wireless" and "CSI" refer to CSI Wireless and its subsidiaries as a whole unless the context otherwise requires.

CSI Wireless is organized into two operating business units: the Wireless Unit and the GPS Unit. The Wireless Unit has 44 employees and the GPS Unit has 88 employees. In addition, 10 employees, including the President, perform corporate functions which are not directly attributed to either operating unit.

General Development of the Business and History of the Corporation

The Corporation commenced operations in 1990 with the introduction of its first radio receiver product. In 1993, CSI introduced and sold its first DGPS radio beacon product, the MBX-1 unit, which plugged into a regular GPS system to provide differential corrections enhancing the user's overall positioning accuracy. In 1994, the Corporation broadened its product line by offering a printed circuit board ("PCB") card to OEM customers that require the differential corrections gained by inserting the PCB card into their electronic equipment. In 1995, the Corporation introduced a combined self-contained GPS/DGPS unit.

In October 1996, CSI acquired ownership of the beacon receiver technology used for DGPS utilized by it and entered into an exclusive license arrangement for the loop antenna (except for one pre-existing license) utilized with its technology.

In March 1997 the Corporation completed an initial public offering of 2,400,000 Common Shares for gross proceeds of \$6 million and its Common Shares commenced trading on the TSX.

In June 1997 CSI acquired all of the outstanding shares of Leading Edge, a manufacturer of a variety of cables, including those used by the Corporation. CSI purchased the shares for cash consideration of \$130,000.

In December 1997 CSI introduced its SBX-2 intelligent radio beacon receiver engine and introduced an L-band receiver product that received both satellite and beacon station differential correction data. CSI also released its ABX-3 automatic differential beacon receiver in April 1998 being the first of a new series of high performance dual channel digital DGPS beacon receivers targeted at the leisure marine and in-shore fisheries market.

In April 1999 CSI's new "smart antenna", the SBA-1, was commercialized and made available for distribution. The SBA-1 combines the SBX-2 with CSI's low cost antenna and is utilized primarily in the marine industry.

On June 24, 1999 CSI acquired certain portions of the business and assets of Satloc, Inc. (the "Satloc Assets") with an effective date of April 4, 1999. Satloc, Inc. was founded in 1992 and is a global supplier of aerial and ground-based precision guidance systems using DGPS technology and has gained acknowledgment in the industry for its GPS aerial swath guidance systems for agriculture and other applications.

The acquisition of the Satloc Assets provided several strategic advantages to CSI including:

- New products - the combined research and development expertise, using complimentary technologies, assists the Corporation in generating competitive, low-cost products.
- New markets - the acquisition has added market share in the aerial guidance systems market, along with several DGPS guidance applications for other markets, including precision agriculture and GIS.
- Distribution - the Satloc Assets have been integrated into CSI's worldwide sales channels and distributors and users have access to a wider variety of products from a single source.
- Critical mass - the acquisition has provided operating cost efficiencies and has permitted further expansion into the U.S. market and abroad.

Total consideration paid for the Satloc Assets was \$6,069,627, consisting of subordinated debt for \$2,220,000 and cash of \$3,849,627. Contingent consideration of up to \$1,550,000 (USD) (approximately \$2,300,000 CDN) of Series 1 Shares is payable over a five year period subject to the future performance of the "Satloc" business. As at the date hereof, 661,000 Series 1 Shares have been issued and are outstanding. The Series 1 Shares are not convertible before April 1, 2004, except in the event of a change in control of CSI. The conversion price is the greater of \$1.00 (CDN) or the 30-day average trading price prior to April 1, 2004 (the "Conversion Date"). The conversion price is subject to anti-dilution provisions and adjustments for currency fluctuation until the Conversion Date at which time the conversion price will be fixed. In no event will more than 5,000,000 Common Shares be issued to satisfy conversion rights of the Series 1 Shares. The Series 1 Shares are redeemable at the request of Satloc on or after April 1, 2004 and by CSI after April 1, 2007.

In September 1999 CSI submitted applications for provisional patents on two key technologies, one for the AVL-1, which is focused on using differential technology in vehicular applications and the other on the filter architecture used in the new SBX-3 beacon receiver released in September 1999.

In March of 2000 the Corporation completed a rights offering of 1,635,221 Common Shares for gross proceeds of \$2,616,354.

In June 2000 the Corporation completed an offering of 945,946 special warrants for gross proceeds of \$2,364,865.

On June 30, 2000 CSI completed the acquisition of all of the issued and outstanding shares of Wireless Link (the "Wireless Shares"). Wireless Link, founded in 1987, was a privately held company located in the Silicon Valley, primarily engaged in the business of developing, manufacturing, licensing and selling technology and products associated with location-based wireless data communications applications. Wireless Link's products included wireless modems and asset-tracking products.

The acquisition of Wireless Link provided several strategic advantages to CSI including:

- **Technology** - Wireless Link has an extensive proprietary technology portfolio and expertise covering a wide range of wireless platforms.
- **Integration** - Certain of the Wireless Link products combine wireless and GPS technology. CSI has a high level of expertise in GPS technology that will contribute to the success of these products.
- **Markets** - The addition of wireless technology and products brings access to markets that are forecast to grow dramatically in the near term.

Total consideration paid for the Wireless Shares consisted of the issuance by CSI of an aggregate of 4,400,000 Common Shares. In addition, CSI agreed to issue an additional 1,000,000 Common Shares as incentive shares, for no additional consideration, for the benefit of certain management and employees of Wireless Link. (See "Executive Compensation - Wireless Link Incentive Share Administration Plan"). The Corporation also granted to employees of Wireless Link an aggregate of 950,000 options to purchase Common Shares. See "Executive Compensation - Share Option Plans".

On February 23, 2001 the Corporation completed an offering of 3,153,866 Special Warrants, issued at a price of \$3.25 for gross proceeds of \$10,250,065.

BUSINESS OF THE CORPORATION

WIRELESS BUSINESS UNIT

General

Through its Wireless Unit, CSI Wireless designs, manufactures and markets products that allow companies to remotely monitor and manage assets using existing cellular networks for mobile resource management. The Company has been developing cellular technology and products since 1987 and has created an extensive portfolio of intellectual property that enables it to develop products that operate on a variety of wireless platforms. The Company recently launched its fixed wireless telephone for Tier 3 markets where wireless can compete effectively against local phone companies and for developing countries that lack sufficient wired infrastructure. The Company's AssetVision™ and Asset-Link™ line of products offer complete solutions for mobile asset management, safety and security applications, Telematics, and fleet management. With the introduction of the GT-300™, a GPS enabled wireless handheld product, the company has extended its product offering to include personal safety and security, as well as 'personal telematics' applications. The Company's cellular CVDM modems are available as "drop-in" modules for easy integration by OEMs and Application Service Providers into existing mobile and stationary asset management applications such as fleet management and automatic meter reading. All of these products are uniquely positioned to provide one of the only solutions in the industry that provides customers with a tri-mode analog and digital capability at the same price point as previous analog-only products.

In addition to the products described above, the Company also designs cellular handsets on a contract basis. Although this activity is not seen as a significant margin-generating activity on its own account, it furthers the development of the Company's wireless intellectual property portfolio and will be leveraged into the Company's product offerings.

Industry Background and Trends

The wireless communications industry has seen significant growth with over 135.6 million current cellular subscribers in the United States according to the Cellular Telecommunications Industry Association ("CTIA"), up from 34 million subscribers in 1995 (CTIA website: www.wow-com.com - April 11, 2002). This growth has occurred as a result of declining cost, broadening network coverage, expanding product features and improved reliability. While the majority

of wireless use has been voice-based, the transmission of wireless data for commercial and consumer applications is beginning to enjoy significant growth. The industry remains in transition as digital 2.5 generation ("2.5G") networks begin to reach the major metropolitan markets, while in the rural areas traditional cellular remains the primary means of wireless connectivity. Providing nation-wide digital coverage will not be possible for several years, and therefore companies like CSI Wireless, that produce multi-mode (analog and digital) hardware continue to enjoy an advantage for mobile markets. The Telematics market growth to date has been based primarily on analog cellular products, and as a result, there is a large opportunity to not only provide OEMs with a transition to digital technology, but to also address the estimated emerging opportunity for the retrofit of 4.1 million commercial and consumer vehicles. For new customers, service growth in mobile resource management and Telematics is expected to be split evenly for the next two years between commercial sectors and consumer devices. The total market for new hardware devices to service both markets has been projected to exceed 6.5 million units in North America for 2004 (Strategis Group).

Wireless Communications Technologies

The North American public wireless voice and data communications industry is comprised of several technologies used together or individually by about 65 wireless service providers.

First Generation Technologies - Analog Circuit-Switched. The Advanced Mobile Phone Service ("AMPS") is a circuit-switched, analog wireless technology and is currently the most widely used North American wireless technology due to its broad geographic coverage. AMPS operates using Frequency Division Multiple Access ("FDMA") which assigns each user a unique frequency channel for the duration of its telephone conversation. Because there are a limited number of frequency channels available in a given cellular area, AMPS telephone networks have a limited capacity that can result in loss of service in high usage areas.

Second Generation("2G") Technologies - Digital Circuit-Switched. Since the early 1990's, digital techniques that convert analog voice signals into digital data for transmission have been developed to improve the efficiency, security and reliability of wireless transmission and to enable advanced services such as text messaging. These technologies are used in conjunction with FDMA circuit-switched technology and increase capacity by sharing the frequency channels between users.

Time Division Multiple Access ("TDMA") is a digital wireless technology that increases the number of potential users in an area by assigning each user a specific timeslot on a common frequency channel, thereby allowing up to eight users to transmit on the same channel. Of the 2G technologies TDMA networks have by far the largest footprint in the western hemisphere with more than 48% of the geographic markets covered. TDMA remains the dominant technology and accounts for nearly half of the existing 207 million subscribers in this part of the world.

The Global System for Mobile Communications ("GSM") established in Europe is rapidly becoming an international standard, and the worldwide leader, for digital wireless transmission. GSM claims approximately 64% of the global digital wireless market (BMC World Cellular Database). With the announcement by Cingular and AT&T Wireless last year to convert their networks to GSM, it is expected that within five years GSM will account for over 700 million subscribers worldwide. In South America, 5 of the major wireless operators have announced plans to overlay a portion or all of their TDMA networks with GSM.

Code Division Multiple Access ("CDMA") is a 2G digital technology that splits wireless signals into pieces that are tagged with a user's code. These pieces are spread over several frequencies and are reassembled at the receiver. Like TDMA and GSM, this process permits a much more comprehensive use of the available frequency channels.

Digital Control Channel. Control channels are digital channels that are used by the cellular and PCS networks for the transmission of information related to call initiations between cellular systems and cellular customers. Once a cellular call is initiated, the message is handed over to a voice channel by the network. SMS (short message service) also uses the control channel to communicate message data between users. Other cellular service providers also utilize these control channels to send small data messages over existing cellular networks and provide highly reliable transmission technique for applications that require lower data rate communications such as fixed telemetry and fleet management. Control channel data, currently implemented only on analog systems, is expected to migrate rapidly to digital networks over the next 12 months. Cellemetry LLC and Aeris Communications, Inc. ("Aeris") are the exclusive operators of control channel services on analog networks in both North and South America.

Second Generation Technologies – Digital Packet-Switched. Circuit-switched wireless networks require that users be assigned a frequency channel and maintain the connection throughout the conversation, after which time the connection is terminated. Users are charged based on the total connection time. Using "packet-switched" technologies, cellular users remain connected to the wireless network without having a channel assigned unless data is being transferred. Therefore, cost is based only on the data transferred, not the time connected. This is accomplished because data is accumulated in "packets" and sent in short bursts enabling a very efficient utilization of frequency channels. Relative to circuit-switched technologies, these technologies result in significant improvements in technical and economic performance.

Cellular Digital Packet Data ("CDPD") was the first digital packet-switched technology deployed in North America. CDPD uses the AMPS cellular network and operates by transmitting the data on the idle frequencies of the existing cellular base stations. CDPD is rapidly being replaced by GPRS (General Packet Radio Service) and CDMA 1XRTT. Both GSM and CDMA networks are being deployed in large cities in North America. Verizon (1XRTT) and AT&T Wireless (GPRS) both plan to provide packet data service to the top 45 North American cellular markets by the end of 2002.

Emerging Technologies – Third Generation ("3G") Technologies. 3G technologies will replace or augment existing networks with new standards. The primary 3G technologies being developed are:

- Enhanced Data Rates for Global Evolution ("EDGE")
- CDMA-2000
- Wideband CDMA ("wCDMA")

EDGE, sometimes referred to as a 2.5G technology, is an intermediate step on the GSM networks prior to a full 3G implementation. EDGE has the unique advantage of offering data speeds to GSM users that are better than today's best dial-up networks, with only a software enhancement.

The ultimate transition to 3G technologies will require not only additional hardware and infrastructure investment, it will also require additional spectrum. Since the US has not yet auctioned its 3G spectrum, the dates for 3G deployment in the US seem questionable. Many carriers in Europe are petitioning governments for partial refunds on their spectrum purchases, based on world-wide delays. As a result of these, and other factors, most analysts don't expect widespread deployment of 3G technologies for 3-5 years. Notwithstanding these delays, 3G technologies when they do arrive, will provide data transmission rates that will enable a much broader range of applications depending on wireless data transmission such as mobile computing and the mobile internet.

Wireless Data Applications Markets

Historically, the success of the wireless data transmission applications, such as those used in the automotive telematics and asset management markets, has been restricted by several factors including the high cost of wireless service and hardware, a lack of ubiquitous and reliable coverage, and business processes and systems that did not support the implementation of wireless technologies. However, recent developments in the industry have begun to mitigate these issues:

- *Broad coverage* – The growth in wireless networks has resulted in full coverage of North America through a variety of service providers and technologies.
- *Wireless service cost improvements* – The increase in the number of cellular subscribers has resulted in a reduction in cost associated with wireless service. The CTIA reports that the average US cellular monthly bill declined from US\$51 in 1995 to US\$41 in 1999 (CTIA website: www.wow-com.com, March 7, 2001). In addition to reductions in the cost of voice networks, new data services such as those offered by Aeris.net, Cellemetry, and Verizon WIN⁴ are reducing the cost of service for lower data rate applications.
- *Wireless product profit margins* – The limited number of wireless hardware providers has resulted in steady operating margins among most of the competitors nearly twice that of traditional hardware automotive manufacturers based upon Company calculations.
- *Wireless hardware cost reductions* – New technology and the expanding user base are resulting in a continuing reduction in the cost of wireless hardware.

- *Increasing data transmission rates* – Emerging technologies are increasing data transmission rates improving the effectiveness of many wireless data applications.
- *Systems Integrators* – Systems integrators and application service providers are developing services that simplify the implementation of wireless data applications across the wireless vertical markets.
- *Early entrants* – Early adopters of wireless data applications, such as utilities companies and public safety organizations, are demonstrating that existing products and services can be adopted efficiently and effectively and result in significant operating advantages.

As a result of the improvements in the environment for wireless data communications, numerous applications are being identified and pursued by product manufacturers, wireless networks, systems integrators, applications service providers and end users. These include applications in the following vertical markets.

Telematics. Telematics, a term coined by Mercedes Benz, refers to in-vehicle communications of data and/or voice to provide roadside assistance, security, location-based connectivity or other driver and passenger needs. Examples include an automatic call for emergency assistance, including precise location information, if an airbag is deployed; the ability to have a wireless, hands-free conversation with a call centre following an accident; or the ability of a remote call centre to open car doors where the keys have been locked in the car. The Strategis group has forecast that the automotive telematics market in the United States will grow from approximately 1 million subscribers in 2000 to about 17 million in 2005 (Mobile Computing Online, Telematics - En Route to the Future, February 9, 2001). Management estimates that 50 to 70% of the telematics service users will be in the after-market in this time frame.

Fleet and Asset Management. Businesses that employ large or high-value mobile fleets such as taxis, rental cars, transport trailers, heavy equipment, agricultural equipment, armored cars and delivery trucks often bear unnecessary costs associated with lack of information regarding the location and operation of these fleets. By having complete location and other operating information, efficiency can be improved by optimizing fleet utilization, freeing up operating capital, reducing operating costs and improving customer service. In addition to operating improvements, losses from theft of both vehicles and cargo can be reduced, geographic fences can be defined and operating performance can be monitored.

Fixed Wireless Local Loop. Fixed wireless local loop ("WLL") refers to the use of wireless technologies to provide voice and data communication services to residential or business customers rather than connecting such customers to networks using copper wire. Typically, WLL has been seen as a solution to reduce the infrastructure costs associated with widespread telecommunications delivery in developing countries.

The significant advances in wireless technologies and systems supporting wireless commercial and consumer applications has resulted in the infrastructure being in place for dramatic growth in wireless data applications. This infrastructure is expected to continue to grow at a significant pace as emerging technologies come into place and as hardware manufacturers and systems integrators continue to develop applications that result in effective and efficient products that streamline activities for businesses and individuals.

The CSI Wireless Solution

CSI Wireless is a leader in the design, manufacture and marketing of advanced wireless communications devices, primarily for the wireless transmission of critical 'state' information for commercial and consumer applications. The Company's technology portfolio includes a wide variety of wireless protocols that enable a range of solutions dependent on business and personal needs. The following characteristics describe the competitive advantages associated with the Company's products.

Breadth of Proprietary Wireless Technologies. CSI Wireless has been a pioneer in wireless communications technologies since 1987 and has developed an extensive proprietary portfolio of wireless technologies that serve a wide range of applications. This wide range of technologies is incorporated into our products enabling customers to select the technology most appropriate for the needs of the specific application with respect to data rate, frequency of messages, geographic coverage, cost and others. Table 1 describes the Company's existing wireless technology portfolio.

Table 1 - Wireless Core Technology

Air Interface	Network	Status
AMPS	AMPS Cellular	In Production
Aeris MicroBurst	AMPS Cellular Control Channel	In Production
Cellelemetry	AMPS Cellular Control Channel	In Production
Verizon WIN ⁴	AMPS Cellular	In Production
TDMA-DAMPS	800 Mhz Digital AMPS	In Production
TDMA PCS	TDMA 800/1900	In Production
GSM	GSM and AMPS	In Development
CDMA	CDMA and AMPS	In Development

The Company will continue to incorporate appropriate emerging wireless standards into its products as the respective networks become available on a broad basis. The Company's strategy includes integration of GPS technology with all of the protocols listed above. The wireless technology roadmap the Company plans to follow at this time is:

Current Portfolio	See above
Q4, 2002	GSM/GPRS/AMPS
Q1, 2003	CDMA/AMPS
2004	EDGE
2005+	Global UMTS (wCDMA)

Proprietary Positioning Technologies. CSI Wireless has been a leader in designing high precision positioning technologies since 1990 and is one of the only companies competing in the wireless location markets owning both wireless and positioning technologies. The Company has an extensive proprietary portfolio of technology related to the GPS, including GPS, DGPS, and antenna technologies. These technologies are a critical component of devices that access wireless vertical markets requiring wireless location solutions.

Price. While the Company uses a global manufacturing partner to achieve the lowest possible manufacturing cost, and the highest quality, its proprietary radio and GPS designs, and its radio and GPS design capabilities, provide it with a significant cost advantage over the majority of its competitors. In addition, CSI has also focused on reducing the cost in customer applications. As an example, the Company has incorporated control channel technologies into its products providing a low cost alternative to customers requiring low data rate transmission capabilities.

Telematics Market & Application Knowledge CSI is a pioneer in the aftermarket telematics and mobile resource management field. Through its work in telematics and mobile resource management it has developed a strong understanding of market needs, applications and the required elements to delivering end customer solutions. Having delivered a number of end customer solutions into various verticals in these markets, CSI is uniquely positioned to help many of the new solutions providers succeed in addressing markets.

Ease of Use. CSI Wireless' products are designed for ease of use. The Company offers its development customers a developer's kit that supports the integration of its products into customers' systems or processes. Products are designed to be scalable, allowing for functionality consistent with customer and application need, yet providing manufacturing efficiencies through economies of scale.

Quality. The Company's products are engineered to high standards and are subjected to extensive testing. The Wireless Unit has adopted an external manufacturing strategy and has established relationships with large manufacturing companies that meet the highest quality standards (including ISO 9000 Certification).

Business Strategy

CSI Wireless' objective is to be a leading global provider of wireless communications devices providing mission-critical business and personal information to its users. Key elements in the Company's wireless business strategy include:

Expand Technology Portfolio. The Company's research and development capabilities have been, and will continue to be the key driver to success in the rapidly evolving wireless markets. The Company will continue to expand its technology leadership by aggressively developing its wireless and positioning technology portfolios and by implementing strategies

to protect its proprietary technology. The Company will continue to seek opportunities to design cellular phones on behalf of large phone manufacturers with the goal of expanding its technology base along the roadmap outlined previously.

Implement Disciplined Product Development. Formal product development processes are necessary to increase the assurance that the Company develops the right products, on-time, on-budget and on-schedule. These processes will link the following activities:

- Business Development (Ideas Inventory, Opportunities Identification)
- Product Management (Business Case, Marketing Specifications, Complete Product Life Cycle Management, Communications, Reporting, Beta Testing)
- Program Management (Engineering Project Management, Design Verification Testing)
- Production Management (Design for Manufacturability, Design for Test, Materials Optimization, Production Planning)
- Product Termination Management

Diversify Markets. Recent history has shown that new markets for technology advance at varying rates based upon many factors that are difficult to predict. In the near term, the Company will target the following vertical markets:

- Automotive Telematics
- Fleet and Asset Management
- Fixed Wireless Local Loop

Develop Multi-Market Multi-Protocol Products. There does not exist, nor does management believe there will exist in the foreseeable future, a perfect single data network for mobile wireless data services. High infrastructure development costs and ongoing operational costs demand that the number of mobile users required to support any wireless network is in the tens of millions. Today there are not a sufficient number of mobile data users, and if there were, the same factors that constrain the deployment of wireless voice networks would also apply to data networks and mobile wireless applications. Based on this view, CSI Wireless is developing products that incorporate a variety of its wireless communications technologies and will serve a variety of vertical markets and customer needs. Both the hardware cost and the communications costs will be dramatically reduced through the economies of scale that arise from this approach.

Expand and Develop Strategic Relationships. The wireless communications industry environment is extensive, competitive and rapidly changing. Management believes that in this environment, it is critical to develop and maintain strategic relationships with suppliers, communications network suppliers, systems integrators, original equipment manufacturers, and industry associations. These relationships provide the Company with access to broad distribution channels, new sales opportunities, technology insights and market intelligence.

Broaden Procurement Power. The wireless communications hardware industry has been faced, and in management's opinion will continue to face, severe components shortages as a result of the dramatic growth in demand for wireless products. The Company is utilizing procurement strategies that management believes gives CSI significant purchasing power.

Enhance Manufacturing Quality and Capacity. The Company has adopted an External Manufacturing ("EM") strategy in order focus its capital on the development of technology and products that will achieve its business strategy. The Company has established relationships with top EM companies that will ensure a very high quality product with capacity for dramatic production growth in the face of expanding market opportunities.

Pursue Focused Acquisitions. Where appropriate, the Company will supplement internal growth and technology development with acquisitions where this will accelerate the achievement of the Company's business strategy.

Invest in Intellectual Capital. CSI Wireless believes that the people in all levels of the organization have been, and will continue to be the key factor in the achievement of its objectives. As such, the Company will continue to place a high priority on its intellectual capital.

Products

CSI Wireless uses the communications technology it designs to build wireless products that allow commercial and individual users to maintain contact with their stationary or mobile assets using a variety of wireless infrastructure.

AssetVision™. The Company's AssetVision™ product line, uses public wireless networks to give enterprise management real time visibility to infrastructure, vehicles, cargo and people. The AssetVision™ product line is a technologically integrated solution for mobile asset management that combines cellular connectivity, GPS, and embedded intelligence to collect, process and deliver business information. This product is used by customers in automotive telematics, fleet management and asset management applications such as truck and trailer fleets, heavy equipment and automobile rentals.

Asset-Link™. The Company's recently announced Asset-Link™ product line, uses various wide area wireless networks to enable a new category of products for safety and security. Management believes that the Asset-Link™ product line is technologically the most highly integrated solution available on the market today.

Fixed Wireless Telephone. The Company recently officially announced its fixed-base, three-watt digital wireless telephone. This product resembles a typical desktop or wall-mounted telephone but communicates wirelessly using cellular networks rather than linking to traditional copper wire telephone networks. The phones are used as part of wireless local loops, primarily in rural areas and developing countries where current landline systems are either unavailable or inadequate. In developing countries, wireless local loop telephone systems often represent the fastest and most cost-effective method of providing basic telecommunications services.

GT-300™. The Company recently announced the GT-300™ GPS enabled cell phone for use on TDMA and AMPS networks. This product targets the growing need for handheld safety and security products. Among our customers, roadside assistance, emergency notification and directions represent 60% of their need. These needs can be met for a lower price and equally efficiently using a handheld device when compared with an installed device. Management believes that "personal telematics" service opportunities will outnumber installed units in 2004 and beyond .

Wireless Modems. The CVDM™ family of products are .6W and 3-Watt cellular modem modules for analog and digital networks used by OEMs, systems integrators and ASPs for a variety of applications including automated vehicle location, automatic meter reading, security system monitoring and equipment monitoring.

The following table outlines the CSI Wireless product line:

Product	Applications	Technology	Status
AssetVision™	Fleet Management Asset Management Telematics Trailer Tracking	Verizon WIN ⁴ /GPS Aeris.net MicroBurst/GPS Aeris.net/Verizon WIN ⁴ Dual Mode/GPS Cellemetry/GPS AMPS/GPS	In Production In Production In Production In Production In Production
Asset-Link™	Safety and Security Fleet Security Telematics	Cellemetry or MicroBurst™/GPS AMPS/GSM/TDMA/CDMA/GPS	In Production In Development
Fixed Wireless Telephone	Wireless telephone delivery to residential and commercial locations	TDMA 800	In Production
GT300™	TDMA PCS Cellular Handset with GPS for safety and security applications	TDMA 800/1900	In Beta Test
Wireless Modems (CVDM™ Family)	Fixed Telemetry Fleet Management (OEM) Asset Management (OEM) Telematics (OEM)	Verizon Win ⁴ Aeris.net MicroBurst Cellemetry AMPS	In Production In Production In Production In Production

Research and Product Development

The primary objective of the Company's engineering group is a clear focus on the product development supporting key contracts and supporting progression along the Company's technology roadmap. Opportunities with low strategic or low economic value will not be entertained.

Current Activities

CSI Wireless has targeted major manufacturers of over the road trucks and construction/agriculture equipment in connection with development and distribution relationships. CSI is developing a family of low-cost high performance products for this market. The Asset-Link™ family of products will include several air interface protocols to match networks throughout North America and the world. CSI Wireless is developing a GSM-based Asset-Link™ product to address the needs of these manufacturers' international partners. Management believes that by offering these companies a single protocol (Asset-Link PDI-Packet Data Interface) that operates over the AMPS cellular network in the U.S., and will also operate over the GSM networks of the world, the usefulness of these products to multi-national customers will be greatly enhanced. This technology will be further leveraged across the Company's products and will provide other international opportunities to the Company.

In the automotive telematics market segment, CSI Wireless announced in 2000 a development/supply agreement with LoJack Corporation ("LoJack") for an advanced low-cost telematics product. CSI Wireless delivered the first units to LoJack in December 2001.

Leveraging on CSI Wireless' experience designing cellular handsets for license, the Company is currently undertaking beta-testing on its TDMA-based dual band, tri-mode digital cellular handset. Production of this cellular handset is expected to begin in July 2002. The technology behind this digital radio product forms the base of several other products the Company is developing including the fixed wireless terminals described below.

CSI Wireless is designing wireless local loop applications with the development of its fixed wireless telephone terminals. These telephones will form part of a complete solution in low cost telephone services for developing countries. Fixed wireless telephones are used where it is uneconomical to extend standard copper wire to provide basic telephone services.

Marketing, Sales and Distribution

The Wireless Unit does not typically distribute its products directly to end users. Rather, the Company has adopted a strategy of distributing its products through major OEMs, system integrators and service providers. OEMs typically integrate products into their own products and supply value-added services to end users through their own firmly established dealer and parts distribution networks (eg. CASE New Holland). System integrators and service providers usually provide end-to-end solutions directly to the end user by reselling CSI's products and value-added services to specific vertical markets (e.g. AirIQ, PeopleNet, and Datacom).

In 2001, a comprehensive Channel Partner Program was put in place to expand the Company's relationships with significant customers and to improve the discipline with which the Company manages customer relationships. In 2002, that program has been further expanded with Product Training classes included with Development Kits and a more focused effort to establish CSI as the hardware supplier of choice with Telematics market-makers.

CSI Wireless has developed relationships with 15 key distribution partners who are all either existing or poised to become key market leaders in their chosen verticals. These manufacturers, systems integrators and service providers have purchased a developers' kit in order to integrate CSI Wireless PDI protocol into their customer solutions which will in turn allow them to resell the AssetVision™, Asset-Link™ or CVDM™ products. All of these partners will be encouraged to sign up as a channel partner where they will receive marketing assistance, training, applications engineering support and sales leads in return. The purpose of this program is to ensure that CSI Wireless provides maximum support to the market-makers and leverages its ability to distribute dramatically more product than has been sold directly to its customers.

The Wireless Unit of CSI Wireless sells its products primarily to customers in the Americas, however, overseas sales are expected commencing in the fourth quarter as new GSM-based products are introduced and sales and marketing

activities are expanded internationally. Approximately 65% of its 2001 sales were to customers in the United States, 25% in Canada, and approximately 10% in Latin America.

Customers

Table 1 provides a representative selection of CSI customers:

Original Equipment Manufacturers	Systems Integrators/Service Providers
CASE/New Holland (Case Corporation)PeopleNet Communications Corporation	AirIQ Inc. LoJack Corporation HeavyTrack.com, Inc. Televoke, Inc. Datacom

Many of the manufacturers that use CSI Wireless' products are their own systems integrators, using the Company's products and software to build solutions for their customers. For example, CSI Wireless' customer, AirIQ Inc., is a systems integrator. They take the AssetVision™, and soon the Asset-Link™ 200, products and build them into a solution to provide fleet and asset management solutions for their customers, which include a number of rental car companies. LoJack is a service provider to the consumer automotive telematics aftermarket, including stolen car recovery and safety & security applications.

On May 7th, 2002 the Company announced a \$6.5 million contract for its recently released Asset-Link™ 200 product. AirIQ plan to launch expanded services utilizing the Asset-Link's expanded programming and lower unit cost. This order for Asset-Link™ 200 will be delivered over the next 24 months and represents the minimum committed purchase under the contract.

Competition

CSI Wireless views its primary competitors by product as follows:

Product	Key Competitors
AssetVision™ Asset-Link™ GT-300™	Motorola, Inc. Trimble Navigation Limited Orbcomm Global, L.P. Aercept Benefon Samsung
Fixed Wireless Telephone	TelularAudiovox Motorola, Inc.
Wireless Modems	Ericsson Standard Communications Inc. Novatel Wireless Inc. Sierra Wireless Inc.

Manufacturing

CSI Wireless outsources most of our wireless device manufacturing to two external manufacturers: Solectron (Global Services) and Telian Corporation (Korea). By outsourcing our manufacturing activities, CSI Wireless benefits by:

- allowing CSI Wireless to focus on our core competencies which include research & development and sales & marketing.
- gaining access to the latest equipment, process knowledge and manufacturing expertise without making capital investment in facility costs.

- realizing significant financial benefits through high efficiency and superior capital utilization to a business model that leverages these resources among multiple customers.
- capturing lowest total component costs through global volume purchasing programs.
- producing high quality products in a ISO certified facility.

Management believes that the 2002 drivers of success in the manufacturing area include:

1. Quality Systems
 - (a) Component engineering and standardization
 - (b) Document control
 - (c) Engineering change ("EC") management
 - (d) Quality audits
2. Time to Market
 - (a) New Product Introduction ("NPI") programs and reviews.
 - (b) Flexibility in design change and product enhancements.
 - (c) Responsiveness to customer requirements and market demand.
3. Product Cost
 - (a) Design for Manufacturability
 - (b) Supply Chain programs and Vendor partnerships
 - (c) Component selection at the design level.

Facilities

The Wireless Unit currently leases approximately 9000 square feet of office space in Milpitas, Santa Clara County, California. A significant component of the Unit's research and development, activities are located in this leased facility. In addition, the Wireless Unit utilizes space in the Calgary facilities.

Personnel

At December 31, 2001, the Wireless Unit has 44 employees, in total, with 22 in Research and Development, 10 in Sales and Marketing, 7 in Operations and 5 in Finance and Administration. Of these totals, 10 engineers, 5 Operations employees, 3 Sales and Marketing employees and 1 Administrative employee work at the Milpitas location.

GPS POSITIONING DEVICES BUSINESS UNIT

General

Through its GPS Unit, CSI Wireless designs, manufactures and markets precision GPS positioning products for multiple markets including marine navigation, precision farming, geographic information systems, hydrographic surveying and automatic vehicle location. The Company's products include high accuracy differential GPS ("DGPS") receivers, autonomous GPS receivers, OEM engines (PCB-based GPS and DGPS sensors), GPS and DGPS antennas, and precision aerial and ground guidance systems.

Industry Background and Trends

The Global Positioning System

The United States Department of Defense ("DoD") operates a reliable, 24 hour per day, all weather Global Positioning System ("GPS"). This system consists of ground control facilities, end users, and a constellation of 24 satellites (plus active spares) orbiting the Earth at an altitude of approximately 22,000 km.

How GPS Works. GPS satellites transmit coded information to users at band frequencies (1.575 GHz) that allows user equipment to calculate a range to each satellite. GPS is a timing system - ranges are calculated by timing how long it takes for the GPS signal to reach the user's GPS antenna. The GPS receiver calculates the range by multiplying the time of transit of the signal by the speed of light.

To calculate a geographic position, the GPS receiver uses a complex algorithm incorporating satellite coordinates and ranges to each satellite. Reception of any four or more of these signals allows a GPS receiver to compute 3D coordinates. Tracking of only three satellites reduces the position fix to 2D coordinates (horizontal with fixed vertical). The GPS receiver calculates its position with respect to the phase center of the GPS antenna.

GPS Services. The positioning accuracy offered by GPS varies depending upon the type of service and equipment available. For security reasons, two GPS services exist: the Standard Positioning Service (SPS) and the Precise Positioning Service (PPS). The US DoD reserves the PPS for use by its personnel and authorized partners. The SPS is provided free of charge, worldwide, to all civilian users.

In order to maintain a strategic advantage the US DoD has in the past artificially degraded the performance of the SPS so that the positioning accuracy is limited to 100 meters 95% of the time. This intentional degradation is called Selective Availability ("SA"). On May 1, 2000, SA was reduced to zero, effectively turning off the degradation. The intention of this change was to stimulate the development of applications that utilize GPS technology, together with the related social and economic benefits.

With SA effectively turned off, autonomous GPS is able to achieve a horizontal accuracy on the order of 10 to 15 meters (95% confidence).

Differential GPS

The purpose of DGPS is to remove the effects of ionospheric errors, timing errors, and satellite orbit errors, while enhancing system integrity. Prior to May 1, 2000, DGPS also reduced the impact of SA.

How it Works. DGPS involves setting up a reference GPS receiver system at a point of known coordinates. This receiver makes distance measurements, in real-time, to each of the GPS satellites, which include any errors present in the system. The base station receiver calculates what the true range should be, without errors, knowing its own coordinates and those of each satellite. The difference between the known and measured range to each satellite is the range error. This error is the amount that must to be removed from each satellite distance measurement in order to correct for errors present in the system.

Real-Time DGPS. To correct for system errors in real-time, the GPS base station transmits the range error corrections to remote receivers using wireless communications. The remote receiver corrects its satellite range measurements using these differential corrections, yielding a more accurate position. This approach is the predominant DGPS strategy used for real-time applications.

Positioning using corrections generated by DGPS radio beacons provides a horizontal accuracy of 1 to 5 meters with 95% confidence. Positioning using corrections generated by Wide Area Augmentation Systems ("WAAS") of other L-Band differential networks provides a horizontal accuracy of 1 meter or better with 95% confidence. CSI's SLX2 technology is capable of centimeter level accuracy with short range (1 to 10 km) base station and radio link.

Differential GPS Services

The Company currently offers receiver equipment that is compatible with three main correction services: beacon DGPS, L-band satellite DGPS, and Space Based Augmentation Systems ("SBAS").

Beacon DGPS. Many marine authorities around the world have installed networks of medium frequency (283.5 to 325 kHz) beacons that broadcast free GPS correction information to users. When in range of a beacon, these signals may be used to differentially correct a GPS position. The achievable accuracy depends on the sophistication of the GPS receiver used, however, it will range from 1 to 5 meter accuracy.

An advantage of this free of charge service over satellite-based services is that beacon signals are able to provide excellent coverage around obstacles, similar to how AM radio signals are able to penetrate tree canopy or diffract around obstacles such as buildings and other structures. The disadvantages include its susceptibility to noise interference by man-made equipment and the decreasing applicability of correction information as users move away from the base station.

L-Band DGPS. Currently, two private organizations provide differential corrections to the positioning industry by transmitting correction data via an L-band communication satellite. These two services are the OmniSTAR (OmniSTAR, Inc.) and Racal Landstar (Racal Electronics Plc) systems. Both services are subscriber-based, however, their advantage is that they provide signal coverage to the majority of the world.

As networks of reference stations are used to provide correction information throughout the coverage regions, the correction data is optimized so that it does not degrade as readily as a single reference station services, such as beacon DGPS. The value of this feature is improved consistency of performance as compared to conventional services, improving confidence of system users. Although the performance of L-band systems is more consistent than single base station systems, the overall accuracy provided is similar.

As these services broadcast in the L-band, similar to GPS, they are line of sight signals. The satellite must be in view of the antenna at all times, or acquisition may be lost.

Space Based Augmentation Systems. Space Based Augmentation Systems ("SBAS") usually refer to the wide area DGPS systems being constructed for aviation use. The most notable network currently under construction is the US Federal Aviation Administration's ("FAA") Wide Area Augmentation System ("WAAS"). This network is similar to that of OmniSTAR in that it uses satellite transponders to relay correction information back to Earth.

These free of charge systems have been developed primarily for aviation navigation. They use a different methodology for correcting GPS errors than beacon or L-band services. Instead of attempting to solve for the sum of errors as observed by measurements to each satellite, this system attempts to solve for each error separately. The advantage of this approach is that if the errors, including satellite orbit, clock, and ionospheric errors can be determined separately, a more consistent level of accuracy can be achieved in comparison to range measurement methods. Even though the elegance of this correction technique will likely improve the consistency of accuracy further over L-band services, it will provide a similar level of overall accuracy to beacon and L-Band services.

Another benefit of WAAS, and other compatible SBASs, is that their signal is broadcast at the same frequency as GPS, allowing suitably designed GPS receiver systems to track both GPS and WAAS. This saves overall system cost as compared to requiring a separate differential receiver for beacon or L-band. However, a drawback of transmitting data at the GPS frequency is that the signal is line of sight, increasing the potential for loss of the signal.

As these systems are being developed for regional coverage, the FAA's WAAS provides excellent coverage to the majority of the United States and parts of Canada and Mexico. Coverage over other regions of the world are the responsibilities of respective authorities. The overall goal of SBAS is to develop an interoperable GPS augmentation system covering the majority of air traffic routes. It is likely that this will ultimately provide coverage to the majority of the world.

In addition to WAAS, SBASs are currently under construction in other regions of the world. The European Space Agency is deploying the European Geostationary Overlay System ("EGNOS"). The Japan Civil Aviation Bureau ("JCAB") is developing the MTSAT Satellite-based Augmentation System ("MSAS"). Efforts to begin the construction of similar and compatible GPS augmentation systems by other aviation authorities around the world will likely occur in the next few years.

The CSI Wireless Solution

CSI Wireless has been a leader in the design and manufacture of competitive, high accuracy GPS positioning devices since 1990. The following characteristics describe the competitive advantages associated with the Company's products.

Technology. The Company's technology portfolio has been expanded beyond DGPS technology through strategic acquisitions. The GPS Engineering team has brought two generations of GPS, beacon, L-band and SBAS DGPS technologies to market and has become known in the industry for innovation and creativity as a result of achievements such as:

- CSI Wireless was the first company to successfully bring a combination GPS/ beacon receiver module to market able to offer a competitive price-point and a compact form-factor.
- CSI developed and has a patent pending on the AVL-1, an AM/FM beacon antenna coupler that uses the existing AM/FM vehicle antenna for supply of the beacon signal to the beacon receiver.
- The Company developed a high quality beacon receiver design that provides superior immunity to man-made noise, resulting in high performance under noisy conditions.
- The new SLX-2C and SX1 module provides sub-5 cm accuracy positioning for advanced applications by incorporating Real-Time Kinematics ("RTK") technology.
- Cost reductions have been continually achieved through initiatives such as the combination of GPS and differential receivers in one module to share common resources and the design of integrated antennas.

Range of Options. The Company's DGPS products are compatible with all three primary sources of differential corrections currently available: beacon, L-Band and SBAS. This provides customers with the option of selecting the technology that is most compatible with the application considering several factors including the required precision and cost. To date, none of the DGPS correction sources has proven itself as an industry standard as each service has advantages and disadvantages when compared to the others.

Price. The GPS Unit has distinguished itself as a low-cost provider of GPS positioning devices while maintaining a high level of performance, features and quality. The Company continues to pursue means of reducing the cost of its products in order to maintain its competitive advantage. For example, the Company recently created a higher degree of silicon integration between the GPS and DGPS components for certain of its products, thereby giving rise to significant cost savings.

Reliability. The Company's products are designed to meet very high standards with respect to reliability in a wide range of applications and environments. For example, the Company is currently implementing a high agricultural standard, EP455, against which to evaluate its products. This will ensure that its products are able to withstand the harshest environments.

Quality. CSI Wireless has selected external manufacturers that meet very high standards for quality, and internally continues to maintain high standards of quality control and documentation to ensuring continued high quality products.

Ease of Use. The Company's products are designed for simple integration with its customers' applications and/or products. In addition, a significant investment is made in customer support to ensure that customers have the resources that they need to get full benefit from the products. For example, the Company adds and modifies software, as required, to permit tailored integration of its products with customer applications.

Business Strategy

Expand Technology Portfolio. The GPS Unit's success in the past has been driven by the ability of the research and development team to develop new positioning technology, respond to environmental and market changes, and apply creativity and innovation in the development of new products that meet the evolving demands of its customers. The Company will continue to focus on technology leadership and innovation.

Optimize Product Cost. The Company will continue to aggressively pursue opportunities to reduce or optimize the cost of its products by balancing functionality, performance and quality with customer need and through design and manufacturing improvements.

Expand and Develop Strategic Relationships. Management believes that strategic relationships with suppliers, OEMs and other customers enable it to realize value from the Company's technology while avoiding or reducing the dedication of resources to many areas. For example, the Company's partnership with RHS Corporation to design and build the Outback S guidance product has increased the Company's share of the ground agricultural market significantly.

Enhance Manufacturing Quality and Capacity. The Company has focused on the maintenance of high quality standards for manufacturing. Time and resource investments in quality development, design and manufacturing processes will ensure that the Company's products will continue to meet the needs of its customers for functionality, performance and quality.

Pursue Focused Acquisitions. Where appropriate, the Company will supplement internal growth and technology development with acquisitions where this will accelerate the achievement of the Company's business strategy.

Invest in the Company's Intellectual Capital. CSI Wireless believes that the people in all levels of the organization have been, and will continue to be the key factor in the achievement of its objectives. As such, the GPS Unit will continue to place a high priority on its intellectual capital. CSI Wireless now has five patent applications underway which will provide us with critical intellectual property rights to develop.

Products

The GPS Unit produces OEM Modules, Integrated Units, Antennas and Precision Guidance Systems.

OEM Modules

SBX-3A. The SBX-3A OEM beacon card is a significant component of the Company's core DGPS technology. This product is a dual channel, DSP-based design with state of the art filtering - all packaged within a module smaller than a credit card. This core beacon receiver is embedded in all of the Company's receivers that use beacon DGPS technology.

Evolution. The Evolution is a low-cost combination GPS and beacon receiver. It incorporates the SiRF Technology Inc. SiRFstar IIe GPS chip-set and the Company's SBX-3A beacon receiver technology. The complete integration of both GPS and beacon receiver technology simplifies customer integration, decreases design risk and reduces cost.

SLX-2C. The Company also manufactures the high-performance SLX-2 OEM engine. The SLX-2 provides support for GPS, beacon DGPS, L-band satellite DGPS, extended differential modes, and SBAS DGPS. It offers high accuracy positioning (1 meter 95% confidence horizontally) for precise knowledge of system location. Available with this product is an option for high-accuracy Real-Time Kinematic ("RTK") positioning that delivers sub-20 cm horizontal accuracy for advanced applications.

SX1. The Company also manufactures the high-performance SX1 OEM engine. The SX1 provides support for GPS and SBAS DGPS. It offers high accuracy positioning (1 meter 95% confidence horizontally) for precise knowledge of system location

Integrated Positioning Units

ABX-3, MBX-3, and SBA-1. CSI Wireless produces three differential beacon receivers using the SBX-3A: the ABX-3, the MBX-3, and the SBA-1. Each receiver offers a different level of integration. The ABX-3 is an integrated receiver system with power and lock indicators. The MBX-3 is also an integrated configuration, however, it includes a complete menu system for configuration and operation of the receiver. For applications requiring a lower price-point, the SBA-1 offers complete integration of both the beacon receiver and antenna in a single weather-tight enclosure.

GBX. The Company designs and manufactures two models of combined GPS / beacon receivers that incorporate the SBX-3A: the GBX-12R and the GBX-PRO. The GBX-12R is a low-cost design that provides 2 to 3 meter horizontal accuracy while the GBX-PRO is a higher-grade product offering improved performance. Both models include a convenient menu system for control of receiver operation and monitoring status.

DGPS MAX. The new DGPS MAX is the next generation of combination GPS / WAAS / L-band / beacon receiver. The heart of this integrated receiver is the SLX-2 engine, which offers support for WAAS and other compatible SBAS. In addition to offering the features and benefits of the SLX-2, this receiver offers a full menu system for user configuration, operation, and monitoring of status information.

SERES. New in 2002, the CSI Seres is a small compact "smart antenna". This product incorporates GPS and the GPS antenna in a small enclosure. DGPS is attained thru the reception of SBAS signals from either the WAAS or EGNOS satellites. The Seres offer positional accuracy of <1 meter, 95%.

Precision Guidance Products

CSI Wireless' line of precision guidance products is marketed under the name of its subsidiary, Satloc.

Airstar 99.5. The Airstar 99.5 is the mainstay of the Company's aerial precision guidance systems. It integrates a processor with logging capability to compute steering guidance, which is conveyed to the operator via a lightbar. The lightbar has an array of LED's, yellow in the center (meaning you are on-course) and red and green on either side indicating the direction and magnitude of heading and off-track errors. The operator needs only steer according to the LED's to remain in the pre-planned swathing pattern. The Airstar 99.5 includes options for correction data from beacon, L-band, or WAAS differential services.

M3 Airstar. The M3 Airstar is an aerial guidance system that uses a rugged high-brite Video Graphics Array ("VGA") liquid crystal display with a Pentium-class, 200 MHz processor for data processing and logging. This system incorporates the SLX-2 receiver and a lightbar to provide a complete guidance system and provides for correction data from beacon, L-band, or WAAS differential services.

M3 Swathstar. The M3 Swathstar is a ground-based guidance system that provides a touch-screen VGA liquid crystal display, a lightbar and a Pentium-class, 200 MHz processor to calculate both straight-line and curved guidance. Within the Swathstar is the SLX-2 receiver providing for the option of beacon, L-band or WAAS DGPS.

SLXg3. The SLXg3 is a combination GPS / WAAS / L-band receiver similar to the DGPS MAX. This unit is available in two options, one with an internal beacon receiver and one without. As guidance systems often have sophisticated display capabilities, the SLXg3 is an 'integrated solution without menu system.

AgIQ. New in 2002, the AgIQ is a small compact "smart antenna". This product incorporates GPS and the GPS antenna in a small enclosure. DGPS is attained thru the reception of SBAS signals from either the WAAS or EGNOS satellites. The AgIQ is used in conjunction with an M3 or LiteStar.

LiteStar. For customers seeking a lower price point, the Company offers the LiteStar. The processor in this product has been embedded within the lightbar and provides computations for straight-line guidance. Using a DGPS receiver, such SLXg3, and a switch panel results in a complete low-end guidance system for both aerial and ground applications. By reducing the number of enclosures and cables, the Company has reduced the cost and complexity of this product resulting in an increased market for precision guidance systems. The product is currently undergoing an improvement program to add the vehicle interface standard (CAN) and further reduce the cost.

Outback S. The Outback S, was developed for a specific customer, but to which CSI retains all intellectual property rights. This product integrates the SLX2 receiver card, a guidance processor, and a display suitable for the operator to steer by. The patent pending steering display is a unique design that enables the novice guidance user to be able to use the system with very minimal training.

Outback 360. The 360 is an add-on product for the Outback S. The 360 provides the user with a "bird's eye" view of the project being undertaken. Along with the view, mapping facilities have been added as well as an interface to a PC. Data collected can be transferred to the PC for printing and editing.

The Company also manufactures precision guidance products for OEMs who target products to markets not served by CSI's product line.

Antennas

The Company manufactures a number of antenna products to support its GPS and DGPS products.

MBA-3. This cost-effective beacon DGPS antenna is designed primarily for marine applications and provides excellent reception of signals at long range. A ground connection is required for optimum reception.

MBL-3. This compact beacon DGPS antenna is designed with portability in mind as it does not require a ground connection.

MGL-3. The MGL-3 combines a GPS antenna with the MBL-3, and is targeted at Precision Agriculture and GIS applications.

AVL-1. This coupler interfaces between a vehicle's AM/FM antenna and provides a high quality signal to both the SBX beacon receiver and the vehicle's AM/FM radio.

MGW-1. This compact, cost-effective combination GPS / beacon antenna targets the Marine industry. For optimum reception, this antenna requires a ground connection.

CDA-2. The compact CDA-2 combined antenna provides reception of GPS, L-band, and beacon services. This antenna is ideal for portable applications such as GIS and Precision Agriculture.

CDA-2RTK. The compact CDA-2 combined antenna provides reception for GPS. This is a modified version of the popular CDA-2 antenna and is designed for high precision RTK applications..

Research and Product Development

The focus of the GPS Unit's research and development team is on expanding the Company's core GPS positioning and guidance technologies and the development of new products. Management of the Corporation believes that research and product development is the primary factor contributing to success and the primary barrier to entry into the GPS industry. Accordingly, CSI Wireless will continue to invest significant resources in research and product development activities.

OEM Modules. A new family of low-cost GPS modules is currently under development that incorporate the new Mitel chip-set. This will reduce costs and improve margins on products using the SLX2 design. Management of the Corporation considers that this opportunity will increase reliability and the cost of certain of its products.

Integrated Positioning Units. The recent introduction of the DGPS MAX receiver is considered by the Company as a significant improvement in its product offering in the market as this product should have competitive advantages over the competition through its support for Real-Time Kinematic ("RTK") positioning and the CAN bus vehicle interface standard.

Heading Device. The company has recently finished development for a "GPS Heading Sensor" Utilizing two GPS antenna separated by a known distance and two GPS engines on a single board, the heading or direction is calculated to extreme accuracy. This heading is of great benefit to vessels, and or equipment. In the case of vessels, this heading can be used to orient radar antennas.

Precision Guidance Systems. The new M3 Swathstar and M3 Airstar guidance systems build upon the success of their predecessor guidance systems. A great deal of focus has been placed on cost reduction, ergonomics, ease of use and overall system functionality.

The Company recently completed the design and began delivery of an OEM precision guidance package that incorporates steering information and crosstrack error displays in the same package as its DGPS receiver.

The Agriculture industry is experiencing increasing interest in vehicle automation, such as auto steering. By coupling intelligent control systems with DGPS positioning, it's possible to provide 'hands-free' guidance to farmers and custom applicators which will reduce driver fatigue and allow them to focus more attention on the application process.

Antennas. The Company is currently investigating methods of reducing build cost of antenna designs in addition to simplifying manufacturing processes. It is anticipated that this process will provide a considerable savings in overall system cost and result in improved efficiencies.

Patents. The Company has patent applications for:

- vehicle antenna splitter
- filter and receiver architecture developed in the SBX3A
- novel guidance techniques
- RTK performance using WAAS
- differential approach eliminates the need for a differential signal to be broadcast
- guidance used in precision farming products
- implement guidance for devices pulled behind tractors

As future technology is developed, the Company intends to secure patent protection wherever suitable.

Marketing, Sales and Distribution

CSI Wireless is focused on providing low cost precision technology and products to growing commercial and consumer GPS markets. CSI Wireless does not typically sell these products directly to end-user customers. The CSI Wireless strategy for distribution of its GPS positioning products continues to be through large OEMs and dealer networks with established channels for worldwide distribution. This strategy eliminates the need for the Company to devote significant resources to developing these distribution channels on its own. As part of its distribution strategy, CSI Wireless has developed strategic relationships with suppliers, OEMs and distributors that enables the Corporation to participate in a broader range of high growth commercial and consumer GPS-enabled markets.

The GPS Unit serves global markets. Approximately 81% of its sales in the fiscal year ending 2001 (57% in 2000) occurred in the United States. Approximately 4% of its 2001 sales (20% in 2000) occurred in Europe. Approximately 5% of its 2001 sales (7% in 2000) occurred in Canada. Approximately 10% of its 2001 sales (16% in 2000) occurred in other areas of the world.

CSI Wireless' GPS positioning products currently serve the marine, geographic information systems, precision farming, automatic vehicle location, hydrographic surveying, commercial fishing, recreational and other OEM markets. The Company's DGPS products are focused on markets where an accuracy level of five meters or less is required. CSI is targeting the automotive, harbor management and asset tracking markets as new growth areas for its DGPS technology.

The Company's precision guidance products provide solutions for precision agriculture and GIS mapping applications including ground based chemical applicators, yield monitoring, soil sampling, crop scouting and other precision farming applications. New markets are being developed for the RTK precise positioning system, including planting, irrigation and water drainage.

From a customer's perspective, the primary benefits provided by DGPS and GPS are more accurate navigation, improvements in productivity and safety, and savings in costs and time. For example, in marine applications CSI Wireless' commercial customers typically use the Company's products for accurate navigation and positioning as well as for determining a vessel's precise speed, which, in turn, keeps trailing nets at a desired depth.

Another example of the benefits provided by DGPS and GPS is in precision farming applications. CSI Wireless' products can be used in conjunction with a device that monitors the grain yield on harvesting equipment. This yield monitor constantly records the harvest yield and in conjunction with a DGPS system, allows yield-by-field location maps which can be used in subsequent years to increase or decrease the type and amount of fertilizers and other additives used. Significant cost savings can be achieved by using these types of precision farming techniques.

Competition

CSI Wireless encounters competitors in each of its target markets and expects competition to intensify as acceptance and awareness of GPS technology increases. One of the Company's main competitors is Trimble Navigation Limited ("Trimble"), believed to be the GPS industry leader. Trimble's GPS products currently address the survey and mapping, tracking and communications, navigation, precision agriculture and military systems markets. Other competitors offering products similar to those of the CSI Wireless include Starlink Incorporated and Phillips Communication Systems Inc. In addition, the Company expects to face competition from new market entrants over time.

Management is of the view that the principal competitive factors in the markets the Corporation serves include: ease of use, physical characteristics, power consumption, product features (including DGPS), product reliability, price, size of installed base, vendor reputation and financial stability of the vendor. Management of the Corporation believes its products compete favorably with competitors' products on the majority of the foregoing factors. The Corporation recognizes it may be at a competitive disadvantage against companies with greater financial, marketing, service and support and technological resources.

The Corporation also faces competition from various low-end, analog-based (as opposed to digital-based) manufacturers of DGPS receivers. Management believes the Corporation's primary advantage to be that CSI's digital-based products are viewed as being more reliable for every day operation and CSI products have a coverage range that is approximately 100% larger than the analog-based products.

Manufacturing, Sources, Pricing and Availability of Raw Materials and Component Parts

Final assembly and quality assurance testing of the Company's OEM modules, integrated positioning units, and antennas occurs in-house at the Calgary facility. The Company's precision guidance products are manufactured by an external manufacturer and are assembled in the Scottsdale facility as well as the Calgary facility. In addition some products are now being transitioned to be assembled and tested by the external manufacturer for direct delivery to the customer, to reduce manufacturing time and improve operating efficiency.

The Operations department provides production engineering to ensure that CSI Wireless' products are manufacturable, technical production problems are corrected and averted, and alternative production methodologies are introduced to remain competitive. In addition, vendor and subcontractor qualifications are reviewed by the engineering group and test engineering is provided to guide the department in achieving specifications and ensuring product integrity. The Company sources its assembly materials and components from a variety of suppliers. All of the Corporation's suppliers are at arm's length. Alternate supply sources for all components is a desired goal for CSI Wireless, but currently is not available in all cases.

The Corporation is determined to maintain its position as a low-cost producer and to ensure that production processes are responsive, smooth and flexible to serve the needs of its customers.

Facilities

The GPS Business Unit conducts its operations from facilities in both Calgary Alberta and Scottsdale Arizona, with a combined area of 41,000 square feet to manufacture and assemble its products, carry out its research and development, sales and marketing and finance and administration activities. The facilities are being leased by CSI and are anticipated to be adequate to support annual GPS unit sales for the foreseeable future.

Personnel

The GPS Unit currently has 88 employees in total with 17 in Research and Development, 13 in Sales and Marketing, 48 in Manufacturing Operations and 10 in Administration. Of these totals, 12 engineers, 14 Operations employees, 6 Sales and Marketing employees, and 3 Administrative employees work out the Scottsdale location.

OTHER INFORMATION

Revenues Generated by Categories of Principal Products

The following categories of principal products and services accounted for more than 15% of the Corporation's total consolidated revenues from third parties for the applicable period.

	<u>Year Ended December 31, 2001</u>	<u>Year Ended December 31, 2000</u>
Wireless Products	26.4%	26.7%
Precision Guidance Products	58.7%	42.7%
Other GPS Products	14.9%	30.6%

Cyclical and Seasonal Nature of Industry

With the exception of a moderate slow down during the third quarter in precision guidance product sales, demand in recent years for the Corporation's products has not been cyclical or seasonal in nature.

Renegotiation or Termination of Contracts

As at the date hereof, CSI does not anticipate that any aspect of its business will be materially affected in the current fiscal year by the renegotiation or termination of contracts or subcontracts.

Environmental Considerations

Historically, environmental protection requirements have not had a significant financial or operational effect on the capital expenditures, earnings or competitive position of the Corporation. Environmental protection requirements are not presently anticipated to have a significant effect on such matters in 2002 or in the future.

Risks of Foreign Operations

The Corporation will be subject to the risks associated with U.S. and international markets unknown and differing from those markets known to the Corporation in Canada.

BUSINESS RISKS

An investment in the Common Shares of the Corporation involves a significant degree of risk. Prospective investors should carefully consider the following factors, together with other information contained in this annual information form.

1. ***Dependence on Key Personnel and Consultants.*** The success of the Corporation is largely dependent upon the performance its personnel and key consultants. The unexpected loss or departure of any of the Corporation's key officers, employees or consultants could be detrimental to the future operations of the Corporation. The success of the Corporation's business will depend, in part, upon the Corporation's ability to attract and retain qualified personnel as they are needed. The competition for highly skilled technical, research and development, management, and other employees is high for the wireless data communication industry. There can be no assurance that the Corporation will be able to engage the services of such personnel or retain its current personnel.
2. ***Financial Results.*** It is anticipated that the Corporation will incur a loss for the year ended December 31, 2002 as a result of increased strategic investment in research and product development..
3. ***Competition.*** The Corporation is competing in a highly competitive industry that is constantly evolving and changing. The Corporation expects this competition to increase as new competitors enter the market. Many of the Corporation's competitors have greater financial, technical, sales, production and marketing resources. The Corporation competes with companies that also currently have established customer bases and greater name

recognition. This may allow competitors to respond more quickly to the wireless market and better implement technological developments. There is no assurance that the Corporation will be able to compete on the same scale as these companies. Such competition may result in reduced sales, reduced margins or both. The Corporation also expects that additional competition will develop in the wireless asset tracking market from new entrants trying to capitalize on this growth industry.

4. ***Availability of Key Supplies.*** The Corporation has based its estimates of marketing and production costs on information which is presently considered by management to be reliable, and has assumed the cost effective availability of materials and supplies. CSI is reliant upon certain key suppliers for raw materials and components and no assurances can be given that CSI will not experience delays or other difficulties in obtaining supplies, as a result of trade disputes or other matters. While no single vendor currently supplies more than 10% of the raw materials used by CSI, the raw materials used in certain operations are available only through a limited number of vendors. Although management of CSI believes that there are alternative suppliers for most of its key requirements, if its current suppliers are unable to provide the necessary raw materials or otherwise fail to timely deliver products in the quantities required, any resulting delays in the manufacture or distribution of existing products could have a material adverse effect on the Corporation's results of operations and its financial condition.
5. ***Dependence on Major Customers.*** For the year ended December 31, 2001, 49% (2000-27%) of CSI's sales were made to its five largest customers. The loss of any of these customers could have a adverse effect on its business.
6. ***Wireless Industry Technology Risk.*** CSI's success in the wireless market may depend in part on its ability to develop products that keep pace with the continuing changes in technology, evolving industry standards and changing customer and end user preferences and requirements. CSI products embody complex technology that may not meet those standards, changes and preferences. In addition, wireless communications service providers require that wireless data systems deployed in their networks comply with their own standards, which may differ from the standards of other providers. CSI may be unable to successfully address these developments on a timely basis or at all. CSI's failure to respond quickly and cost effectively to new developments through the development of new products or enhancements to existing products could cause the Corporation to be unable to recover significant research and development expenses and reduce its revenue.
7. ***Wireless Data Competition.*** The wireless data and communications industry is intensely competitive and subject to rapid technological change. CSI expects competition to intensify. More established and larger companies with greater financial, technical and marketing resources may decide to sell products that compete with the Corporation's. Existing or future competitors may be able to respond more quickly to technological developments and changes or may independently develop and patent technologies and products that are superior to ours or achieve greater acceptance due to factors such as more favorable pricing or more efficient sales channels. If CSI is unable to compete effectively with competitors' pricing strategies, technological advances and other initiatives, its market share and revenues may be reduced.
8. ***Third Party Wireless Dependence.*** Customers can only use wireless products over wireless data networks operated by third parties. If these network operators cease to offer effective and reliable service, or fail to market their services effectively, sales of CSI products may decline and revenues may decrease.
9. ***Future Acquisitions.*** The Corporation may seek to expand its business, through the acquisition of compatible products or businesses. There can be no assurance that suitable acquisition candidates can be identified and acquired on terms favorable to the Corporation or that the acquired operations can be profitably operated or integrated into the Corporation. In addition any internally generated growth experienced by the Corporation could place significant demands on the Corporation's management, thereby restricting or limiting its available time and opportunity to identify and evaluate potential acquisitions. To the extent management is successful in identifying suitable companies or products for acquisition, the Corporation may deem it necessary or advisable to finance such acquisitions through the issuance of Common Shares, securities convertible into Common Shares, or debt financing, or a combination thereof. In such cases, the issuance of Common Shares or preferred shares or convertible securities could result in dilution to the holders of Common Shares at the time of such issuance or conversion. The issuance of debt to finance acquisitions may result, among other things, in the encumbrance of certain of the Corporation's assets, impede the Corporation's ability to obtain bank financing,

decrease the Corporation's liquidity and adversely affect the Corporation's ability to declare and pay dividends to its shareholders.

10. **Proprietary Protection.** The Corporation's success will depend, in part, on its ability to obtain patents, maintain trade secrets and unpatented know-how protection and operate without infringing on the proprietary rights of third parties or having third parties circumvent the Corporation's rights. The Corporation relies on a combination of contract, copyright, patent, trademark and trade secret laws, confidentiality procedures and other measures to protect its proprietary information. However, there can be no assurance that the steps taken by the Corporation will prevent misappropriation of its proprietary rights. The Corporation's competitors also could develop technology similar to the Corporation's independently.

Although the Corporation does not believe that its products or services infringe the proprietary rights of any third parties, there can be no assurance that infringement or invalidity claims (or claims for indemnification resulting from infringement claims) will not be asserted or prosecuted against the Corporation or that any such assertions or prosecutions will not materially adversely affect the Corporation's business, financial condition or results of operations. Irrespective of the validity or the successful assertion of such claims, the Corporation could incur significant costs and diversion of resources with respect to the defence thereof which could have a material adverse effect on the Corporation's business.

11. **Product Liability.** The sale and use of the Corporation's products entail risk of product liability. The Corporation has product liability insurance, however, there is no assurance that such insurance will be sufficient or will continue to be available on reasonable terms.
12. **Exchange Rate Fluctuation.** As the Corporation sells the majority of its products outside of Canada, fluctuation in exchange rates may affect the Corporation's profitability.
13. **Dependence on New Products.** The Corporation must continue to make significant investments in research and development in order to continue to develop new products, enhance existing products and achieve market acceptance for such products. However, there can be no assurance that development stage products will be successfully completed or, if developed, will achieve significant customer acceptance. If the Corporation were unable to successfully define, develop and introduce competitive new products, and enhance its existing products, its future results of operations would be adversely affected.
14. **Reliance on GPS Satellite Network.** The Corporation's products rely on signals from satellites that it does not own or operate. Such satellites and their ground support systems are complex electronic systems subject to electronic and mechanical failures and possible sabotage. The satellites have limited design lives and are subject to damage by the hostile space environment in which they operate. If a significant number of satellites were to become inoperable, there could be a substantial delay before they are replaced with new satellites. A reduction in the number of operating satellites would impair the current utility of the GPS system or the growth of current and additional market opportunities, which, in either case, would adversely affect the Corporation's results of operations. In addition, there is no assurance that the U.S. Government will remain committed to the operation and maintenance of GPS satellites over a long period of time, nor that the policies of the U.S. Government for use of GPS, without charge, will remain unchanged.
15. **New and Emerging Markets.** Many of the markets for CSI products are new and emerging. The Corporation's success will be significantly affected by the outcome of the development of these new markets.
16. **New Product Development.** The Corporation must continue to make significant investments in research and development in order to continue to develop new products, enhance existing products and achieve market acceptance for its products. However, there can be no assurance that development stage products will be successfully completed or, if developed, will achieve significant customer acceptance.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table presents selected historical consolidated financial information of the Corporation for the periods indicated. The selected historical consolidated financial information for the Corporation as of and for each of the years in the three year period ended December 31, 2001 are derived from the audited consolidated financial statements of the Corporation. Historical results are not necessarily indicative of the results that may be expected for any future period or

for a full year. The Corporation prepares its consolidated financial statements in accordance with Canadian GAAP. The selected historical consolidated financial information should be read in conjunction with the consolidated financial statements of the Corporation and the notes thereto. Readers of the comparative results are cautioned that due to the acquisition of certain assets from Satloc in July 1999, and the acquisition of Wireless Link June 2000, inter-year financial comparisons may have limited value.

Selected Annual Information

	Years Ended December 31,		
	2001 (audited)	2000 ⁽⁸⁾ (audited)	1999 ⁽⁹⁾ (audited)
Revenues	\$40,961	\$26,591	\$16,360
Gross Margin	13,114	7,706	6,919
Net Earnings (loss)	(9,002)	(6,874)	568
Working Capital	3,315	871	2,637
Total Assets	39,525	36,980	11,409
Long-term Debt	5,236	8,773	3,651
Shareholders Equity	19,824	17,870	4,037
Research and Development Costs	8,142	4,116	1,261
EPS-Basic ⁽¹⁾⁽²⁾	(0.52)	(0.64)	0.09
EPS-Fully Diluted ⁽¹⁾⁽³⁾	(0.52)	(0.64)	0.09
Outstanding Common Shares			
Weighted Average	17,454,181	10,821,018	6,393,988
At Period End	18,391,493	14,813,712	6,362,375
Options Outstanding ⁽⁴⁾	2,973,276	2,806,943	482,750
Warrants Outstanding ⁽⁵⁾	1,576,933	940,541	-
Prior Agent's Options Outstanding ⁽⁶⁾	354,812	84,595	-
Bankers Warrants Outstanding ⁽⁷⁾	250,000	250,000	-

Notes:

- (1) "EPS" means earnings per share.
- (2) EPS-Basic is calculated using the weighted average number of outstanding shares for the applicable period.
- (3) EPS-Fully Diluted is calculated to include all Common Shares which would be outstanding if all outstanding options and warrants were exercised at the beginning of the applicable period.
- (4) Options granted pursuant to the Corporation's share option plans.
- (5) These warrants entitle the holder to acquire one Common Share at a price of \$3.75 per share and expire on June 19, 2002.
- (6) Each Prior Agent's Option allows the Prior Agent to purchase one common share and one warrant at a price of \$3.26 per option until June 19, 2002. Each Warrant is exercisable at a price of \$3.26 per share until June 19, 2002.
- (7) The Bankers Warrants are exercisable at a price of \$3.10 per share and expire on September 30, 2005.
- (8) Includes the business and assets of Wireless Link for the period from July 1, 2000 to December 31, 2000. See "History of the Corporation".
- (9) Includes the business and assets of Satloc for the period from April 4, 1999 to December 31, 1999. See "History of the Corporation".

Selected Quarterly Information (3 months ended)

	December 31, 2001	September 30, 2001	June 30, 2001	March 31, 2001	December 31, 2000	September 30, 2000	June 30, 2000	March 31, 2000
Revenue (\$)	10,027,334	6,761,478	11,961,496	12,210,864	9,441,394	6,986,610	5,082,166	5,080,381
Income (loss) for the quarter (\$)	(3,135,850)	(3,743,700)	(1,632,132)	(490,7430)	(3,316,073)	(3,067,374)	(721,086)	230,940
EPS - Basic	(0.17)	(0.21)	(0.09)	(0.03)	(0.27)	(0.31)	(0.09)	0.03
EPS - Fully Diluted	-	-	-	-	-	-	-	0.03

DIVIDENDS

The Corporation has not paid any dividends on the Common Shares during the last five financial years. The future payment of dividends will be determined by the board of directors of the Corporation and will be dependent on the financial needs of the Corporation to fund future growth, the general financial condition of the Corporation and other relevant factors. The Corporation does not intend to pay dividends on its Common Shares in the foreseeable future.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis is set forth under the heading "Management's Discussion and Analysis" on pages 15 to 19, inclusive, of the Corporation's Year 2001 Annual Report, which pages are incorporated herein by reference.

MARKET FOR SECURITIES

The Common Shares of the Corporation are listed and posted for trading on the TSX under the symbol "CSY".

DIRECTORS AND OFFICERS

The following table sets forth the names, municipalities of residence, positions with CSI and the principal occupation of the directors and officers of CSI. Directors are elected at the annual meetings of shareholders and serve until the next annual meeting or until a successor is elected or appointed.

Name and Municipality of Residence	Office Held	Period as Director	Principal Occupation
Stephen A. Verhoeff Calgary, Alberta	President, Chairman, Chief Executive Officer and a Director	1990 - Present	President, Chief Executive Officer of the Corporation
Brian J. Hamilton ⁽¹⁾ Calgary, Alberta	Executive Vice-President, Chief Financial Officer and a Director	1996 - Present	Executive Vice-President, Chief Financial Officer of the Corporation
Hamid Najafi Los Altos Hills, California	Chief Technology Officer and a Director	June, 2000 – Present	Chief Technology Officer of the Corporation
Michael W. Brower Felton, California	Director	June, 2000 – Present	Director, OEM GPS Sales, Axiom Navigation and President & founder of Fall Creek Consultants.
Michael J. Lang ⁽¹⁾⁽²⁾ Calgary, Alberta	Director	1996 - Present	Chairman, StoneBridge Merchant Capital Corp. (a private investment company) and former Vice-Chairman of Beau Canada Exploration Ltd.
Howard W. Yenke ⁽²⁾ Medford, Massachusetts	Director	1996 - Present	Businessman
Paul L. Camwell ⁽¹⁾ Calgary, Alberta	Director	1998 - Present	Chief Technology Officer & Vice President for Extreme Engineering Ltd. and former Vice-President of Research and Development, Ryan Energy Technologies Inc.
Colin Maclellan Calgary, Alberta	Senior Vice President & General Manager, Wireless	N/A	Senior Vice President & General Manager, Wireless
Walter J. Feller Airdrie, Alberta	Vice President Engineering and Research Development, GPS	N/A	Vice President Engineering and Research & Development, GPS of the Corporation
Arthur James Burge Scottsdale, Arizona	Vice President & General Manager, GPS	N/A	Vice President & General Manager, GPS of the Corporation

Name and Municipality of Residence	Office Held	Period as Director	Principal Occupation
Theresa J. Lea Calgary, Alberta	Vice President Finance and Administration, GPS	N/A	Vice President Finance and Administration, GPS of the Corporation
Cameron B Olson Calgary, Alberta	Vice President Finance, Wireless	N/A	Vice President, Finance, Wireless, of the Corporation
Chris Carver Calgary, Alberta	Vice President Product Marketing, Wireless	N/A	Vice President Product Marketing, Wireless of the Corporation
Phil Gabriel Calgary, Alberta	Vice President Sales, Wireless	N/A	Vice President Sales, Wireless of the Corporation

Notes:

- (1) Members of the Corporation's audit committee.
- (2) Members of the Corporation's Compensation Committee.
- (3) The Corporation does not have an executive committee.

All of the persons above have been engaged for more than five years in their present principal occupations or executive positions with the same or associated companies, other than as described under "Management" below. All of the above directors were appointed at the last annual meeting of Shareholders of CSI held on May 14, 2001. Mr. Lang served as the Vice-Chairman of Beau Canada Exploration Ltd. ("Beau Canada"), a public oil and gas exploration and development company listed on The Toronto Stock Exchange, until its sale in 2000.

During Mr. Lang's tenure as an officer of Beau Canada, it made an investment in Environmental Technologies Inc. ("ETI"), a publicly traded company. As a result of Beau Canada's investment in ETI, Mr. Lang was appointed to ETI's board of directors. Subsequent to Mr. Lang's appointment, ETI was made the subject of a cease trade order by the Alberta Securities Commission on August 28, 1997. The cease trade order was issued because ETI failed to file financial statements for the year ended December 31, 1996 and the period ended March 31, 1997 subsequent to becoming inactive. As at the date hereof, the cease trade order remains outstanding. Mr. Lang resigned his directorship with ETI effective October 25, 2000.

As at March 31, 2002, the directors and officers of the Corporation, as a group, beneficially owned, directly or indirectly, 3,821,366 Common Shares or approximately 20% of the issued and outstanding Common Shares of the Corporation.

MANAGEMENT

Stephen A. Verhoeff, Calgary, Alberta **Chairman, President, Chief Executive Officer and Director**

Mr. Verhoeff is the Chairman, President, CEO and founder of CSI. He has been leading the Company since its incorporation in 1990. Mr. Verhoeff's responsibilities include overseeing all aspects of corporate operations including marketing, financial reporting, manufacturing and administration. Before co-founding CSI, Mr. Verhoeff was President of Network Innovations Inc., a private corporation engaged in selling data communications equipment in Western Canada. He has a Bachelor of Commerce degree from the University of Calgary and a certificate in telecommunication management from Mount Royal College.

Brian J. Hamilton, CFA, CA, Calgary, Alberta **Executive Vice-President, Chief Financial Officer and Director**

Mr. Hamilton has been with CSI since November 1995 and has been the Corporation's Chief Financial Officer since 1996. His responsibilities at CSI include providing financial and general management leadership. From 1992 to 1995, Mr. Hamilton was the President, Chief Executive Officer and founder of Easy Street Adventures Inc., a public company that operated family entertainment parks. From 1987 to 1992, Mr. Hamilton was employed by venture capital companies Merbanco Inc. and Harvest Fund Inc. to identify investment opportunities for them among emerging companies. He was

also a senior financial officer of various financial institutions, including Paramount Life Insurance Co., ParaCorp Inc. and Canadian Commercial Bank, from 1979 to 1986. He has a Bachelor of Commerce (Honours) from the University of Manitoba, is a Chartered Accountant (CA) and a Chartered Financial Analyst (CFA).

Hamid Najafi, Ph.D., Los Altos Hills, California
Chief Technology Officer

Dr. Najafi founded Wireless Link in 1987 and served as the President and CEO from 1987 until its acquisition by CSI in 2000. He has been developing telecommunications products for more than 10 years. Before 1987, Dr. Najafi was co-founder and Vice President of Engineering at TransTech International Corporation, a communications research and development company whose products included cellular phones, pagers, long-range spread-spectrum cordless phones, high-speed modems, cellular data products, satellite modems and voice response systems. Earlier, he held engineering development positions at Advanced Micro Devices and PMC-Sierra Inc. Dr. Najafi has a PhD in Electrical Engineering from Stanford University, and has taught courses at the University of Berkley Extension on ISDN modem design and digital telephony.

Colin Maclellan, Calgary, Alberta
Senior Vice-President and General Manager, Wireless Business Unit

Mr. Maclellan joined CSI Wireless in March 2002, assuming responsibility for all functional areas of the Wireless Business Unit, after a 16-year career with Nortel Networks. At Nortel, he held a variety of executive positions including Vice-President of Nortel's global wireless operations, and Vice-President of Nortel's overall Calgary operations – responsible for 2,800 employees and an annual revenue base that virtually doubled during his tenure. Mr. Maclellan was also responsible for Nortel's base station manufacturing activities for TDMA and CDMA technologies, and for its introduction of UMTS. He also worked with Nortel's GSM team in France, and established manufacturing operations for Nortel in Brazil and China. In addition, Mr. Maclellan led the launch of several product lines, and was responsible for dramatic quality improvements in several areas. Mr. Maclellan has a degree in Electrical Engineering from the University of Toronto, and a Masters in Business Administration from the University of Western Ontario.

James Burge, Scottsdale, Arizona
Vice-President and General Manager, GPS Business Unit

Mr. Burge joined CSI in 1997 as its Vice President Sales and Marketing. In February 2000, he also accepted responsibility for managing all sales and marketing for its Satloc division in Scottsdale, Arizona. Before joining CSI, Mr. Burge held several senior sales and management positions in the computer and data industries.

Walter J. Feller, Calgary, Alberta
Vice-President, Engineering and Research & Development

Mr. Feller became CSI's Vice-President of Engineering and Research and Development in June 1999 after four years of consulting for Satloc Inc., during which he designed two innovative L-band receivers and a wideband antenna. From 1992 to 1995, Mr. Feller worked at Computing Devices Canada Inc., where he was assigned to the United Kingdom for technology transfer of a military frequency-hopping encrypted radio for the Canadian Armed Forces. From 1990 to 1992, Mr. Feller worked at NovAtel Communications Inc., designing antennas – included one patented version – for the GPS and cellular industries.

Theresa J. Lea, CMA, Calgary, Alberta
Vice-President, Finance and Administration, GPS Business Unit

Ms. Lea joined CSI in 1997 as controller and was promoted to her current position in 1999. She is responsible for financial and management reporting, human resources, information systems and administration for the GPS Business Unit. Ms. Lea completed her education and obtained her CMA designation while employed at KPMG from 1984 to 1988. Before joining CSI, Ms. Lea held controller and senior financial positions in private and public companies in the steel fabricating, food processing and automotive industries.

Cameron B. Olson, C.A., Calgary, Alberta
Vice-President Finance, Wireless Business Unit

Mr. Olson joined CSI in May 2000. In his capacity as Vice President Finance, Wireless, he is responsible for the financial management of the Wireless Business Unit, including human resources and information systems. Before joining CSI Wireless, Mr. Olson was Director, Marketing Financial Services with PanCanadian Petroleum Ltd., one of Canada's largest oil and gas producers, where he was employed for five years. Earlier, Mr. Olson was a senior manager with Price Waterhouse, specializing in corporate income tax. He holds a Bachelor of Commerce in Finance from the University of Calgary and is a Chartered Accountant (CA).

Chris Carver, Calgary, Alberta
Vice-President, Product Marketing, Wireless Business Unit

Mr. Carver joined Wireless Link in October 2000 and became part of CSI Wireless with completion of its acquisition of Wireless Link in June 2000. He offers CSI significant product management, wireless and marketing experience, including 15 years of successful consumer product development work with companies such as Magellan Systems, Orbital Sciences and BAE Systems. Before joining Wireless Link, Mr. Carver was President of Motal Networks, the first company to deliver e-mail and Internet to passengers aboard corporate jets. Earlier, he led the product marketing efforts at Infomove, one of the first companies to bring the Internet to users in automobiles. He has a Masters Degree in Engineering from Cornell University and an MBA from the University of Pittsburgh, with a concentration in telecommunications.

Phil W. Gabriel, CSP, Calgary, Alberta
Vice President, Sales, Wireless Business Unit

Mr. Gabriel joined CSI in 1996 as a key business development consultant. He helped establish worldwide OEM and distribution agreements for CSI's differential GPS technologies that have sparked significant company growth. After CSI's acquisition of Wireless Link in 2000, Mr. Gabriel became an essential part of CSI's new Wireless Business Unit. Before joining CSI, Mr. Gabriel was National Sales Manager for AlliedSignal Aerospace, leading its Aeromarine Division business in marine electronics, airport runway systems and weather radar sales distribution. He also held a variety of positions – including Service Manager and Sales Engineer – in the then-fledgling computer peripherals industry. Mr. Gabriel is a Certified Sales Professional (CSP) who holds a diploma in Electro-technology, plus a Business and a Marketing diploma from McGill University in Montreal.

CONFLICTS

Circumstances may arise where members of the board of directors or officers of the Corporation are directors or officers of corporations which are in competition to the interests of CSI. No assurances can be given that opportunities identified by such board members or officers will be provided to CSI. Pursuant to the ABCA, directors who have an interest in a proposed transaction upon which the board of directors of the Corporation is voting are required to disclose their interests and refrain from voting on the transaction.

As at May 15, 2002, the Corporation was not aware of any existing or potential material conflicts of interest between the Corporation or a subsidiary of the Corporation and a director or officer of the Corporation or of a subsidiary of the Corporation.

ADDITIONAL INFORMATION AND DOCUMENTS INCORPORATED BY REFERENCE

Management's Discussion and Analysis of the financial conditions and results of operations of the Corporation as set out on pages 15 through 19, inclusive, of the Corporation's 2001 Annual Report and is incorporated herein by reference. Additional information, including directors' and officers' remuneration and indebtedness to the Corporation, principal holders of securities of the Corporation, options to purchase securities and interests of insiders in material transactions, where applicable, is contained within the Corporation's Information Circular - Proxy Statement dated April 8, 2001 prepared in connection with the Annual and Special Meeting of Shareholders to be held on May 14, 2002, which information is incorporated herein by reference. Additional financial information is provided in the Corporation's comparative financial statements for its financial year ended December 31, 2001, together with the accompanying report of the auditor, which is included in the Corporation's 2001 Annual Report.

The Corporation shall provide to any person, upon request to Brian J. Hamilton, the Chief Financial Officer of the Corporation, at the head office of CSI, 4110 - 9th Street, S.E., Calgary, Alberta, T2G 3C4, at any time, the following documents:

- (a) when the securities of the Corporation are in the course of a distribution pursuant to a short form prospectus, or a preliminary short form prospectus has been filed in respect of a distribution of its securities:
 - (i) one copy of the current Annual Information Form ("AIF") of the Corporation, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the AIF;
 - (ii) one copy of the comparative financial statements of the Corporation for its most recently completed financial year for which financial statements have been filed together with the accompanying report of the auditors and one copy of the most recent interim financial statements of the Corporation that have been filed for any period subsequent to its most recently completed financial year;
 - (iii) one copy of the information circular of the Corporation in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared in lieu of that information circular, as applicable; and
 - (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) through (iii) above; or
- (b) at any other time, one copy of any of the documents referred to in (a)(i), (ii) and (iii) above, provided that the Corporation may require the payment of a reasonable charge if the request is made by a person who is not a security-holder of the Corporation.

SCHEDULE "A"
ANNUAL AUDITED FINANCIAL STATEMENTS

Consolidated Financial Statements of

CSI WIRELESS INC.

Years ended December 31, 2001 and 2000

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of CSI Wireless Inc. as at December 31, 2001 and 2000 and the consolidated statements of operations and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Calgary, Canada
February 13, 2002

CSI WIRELESS INC.

Consolidated Balance Sheets

December 31, 2001 and 2000

	2001	2000
Assets		
Current assets:		
Accounts receivable (note 15)	\$ 8,986,632	\$ 9,281,451
Inventories	9,400,184	5,415,255
Prepaid expenses and deposits	346,927	206,834
	<u>18,733,743</u>	<u>14,903,540</u>
Capital assets (note 4)	3,153,387	2,501,424
Deferred development costs (note 5)	122,747	456,175
Goodwill	17,515,176	19,118,418
	<u>\$39,525,053</u>	<u>\$ 36,979,557</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 7)	\$ 3,072,204	\$ 1,425,919
Accounts payable and accrued liabilities	11,393,179	8,909,952
Subordinated debt (note 8)	—	2,790,704
Current portion of senior long-term debt (note 9)	952,921	905,841
	<u>15,418,304</u>	<u>14,032,416</u>
Senior long-term debt (note 9)	4,282,796	5,076,897
Shareholders' equity:		
Share capital (note 10)	38,251,773	27,295,640
Deficit	<u>(18,427,820)</u>	<u>(9,425,396)</u>
	19,823,953	17,870,244
Future operations (note 1)		
Commitments (note 14)		
	<u>\$39,525,053</u>	<u>\$ 36,979,557</u>

See accompanying notes to consolidated financial statements.

CSI WIRELESS INC.

Consolidated Statements of Operations and Deficit

Years ended December 31, 2001 and 2000

	2001	2000
Sales	\$40,961,172	\$26,590,551
Cost of sales	27,847,063	18,884,087
	13,114,109	7,706,464
Expenses:		
Selling	4,236,186	4,022,253
General and administrative	5,119,177	3,713,152
Interest on long-term debt	1,234,992	669,875
Depreciation and amortization	1,255,540	828,858
Amortization of goodwill	2,128,242	1,229,538
	13,974,137	10,463,676
Loss before undernoted item	(860,028)	(2,757,212)
Research and development costs	8,142,396	4,116,381
Loss before income taxes	(9,002,424)	(6,873,593)
Income taxes (note 11)	-	-
Net loss	(9,002,424)	(6,873,593)
Deficit, beginning of year	(9,425,396)	(2,551,803)
Deficit, end of year	\$(18,427,820)	\$(9,425,396)
Loss per common share:		
Basic	\$ (0.52)	\$ (0.64)
Diluted	\$ (0.52)	\$ (0.64)

See accompanying notes to consolidated financial statements.

CSI WIRELESS INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2001 and 2000

	2001	2000
Cash flows from (used in) operating activities:		
Net loss	\$(9,002,424)	\$(6,873,593)
Items not involving cash:		
Depreciation and amortization	1,255,540	828,858
Amortization of goodwill	2,128,242	1,229,538
	(5,618,642)	(4,815,197)
Change in non-cash operating working capital:		
Accounts receivable	236,319	(3,546,817)
Income taxes recoverable	-	38,967
Inventories	(3,984,929)	(856,842)
Prepaid expenses and deposits	(140,093)	124,717
Accounts payable and accrued liabilities	2,483,227	(1,343,883)
	(7,024,118)	(10,399,055)
Cash flows from (used in) financing activities:		
Increase in bank indebtedness	1,646,285	1,425,919
Senior long-term debt	(747,021)	4,667,199
Subordinated debt	(2,790,704)	454,848
Issue of share capital, net of share issue costs	10,487,033	4,809,778
	8,595,593	11,357,744
Cash flows from (used in) investing activities:		
Purchase of capital assets	(1,571,475)	(587,514)
Deferred development costs, net of incentives and grants	-	(301,407)
Business acquisition, net of cash acquired (note 6)	-	(132,544)
	(1,571,475)	(1,021,465)
Decrease in cash position	-	(62,776)
Cash and cash equivalents, beginning of year	-	62,776
Cash and cash equivalents, end of year	\$ -	\$ -
Supplemental disclosure:		
Interest paid	\$ 1,026,521	\$ 229,364

See accompanying notes to consolidated financial statements.

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2001 and 2000

CSI Wireless Inc. (the "Company") is incorporated under the laws of the Province of Alberta. The Company is actively involved in the design, manufacture and marketing of advanced wireless and precision global position system products and technologies.

1. Future operations:

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which is dependent upon the Company's ability to generate future profitable operations, and receiving continued financing to enable the Company to meet its obligations as they become due. Management believes the going concern assumption to be appropriate for these financial statements. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

2. Significant accounting policies:

(a) Principles of consolidation:

These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned.

(b) Inventories:

Inventories are valued at the lower of cost and market. Cost is determined on an average-cost basis and market determined at net realizable value for finished goods and work in progress, and replacement cost for component parts.

(c) Capital assets:

Capital assets are recorded at cost. Depreciation is provided at the following annual rates:

Computer equipment and software	declining balance	30%
Office and production equipment	declining balance	20% - 30%
Leasehold improvements	straight-line	5 years
Licenses and other assets	straight-line	3 to 10 years

Depreciation is charged from the date of acquisition of an asset.

2. Significant accounting policies (continued):**(d) Deferred development costs:**

The Company is actively engaged in developing new technology and products. Development costs related to a specific product or process that is proven to be technically and economically feasible are capitalized. Deferred development costs are amortized on a straight-line basis against future revenues over the period of expected benefit. If, at any time, the benefits of any costs capitalized are determined to no longer be of any value, such costs are written off in full. Any incentives or grants, received or receivable, which relate to the development activities of the Company are deducted from the capitalized amount in the period.

(e) Research costs:

Ongoing research costs, net of related incentives and grants, are charged to earnings in the current period.

(f) Goodwill:

Goodwill which represents the portion of the excess purchase price paid on the acquisition of businesses in excess of the value assigned to identifiable net assets acquired is amortized on a straight-line basis over a ten year period from the acquisition date. The value of goodwill is periodically evaluated and where there is considered to be an impairment in the estimated net recoverable amount of the goodwill, based upon expected cash flows, the goodwill is written down to its estimated value. Amortization for the year ended December 31, 2001 amounted to \$2,128,242 (December 31, 2000 - \$1,229,538).

(g) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(h) Earnings (loss) per share:

Basic earnings (loss) per share has been calculated using the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated using the treasury stock method, as described in note 3.

2. Significant accounting policies (continued):

(i) Foreign currency translation:

Foreign currency balances of the Company's foreign subsidiaries, which are considered to be integrated, are translated on the following basis:

- monetary assets and liabilities are translated at the rates of exchange prevailing at the balance sheet dates.
- non-monetary assets, liabilities and related depreciation expense are translated at historical rates.
- sales and expenses are translated at the average rate of exchange during the month in which they are recognized.

Any resulting foreign exchange gains and losses are included in earnings.

(j) Stock-based compensation plans:

The Company has a stock-based compensation plan, which is described in Note 10(d). No compensation expense is recognized for this plan when stock options are issued. Any consideration paid on exercise of stock options is credited to share capital.

(k) Income taxes:

The Company follows the liability method of accounting for income taxes. Under this method, future income tax liabilities and future income tax assets are recorded based on temporary differences - the difference between the carrying amount of an asset and liability in the consolidated balance sheet and its tax basis.

3. Change in accounting policy:

In 2000, The Canadian Institute of Chartered Accountants issued a new accounting standard with respect to earnings per share. The new standard requires the use of the treasury stock method for calculating diluted earnings per share. Under this method all options whose average price is less than or equal to the average share price for the period to date are considered outstanding and all convertible securities are converted at the average share price during the period. The Company has adopted this section retroactively with restatement of all previous periods, effective January 1, 2001. There was no impact on loss per share for the year ended December 31, 2000.

4. Capital assets:

December 31, 2001	Cost	Accumulated depreciation	Net book value
Computer equipment and software	\$ 1,266,971	\$ 675,280	\$ 591,691
Office and production equipment	3,035,253	1,123,348	1,911,905
Leasehold improvements	380,784	164,226	216,558
Licenses and other assets	721,982	288,749	433,233
	\$ 5,404,990	\$ 2,251,603	\$ 3,153,387

December 31, 2000	Cost	Accumulated depreciation	Net book value
Computer equipment and software	\$ 962,702	\$ 456,927	\$ 505,775
Office and production equipment	1,943,316	643,089	1,300,227
Leasehold improvements	576,168	182,430	393,738
Licenses and other assets	475,100	173,416	301,684
	\$ 3,957,286	\$ 1,455,862	\$ 2,501,424

5. Deferred development costs:

	2001	2000
Deferred development costs, net of incentives and grants	\$ 1,464,213	\$ 1,464,213
Accumulated amortization	1,341,466	1,008,038
	\$ 122,747	\$ 456,175

6. Business acquisition:

On June 30, 2000, the Company acquired all of the outstanding shares of Wireless Link Corporation ("Wireless"), a company in the business of developing, manufacturing, licensing and selling technology and products associated with wireless data communications applications. In consideration for all the issued and outstanding share capital of Wireless, the Company agreed to issue 5,400,000 common shares of the Company which includes 1,000,000 common shares to be issued over a three year period for no additional consideration at an ascribed value of \$2.85 per common share. Acquisition costs relating to the transaction amounted to \$754,606 resulting in an aggregate acquisition cost of \$16,144,606. The acquisition was accounted for using the purchase method with the results of operations included from the date of acquisition. The cost of the net assets acquired at assigned values consisted of:

Working capital deficiency	\$(1,834,676)
Capital assets	968,267
Goodwill	17,011,015
	\$16,144,606

7. Bank indebtedness:

The Company has an operating line of credit to a maximum amount of \$7,000,000 that bears interest at the bank prime rate plus 0.75% to 1.25%. This line of credit is secured by a general security agreement covering all assets of the Company. The amount drawn under the facility was \$3,072,204 at December 31, 2001 (December 31, 2000 - \$1,425,919).

8. Subordinated debt:

The subordinated debt which arose on the acquisition of certain of the assets of Satloc Inc. was comprised of a U.S. \$1,500,000 unsecured promissory note bearing interest at 15% compounded annually and payable to the vendor on April 4, 2001. This debt, along with its accrued interest, was retired in full on March 15, 2001.

9. Senior long-term debt:

	2001	2000
Loan payable, requiring monthly payments commencing on October 1, 2001 of \$111,111 plus interest at the bank's prime rate plus 2.5% per annum increasing to 3.5% November 2002, due on demand secured by a general security agreement covering all assets of the Company *	\$ 3,777,778 \$ 4,000,000	
Loan payable, requiring monthly payments of \$47,709 plus interest at the bank's prime rate plus 1.75% per annum, due on demand, secured by a general security agreement covering all assets of the Company *	1,457,939 1,982,738	
	5,235,717	5,982,738
Less current portion	952,921	905,841
	\$ 4,282,796	\$ 5,076,897

Principal payments due over the next four years are as follows:

Fiscal year:	
2002	\$ 952,921
2003	1,905,840
2004	1,905,840
2005	471,116

* As part of an agreement between the Company and its bank, no principal payments on the senior long term-debt are payable in 2002 for the months of January to June, after which payments are to resume as noted above.

10. Share capital:

- (a) Authorized:
 Unlimited number of common shares
 Unlimited number of first preferred shares
 Unlimited number of second preferred shares

- (b) Issued:

	Number of Shares	Amount
Balance, December 31, 1999	6,362,375	\$ 6,620,362
Issued on exercise of stock options	360,170	282,068
Forgiveness of shareholders loan	–	(32,000)
Rights offering	1,635,221	2,616,354
Issued and to be issued on the acquisition of Wireless Link Corporation (note 6)	5,400,000	15,390,000
Exercise of special warrants (note 10(c))	945,946	2,364,865
Exercise of share purchase warrants (note 10(e)(i))	100,000	290,000
Issued on exercise of broker options (note 10(f)(i))	10,000	29,000
Share issue costs	–	(772,509)
Balance, December 31, 2000	14,813,712	26,788,140
Issued on exercise of special warrants (note 10(c))	3,153,866	10,250,065
Issued on exercise of stock options	23,915	35,039
Exercise of share purchase warrants (note 10(e)(i))	400,000	1,160,000
Share issue costs	–	(958,071)
Balance, December 31, 2001	18,391,493	\$37,275,173
	Number of Shares	Amount
Preferred shares issued:		
Balance, December 31, 1999	–	\$ –
Issued per asset purchase agreement (note 10(h))	350,000	507,500
Balance December 31, 2000	350,000	507,500
Issued per asset purchase agreement (note 10(h))	311,000	469,100
Balance, December 31, 2001	661,000	\$ 976,600

10. Share capital (continued):

(c) Special warrants:

On June 12, 2000 the Company completed a private placement of 945,946 special warrants at a price of \$2.50 per special warrant. Each special warrant entitled the holder to acquire, at no additional cost, one common share and one common share purchase warrant. Each common share purchase warrant entitled the holder to purchase one common share at a purchase price of \$2.90 per common share until December 12, 2001. The special warrants were exercised on August 22, 2000.

On February 23, 2001 the Company issued 3,153,866 special warrants at a price of \$3.25 per special warrant. Each special warrant entitled the holder to acquire, at no additional cost, one common share and half of one common share purchase warrant. Each share purchase warrant entitles the holder to receive one common share at a price of \$3.75 per common share until June 19, 2002. The special warrants were exercised on April 17, 2001.

(d) Stock options:

(i) Stock Option Plan:

The Company has a stock option plan, whereby options to purchase common shares may be issued to directors, officers, employees, key consultants and agents of the Company subject to certain terms and conditions. Stock options granted vest over a period of two to four years and expire at various dates through 2006.

(ii) Wireless Link Acquisition Share Option Plan:

In connection with the Company's acquisition of Wireless (note 6), the Company adopted the Wireless Link Acquisition Share Option Plan and reserved 950,000 options to purchase common shares of the Company for certain directors, officers, and employees of Wireless. The terms of the plan are substantially similar to those set forth in the Share Option Plan noted above.

10. Share capital (continued):

(d) Stock options (continued):

The number of stock options outstanding under each plan are as follows:

	2001	2000
Share Option Plan	2,418,685	1,879,875
Wireless Link Plan	554,591	927,068
	2,973,276	2,806,943

Changes in the number of options, with their weighted average exercise prices for both plans combined, are summarized below:

	December 31, 2001		December 31, 2000	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Total options outstanding, beginning of year	2,806,943	\$ 2.97	482,750	\$ 0.80
Granted	682,750	2.14	2,932,749	3.27
Exercised	(23,915)	1.47	(360,170)	0.78
Cancelled/Expired	(492,502)	2.27	(248,386)	5.54
Stock options outstanding, end of year	2,973,276	\$ 2.89	2,806,943	\$ 2.97
Exercisable at year end	1,604,474	\$ 2.62	657,752	\$ 2.91

Range of Exercise Prices Outstanding	Options Outstanding			Options Exercisable	
	Number outstanding at December 31, 2001	Weighted Average Contractual Life (months)	Weighted Average Exercise Price	Number Exercisable at December 31, 2001	Weighted Average Exercise Price
\$0 – 1.00	76,985	13	\$ 0.81	72,986	\$ 0.76
1.01 – 2.00	585,507	51	1.61	271,099	1.61
2.01 – 3.00	1,169,784	40	2.44	913,382	2.46
3.01 – 6.95	1,141,000	45	4.14	347,007	4.22

10. Share capital (continued):

(e) Share purchase warrants:

- (i) There were 845,946 common share purchase warrants outstanding at December 31, 2000, that entitled the holder to acquire 845,946 common shares at a price of \$2.90 per share. During 2001, 400,000 of these share purchase options were exercised with the balance of 445,946 expiring on December 12, 2001.
- (ii) There are 1,576,933 common share purchase warrants outstanding at December 31, 2001, expiring on June 19, 2002, entitling the holder to acquire 1,576,933 common shares at a price of \$3.75 per share.

(f) Brokers options:

- (i) There were 84,595 Prior Agents Options outstanding at December 31, 2000 that entitled the Prior Agents to purchase one common share and one share purchase warrant at a price of \$2.90 per option until December 12, 2001. These options expired on December 12, 2001.
- (ii) There are 354,812 Agents Options outstanding at December 31, 2001 that entitle the holder to purchase one common share and one share purchase warrant at a price of \$3.26 per option until June 19, 2002.

(g) Bankers warrants:

There are 250,000 Bankers Warrants outstanding as at December 31, 2001 that entitle the holder to purchase 250,000 common shares of the Company at an exercise price of \$3.10 per common share. These Bankers Warrants expire on September 30, 2005.

(h) Preferred Shares:

As part of a business acquisition in 1999, contingent consideration in the form of a maximum 1,550,000 convertible preferred shares, at U.S. \$1.00 per share, is payable to the vendor over a five year period ending January 1, 2004. The preferred shares accrue dividends at the rate of 10% per annum, however no dividends will be paid until the preferred shares are converted or redeemed. The preferred shares are convertible into common shares at the greater of \$1.00 per preferred share or the 30-day average trading price prior to April 1, 2004. The preferred shares are redeemable at the request of the vendor on or after April 1, 2004 and by the Company after April 1, 2007.

11. Income taxes:

Income tax expense varies from the amount that would be computed by applying the combined Federal and Provincial income tax rate of 42.12% (2000 – 44.6%) before income tax as follows:

	2001	2000
Basic rate of 42.12% (2000 – 44.6%) applied to loss before income tax	\$(3,792,000)	\$(3,066,000)
Increase (decrease) resulting from:		
Amortization of non-tax based assets	733,000	261,000
Loss for which tax benefit is not recognized	3,225,000	2,904,000
Other	(166,000)	(99,000)
Income tax expense	\$ –	\$ –

The components of the Company's net future income tax asset at December 31, 2001, no portion of which has been recorded in these financial statements, are as follows:

	Asset (Liability)		
	Canada	United States	Total
Non-capital/net operating losses	\$ –	\$ 9,769,000	\$ 9,769,000
Research and development income tax pools	467,000	–	467,000
Capital assets	(195,000)	151,000	(44,000)
Share issue costs	593,000	–	593,000
Inventory	–	161,000	161,000
Goodwill	–	15,000	15,000
	\$ 865,000	\$10,096,000	\$10,961,000

The non-capital and net operating loss carry-forwards reflected above expire as follows:

United States	Net operating losses
2018	\$ 1,359,000
2019	5,438,000
2020	6,445,000
2021	11,181,000

12. Segmented information:

(a) Operating segments:

The Company's method for determining what information to report about operating segments is based on the way that management organizes the operating segments within the Company for making operating decisions and assessing financial performance.

The Company's chief operating decision maker is considered to be the Company's President and CEO. The President and CEO reviews financial information presented on a technology basis being the GPS Positioning devices and the Wireless Communication devices.

Year ended December 31:

	GPS Positioning Devices		Wireless Communication Devices		Corporate		Total	
	2001	2000	2001	2000	2001	2000	2001	2000
Sales	\$29,019,000	\$19,487,000	\$11,942,000	\$ 7,103,000	\$ -	\$ -	\$40,961,000	\$ 26,590,000
Interest expense	-	-	-	-	1,235,000	670,000	1,235,000	670,000
Depreciation and amortization	1,334,000	1,044,000	2,050,000	1,014,000	-	-	3,384,000	2,058,000
Net earnings (loss)	6,132,000	(696,000)	(12,045,000)	(4,014,000)	(3,089,000)	(2,163,000)	(9,002,000)	(6,873,000)
Capital assets and goodwill	1,010,000	4,555,000	564,000	17,065,000	-	-	1,574,000	21,620,000
Total assets	16,523,000	14,284,000	23,002,000	22,696,000	-	-	39,525,000	36,980,000
Capital expenditures excluding acquisition	1,007,000	478,000	564,000	110,000	-	-	1,571,000	588,000

(b) Sales by geographic segment:

	2001	2000
U.S.A.	\$32,184,000	\$16,285,000
Europe	957,000	3,850,000
Other	3,364,000	3,357,000
Canada	4,456,000	3,098,000

Sales are attributed to geographic segments based on the location of the customer.

(c) Major customers:

Of the Company's sales for the year ended December 31, 2001, 49% (December 31, 2000 - 27%) were to 5 customers.

13. Financial instruments:

The carrying values of accounts receivable, bank indebtedness and accounts payable and accrued liabilities, approximate their fair value due to the relatively short periods to maturity of these instruments. All long-term debt with variable interest rates is assumed to already be at fair value and therefore is not revalued. The fair value of the Company's vendor subordinated debt could not be determined because no market exists for this instrument.

14. Commitments:

The Company is committed to annual minimum lease payments, excluding tenant-operating costs of:

2002	\$ 1,322,000
2003	1,084,000
2004	947,000
2005	919,000
2006	884,000
Thereafter	2,952,000
	<hr/>
	\$ 8,108,000

15. Related party transactions:

In connection with the acquisition of Wireless Link, the Company has advanced \$1,194,450 (December 31, 2000 - \$811,769) to an officer and director of the Company. The loan bears interest at 6.3% per annum, compounded annually. The principal and accrued interest is to be repaid in full on or before December 31, 2002. A total of 700,000 shares of CSI Wireless Inc. are pledged to the Company as security for the loan.

The Company has made loans to various employees. The total amount of such loans was \$246,321 at December 31, 2001 (December 31, 2000 - \$148,076) and is included in accounts receivable. These loans include loans made in connection with the acquisition of Wireless Link, for which the Company agreed that Wireless would advance loans to certain of its employees to facilitate the exercise of stock options that such employees held in Wireless, the principal of which is to be repaid on or before July 14, 2002. Shares of CSI Wireless Inc. are held by the Company as security for the loans. Loans have also been made to certain Wireless employees to assist them in paying the withholding tax on shares issued to them under the Incentive Share Plan. These loans are to be repaid on or before February 28, 2002.

The Company advanced amounts to shareholders, prior to the Company's initial public offering, as an incentive for the exercise of options to purchase common shares. During the year ended December 31, 2001 amounts outstanding of \$nil (2000 - \$32,000) were forgiven.