



ANNUAL INFORMATION FORM

For the fiscal year ended

December 31, 2002

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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;

"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.

"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;

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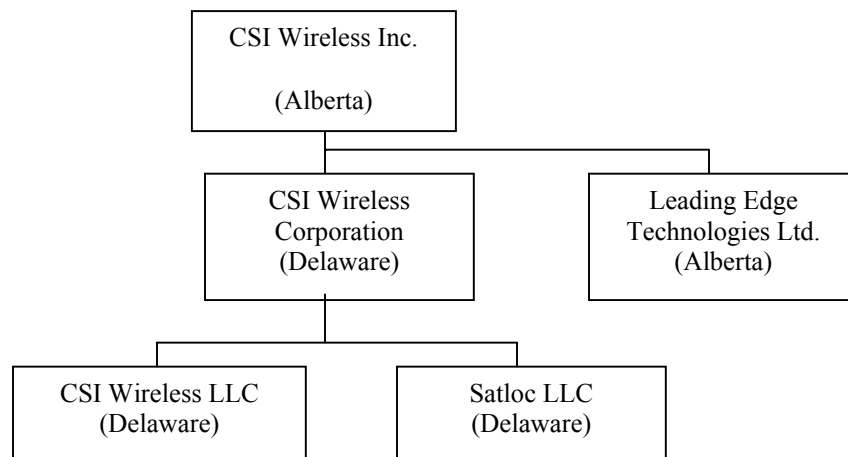
CERTAIN INTERPRETATION MATTERS

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 incorporated under the laws of the state of Delaware; Satloc LLC., ("Satloc") a corporation incorporated under the laws of the State of Delaware; CSI Wireless LCC 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 39 employees and the GPS Unit has 100 employees. In addition, 9 employees, including the President, perform corporate functions which are not directly attributed to either operating unit.

General Development 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-I 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 TSE.

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 I 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 I Shares have been issued and are outstanding. The Series I 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 I Shares. The Series I 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.

On June 26, 2002, subsequent to amending the terms of the outstanding share purchase warrants, 705,000 warrants were exercised at a price of \$2.65 per share for proceeds of \$1,868,250.

During 2002, the Wireless Business Unit product releases included the new Motorola-branded FX800t fixed wireless telephone, and the Asset-Link 100 and Asset-Link 200 telematics products. The GPS Business Unit released leading edge products including the Vector heading sensors and Seres smart antenna.

On November 21, 2002, the Corporation completed a private placement of 1,643,655 common shares and common share purchase warrants. The shares were issued at a price of \$1.30 per share for gross proceeds of \$4,273,502. The warrants in turn entitle the holder to acquire 1,643,655 common shares at a price of \$1.80 per share, expiring February 21, 2004.

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 products can compete effectively against local phone companies and for developing countries that lack sufficient wired infrastructure. The Company's Asset-Link™ line of products offer complete solutions for mobile asset management, safety and security applications, Telematics, and fleet management. 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 and develops cellular radios 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 145.4 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 - May 8, 2003). 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 over 4 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 few years between commercial sectors and consumer devices.

Wireless Communications Technologies

The North American public wireless voice and data communications industry is comprised of several technologies used together or individually by about 100 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. Globally, TDMA subscribers represent about 9.5% of worldwide cellular subscribers (EMC World Cellular Database – March 2003).

The Global System for Mobile Communications (“GSM”) established in Europe is the international standard, and the worldwide leader, for digital wireless transmission. GSM claims approximately 72% of the global digital wireless market with global subscribers in excess of 820 million. This represents an increase of almost 200 million subscribers since the beginning of January 2002 (EMC World Cellular Database – March 2003). Many carriers have announced plans to convert their networks to GSM in the coming years, therefore, these subscriber numbers are expected to continue to increase rapidly.

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. Worldwide, CDMA subscribers represent about 12.5% of worldwide cellular subscribers (EMC World Cellular Database – March 2003).

Digital Control Channel. Control channels are digital channels that are used by the cellular 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. 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.

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 remain 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 Strategis Group (2001) reported that the average US price per minute for cellular telephone service declined from US\$0.58 in 1993 to US\$0.21 in 2000. In addition to reductions in the cost of voice networks, new data services such as those offered by Aeris.net, Cellemetry, and digital SMS messaging are reducing the cost of service for lower data rate applications.
- *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. Allied Business estimates that there will be 6.5 million registered users in North America by the end of 2005, up from 3.7 million at the end of 2002. Management estimates that 20 to 30% 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 I describes the Company's existing wireless technology portfolio.

Table I - Wireless Core Technology

Air Interface	Network	Status
AMPS	AMPS Cellular	In Production
Aeris MicroBurst	AMPS Cellular Control Channel	In Production
Verizon WIN ⁴	AMPS Cellular	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, 2003	GSM/GPRS/AMPS
Q1, 2004	CDMA/AMPS
Late 2004	EDGE
2006+	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 Global Positioning System ("GPS"), including GPS, high-precision differential GPS ("DGPS"), and antenna technologies. These technologies are a critical component of devices that access wireless vertical markets requiring wireless location solutions.

Strong Partnerships in the Fixed Wireless Market. CSI Wireless has established and continues to develop two very strong relationships for its fixed wireless products. CSI has a strategic relationship with Brightstar Corp., the leading distributor of Wireless products in Latin America, and through Brightstar, CSI has developed a strong relationship with Motorola. The primary fixed wireless product designed and manufactured through CSI Wireless - the FX800t - is branded by Motorola. Through CSI's relationship with Brightstar CSI has strong opportunities to sell products in Latin America. Through its relationship with Motorola, CSI has access to one of the worlds best brands for Wireless products, and also has benefited from Motorola's strength in product quality and manufacturing.

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 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 products on behalf of cellular product 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 developing and implementing strategic procurement strategies that management believes will give it purchasing power that puts it in league with some of the world's largest wireless product manufacturers.

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.

Asset-Link™. The Company's *Asset-Link™* product line, uses public wireless networks to give enterprise management real time visibility to infrastructure, vehicles, cargo and people. The *Asset-Link™* 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, safety and security applications, fleet management and asset management applications such as truck and trailer fleets, heavy equipment and automobile rentals. 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's Fixed Wireless Telephone is branded by Motorola, with a product name of FX800t. It is a fixed base three watt digital (TDMA) 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. The company also sells a similar product, the Base One, in markets where Motorola branding does not apply.

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 applications including fleet management and telematics.

The following table outlines the CSI Wireless product line:

Product	Applications	Technology	Status
Asset-Link™	Safety and Security Fleet Management Telematics	Cellemetry or MicroBurst™/GPS AMPS/ /GPS AMPS/GSM/CDMA/GPS	In Production In Production In Development
Fixed Wireless Telephones - Motorola FX800t - Base One	Wireless telephone delivery to residential and commercial locations	TDMA 800	In Production
Wireless Modems (CVDM™ Family)	Fleet Management (OEM) Telematics (OEM)	Aeris.net MicroBurst AMPS	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 as well as the digital product needs of North American customers. 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 2003 a development/supply agreement with Directed Electronics Corporation ("Directed") for an advanced low-cost telematics product. CSI Wireless delivered the first units to Directed in April 2003.

CSI Wireless is completing cost reduction activities on its current fixed wireless telephone. It is also finalizing its plans to develop and manufacture a GSM based fixed wireless phone.

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). 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 12 key distribution partners who the Company believes are or will become key market leaders in their chosen verticals. These manufacturers, systems integrators and service

providers integrated CSI Wireless' PDI protocol into their customer solutions. 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. Currently CSI has 10 companies signed up to the channel partner program. 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 83% of its 2002 sales were to customers in the United States, 15% in Canada, and approximately 2% in other countries.

Customers

Table I provides a representative selection of CSI customers:

Original Equipment Manufacturers	Systems Integrators/Service Providers	Distributors (Branding)
PeopleNet Communications Corporation	AirIQ Inc. HeavyTrack.com, Inc. Televoke, Inc. Datacom	Directed Electronics (Viper, Clifford) Brightstar (Motorola)

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 Asset-Link™ 200, product and builds it into a solution to provide fleet and asset management solutions for their customers, which include a number of rental car companies

On December 17, 2002, CSI announced that it had signed a Supply Agreement with Datacom Wireless Corporation, based in Montreal, Quebec, to supply Asset-Link™ 100 telematics hardware for Datacom's MOBILUS stolen vehicle recovery system. Datacom anticipates deploying several thousand units throughout 2003.

On January 9, 2003, the Company announced an agreement to be the exclusive telematics product provider to Directed Electronics, Inc., the world's largest after-market vehicle security system and remote vehicle starter manufacturer. CSI's Asset-Link™ product will be the hardware device in this product offering which will be marketed under the Directed Electronic's brands Viper, Clifford, Python and Automate. Directed Electronic's largest retail dealers include Best Buy and Circuit City in the United States and Best Buy and Future Shop in Canada.

Competition

CSI Wireless views its primary competitors by product as follows:

Product	Key Competitors
Asset-Link™	Motorola, Inc. Trimble Navigation Limited Orbcomm Global, L.P. Aercept Maxon WebTech Wireless
Fixed Wireless Telephone	Telular Ericsson LG

Wireless Modems	Ericsson Skybility
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Manufacturing

CSI Wireless out sources most of our wireless device manufacturing to two external manufacturers: MACK Technologies (Mexico) and Calcomp Electronics (Thailand). By outsourcing our manufacturing activities, CSI Wireless benefits by:

- allowing us 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 2003 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 Reduction
 - a. Design Cost Reductions
 - b. Supply Chain programs and Vendor cost reduction programs/negotiation
 - c. Component selection at the design level.

Facilities

The Wireless Unit currently leases approximately 7000 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, 2002, the Wireless Unit has 39 employees, in total, with 20 in Research and Development, 9 in Sales and Marketing, 5 in Operations and 5 in Finance and Administration. Of these totals, 11 engineers, 2 Sales and Marketing employees and 1 part-time Administrative employee work out of the Milpitas location.

GPS 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 differential GPS (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 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-2 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.
- The Company has developed a GPS heading sensor that combines two GPS receivers and two antennas into a single enclosure to provide heading information to within a half-degree accuracy.

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 family of guidance products 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 six patent applications underway which will provide us with critical intellectual property rights to develop.

Products

Precision Guidance for Agriculture

CSI Wireless' precision guidance products for agricultural use include the AirStar M3, SwathStar M3, and new CornerPost. The AirStar M3 is a high-performance aerial guidance system, while the SwathStar M3 is a high-performance land-based guidance system. Both are very accurate for spraying, swathing, mapping, yield monitoring and soil sampling.

The CornerPost, introduced in June 2002, is for use with CSI's SwathStar M3 and LiteStar ground-based agricultural guidance systems. Because the CornerPost can achieve one-inch accuracy, it is ideal for precisely spaced row-crops while planting, cultivating, bedding and installing irrigation. The CornerPost eliminates crop damage that occurs if planting, cultivating or other equipment deviates only a few inches to the left or right from prescribed rows.

The CornerPost's very high accuracy is mainly due to its two GPS receivers. One is a "base station" and the other is a "rover", mounted to the tractor. The base receiver is fully automatic, and can be quickly moved from field to field. A single base receiver can broadcast GPS corrections to an unlimited number of roving receivers, so farmers within a six-mile radius can share the CornerPost's costs.

CSI Wireless' precision guidance products for the agriculture industry's Original Equipment Manufacturers (OEMs)

include the extremely popular Outback® S and Outback® 360, both of which were developed and built under contract for RHS Inc. RHS has a well-established distribution network in North America, and recently established similar networks in Central and South America, Australia and Europe.

The Outback® S features a highly accurate Differential GPS and Wide Area Augmentation System (WAAS) receiver. It enables farmers to navigate their fields with minimal overlap, whether in straight lines or contours, in any visibility – including darkness. Eliminating overlap saves enough time, fuel, fertilizer and insecticide that Outback® S purchasers say they typically recoup the costs of their new, easy-to-install-and-operate guidance systems in only 12 to 18 months.

The Outback® 360 is an accessory product to the Outback® S. It is a computerized visual aid system that features a high-resolution colour display that effectively enables farmers to look down from the sky – monitoring the progress of their tractors and farming implements as they move across their fields, while collecting and processing data.

In January 2003, CSI Wireless and RHS introduced a third member of the Outback® product line. The Outback® Hitch is the first GPS product designed and built especially for guiding agricultural implements such as planters, sprayers and cultivators.

It ensures that tractor-pulled implements follow precise paths – which reduces crop damage and operator fatigue, while achieving new efficiencies in cost-sensitive farming operations. The Outback® Hitch enables the hitch or link between the agricultural implement and tractor to automatically adjust left-or-right to remain precisely on track.

OEM Precision Guidance

CSI Wireless' other OEM precision guidance products, most of which are designed to serve markets other than agriculture, include the SBX-3A, the SLX-2, the Evolution and the SX-1.

The SBX-3A is a Differential GPS engine that augments a separate GPS receiver with free accuracy-enhancing correction data from networks of stations located throughout the world. The resulting positioning accuracy of the GPS receiver is between one and five metres.

The SLX-2 is a Differential GPS engine equipped to receive additional accuracy-enhancing data from two global sources – the fee-charging OmniSTAR system, and/or freely available Space Based Augmentation Systems (SBAS) such as the United States' Wide Area Augmentation System (WAAS), the European Geostationary Navigation Overlay System (EGNOS), and Japan's MTSAT Satellite Augmentation System (MSAS).

The Evolution and SX-1 are printed circuit board (PCB) modules that CSI Wireless introduced in April 2002. They are the industry's first truly affordable methods of receiving Differential GPS and SBAS signals all on one circuit board. The Evolution can achieve accuracies of two or three metres, and is ideal for various applications including marine. The higher-performance SX-1 features CSI Wireless' unique COAST™ and e-Dif™ technology that enable it – like the SLX-2 – to continue to effectively use out-dated differentially corrected data for up to 40 minutes without any significant accuracy degradation. The SX-1 is accurate to less than one metre, and ideal for applications such as precision guidance in agriculture, and geographic information systems (GIS) & mapping.

GPS Heading Sensors

CSI Wireless introduced its Vector line of GPS heading sensors in October 2002.

Representing an entirely new core technology for the Company, the sensors enable users to maintain very accurate headings at substantially less than the cost of traditional gyrocompasses, or of competing GPS systems. The Vector line incorporates CSI Wireless' exclusive COAST™ technology as described below.

The Vector PRO is designed for marine use, and the Vector Sensor for the rapidly emerging "machine control" market – including agricultural and heavy construction equipment – that depends on very accurate headings.

The Vector PRO is a "smart antenna" system that combines two GPS receivers and two antennas into a single enclosure about a half-metre long. Using a sophisticated moving base station Real-Time Kinematic (RTK) technique, the Vector ST provides heading information to within half-degree (0.5) accuracy – enough to replace gyrocompasses for many applications at a fraction of the cost. It is capable of receiving accuracy-enhancing data from land-based Differential GPS beacon stations and from space-based WAAS, EGNOS and MSAS.

The Vector Sensor is similar to the Vector PRO in that its two receivers are housed in a single enclosure. However, each of the Sensor's two antennas is housed in separate enclosures. Users can increase the distance between the antennas, which then increases heading accuracy. With the antennas two meters apart, the Vector Sensor computes heading information with better than 0.15 – degree accuracy – matching or exceeding the accuracy of competitors' products while being significantly more affordable.

Integrated GPS Receivers

CSI Wireless' newest integrated receiver is the ultra-compact Seres. Introduced in February 2002, it is a combined Differential GPS/SBAS receiver and antenna system that is designed to serve several markets including precision guidance in agriculture, GIS & mapping. The Seres features CSI Wireless' exclusive COAST™ technology, and is also compatible with CSI's unique e-Dif™ software.

CSI Wireless' other integrated receivers include the DGPS MAX, GBX Series, MBX-3, SLXg3 and SLXg3 Combo. They are intended for a wide variety of applications including marine and land navigation, precision guidance in agriculture, asset-tracking, GIS & mapping. The DGPS MAX, which is CSI's flagship integrated receiver, features Differential GPS, SBAS, OmniSTAR and capability, plus COAST™ technology.

GPS Software

CSI Wireless has a growing variety of innovative GPS software products, including several that significantly enhance the location-sensing capabilities of other CSI products.

This software includes COAST™, which enables Differential GPS receivers to use original differential or accuracy-enhancing data for up to 40 minutes without seriously degrading accuracy. COAST™ makes various CSI Wireless receivers less likely than competing products to be affected by trees, buildings and other obstacles that temporarily block differential signals. COAST™ enables the receivers to "coast" through temporary signal outages with minimum impacts on accuracy. CSI Wireless products that incorporate COAST™ include the Seres, SX-1, SLX-2, Vector PRO, Vector Sensor and DGPS MAX.

In June 2002, CSI Wireless received a U.S. patent for its new e-Dif or "extended differential" software that enables standard GPS receivers to achieve the much higher accuracy available from Differential GPS, without any help from accuracy-enhancing differential signals.

e-Dif enables a standard GPS receiver, capable of only 10-metre or 15-metre accuracy, to internally generate differential corrections that improve its accuracy to one metre – without the expense or potential uncertainties of differential signals. e-Dif computes corrections that last for as long as 40 minutes, after which the receiver re-computes a fresh set of corrections for another 40 minutes.

e-Dif can save customers the cost of subscription fees for Differential GPS signals in regions such as South America, Africa and Australia where the signals are not free. Even in North America, where the signals are free, e-Dif is a valuable back-up against signal outages. And in northern latitudes, including many parts of Canada, e-Dif can achieve better accuracy than what is possible using free differential signals from public satellite networks such as WAAS, or when a receiver is on the fringe of land-based radiobeacon networks.

CSI Wireless has integrated e-Dif software into many products including the DGPS MAX, SLX-2, SLXg3, SLXg3 Combo, Seres, AgIQ and Outback™ S.

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 have been completed, which incorporate the new Zarlinks 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. Work has begun on our own GPS IP which will permit us to be free of our dependence on IC suppliers for our GPS hardware. This new platform will provide much greater flexibility and performance than is currently available with the Zarlinks chipset.

Integrated Positioning Units. The recent completion of the integrated beacon receiver and H-field antenna has enabled us to go one step further and create a truly smart antenna which houses our high end GPS, and beacon receivers with an H-field beacon antenna and GSP antenna. In 1st quarter of 2003 we also completed the development of a smaller tighter integrated GPS/beacon receiver the MiniMax, which will open up some new opportunities.

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. Two configurations of this product were completed, a packaged receiver with remoted antennas, and a smart antenna. The remoted antennas allows the user to select the level of accuracy required, by increasing the separation between them. The all-in-one smart antenna has a 0.5 meter baseline between the antennas, which provides 1 degree of accuracy 95% of the time.

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.

A new product introduced with RHS is the Hitch, which controls a towed implement correcting for driver errors, slopes and compensating for turns. Also with RHS the engineering team has updated the software in the Outback family of products to provide multi-languages, make them easier to use, and improve guidance performance.

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 following are patents, or patents pending, that have be awarded to the Company.

Patent # or Application #	Titles	Products Covered	Award Date
6,111,549	"Flexible Circuit Antenna and Method of Manufacture Thereof"	CDA-2, GLA-2	29-Aug-00
6,397,147 B1	"Relative GPS Positioning Using a Single Reciever with Internally Generated	eDif in Seres, AgIQ, SLX, Outback S, SX-1 DGPS(MAX)	28-May-02

Patent # or Application #	Titles	Products Covered	Award Date
	Differential Correction Terms"		
6,469,663 BI	"Method and System for GPS and WAAS Carrier Phase Measurements for Relative Positioning"	Cornerpost, vector	22-Oct-02
6,501,346 BI	"Ceramic Filter For use with a Beacon Receiver"	SBX3A	31-Dec-02
6,539,303	"GPS Derived Swathing Guidance"	Outback S	25-Mar-03
6,549,091 BI	"Antenna Coupler"	AVL-I	15-Apr-03

The GPS business unit also has provisional patents and applications in place for the following:

- Implement steering (2)
- Autosteering (2)
- Improved guidance
- GPS core technology, and
- Deformation monitoring

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 78% of its sales in the fiscal year ending 2002 (81% in 2001) occurred in the United States. Approximately 4% of its 2002 sales (4% in 2001) occurred in Europe. Approximately 4% of its 2002 sales (5% in 2001) occurred in Canada. Approximately 14% of its 2002 sales (10% in 2001) occurred in other areas of the world.

CSI Wireless' GPS positioning products currently serve the marine, geographic information systems, precision farming, 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.

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. As well, the new Vector heading sensor products allow vessels to maintain accurate headings while navigating, at substantially less cost than traditional gyrocompasses.

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 NovAtel Inc., Thales Navigation Inc., and Raven Industries. 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

Circuit board population, final assembly, and quality assurance testing, of the Company's OEM modules, integrated positioning units, and antennas occur in-house at the Calgary facility. The Company looks to external sources for printed circuit boards, and certain board population.

The operations department provides production engineering to ensure that CSI Wireless' products can be manufactured in large volumes, 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 100 employees in total with 25 in Research and Development, 17 in Sales and Marketing, 48 in Manufacturing Operations and 10 in Administration. Of these totals, 12 engineers, 11 Operations employees, 11 Sales and Marketing employees, and 2 Administrative employees work out the Scottsdale location.

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.** Although it is anticipated that the Corporation will incur a profit for the year ended December 31, 2003, the Company has incurred losses in each of the prior 3 years. As such, there is no guarantee that the Company will be profitable in the current year, and in turn require additional financing.
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, 2002, 61% (2001- 49%) 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. The Company is however, in part, naturally hedged against such currency fluctuations, as the majority of the cost of sales and part of the fixed costs are incurred in US dollars.
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, 2002 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 Wireless Link in June 2000, inter-year financial comparisons may have limited value.

Selected Annual Information

	Years Ended December 31,		
	2002 (audited)	2001 (audited)	2000 ⁽⁹⁾ (audited)
Revenues	\$54,136	\$40,961	\$26,591
Gross Margin	15,898	13,114	7,706
Net Earnings (loss)	(3,857)	(9,002)	(6,874)
Working Capital	2,409	3,315	871
Total Assets	40,737	39,525	36,980
Long-term Debt	5,216	5,236	8,773
Shareholders Equity	21,382	19,824	17,870
Research and Development Costs	8,049	8,142	4,116
EPS-Basic ⁽¹⁾⁽²⁾	(0.20)	(0.52)	(0.64)
EPS-Fully Diluted ⁽¹⁾⁽³⁾	(0.20)	(0.52)	(0.64)
Outstanding Common Shares			
Weighted Average	19,143,057	17,454,181	10,821,018
At Period End	22,448,077	18,391,493	14,813,712
Options Outstanding ⁽⁴⁾	3,065,992	2,973,276	2,806,943
Warrants Outstanding ⁽⁵⁾	1,643,655	1,576,933	940,541
Prior Agent's Options Outstanding ⁽⁶⁾⁽⁷⁾	345,168	354,812	84,595
Bankers Warrants Outstanding ⁽⁸⁾	250,000	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) The warrants outstanding at Dec 31, 2001, expired on June 19, 2002, while the warrants outstanding Dec 31, 2002 expire February 21, 2004 and have an exercise price of \$1.80.
- (6) For 2001, 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) For 2002, there are 115,056 regular warrants issued to Agents that are exercisable at \$1.80 per share until February 21, 2004. There are also 230,112 Agents warrants that are exercisable at \$1.42 until November 21, 2003.
- (8) The Bankers Warrants were exercisable at a price of \$3.10 per share and expire on September 30, 2005. On January 29, 2003 these warrants were repriced at \$2.50.
- (9) Includes the business of Wireless Link for the period from July 1, 2000 to December 31, 2000. See "History of the Corporation" and "Acquisitions."

Selected Quarterly Information (3 months ended)

	December 31, 2002	September 30, 2002	June 30, 2002	March 31, 2002	December 31, 2001	September 30, 2001	June 30, 2001	March 31, 2001
Revenue (\$000)	20,633	8,784	10,761	13,958	10,027	6,761	11,961	12,211
Income (loss) for the quarter (\$000)	(1,613)	(2,716)	(578)	1,050	(3,136)	(3,744)	(1,632)	(491)
EPS – Basic before goodwill amortization	(0.08)	(0.14)	(0.03)	0.06	(0.17)	(0.21)	(0.09)	(0.03)
EPS – Fully Diluted	-	-	-	0.05	-	-	-	-

Dividend Policy

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 16 to 19, inclusive, of the Corporation's Year 2002 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.

<u>Name and Municipality of Residence</u>	<u>Office Held</u>	<u>Period as Director</u>	<u>Principal Occupation</u>
Stephen A. Verhoeff Calgary, Alberta	President, 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

Name and Municipality of Residence	Office Held	Period as Director	Principal Occupation
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	President & founder of Fall Creek Consultants.
Michael J. Lang ⁽¹⁾⁽²⁾⁽⁴⁾ Calgary, Alberta	Chairman of the Board, & 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⁾⁽⁴⁾ Medford, Massachusetts	Director	1996 - Present	Retired Executive
Paul L. Camwell ⁽¹⁾⁽⁴⁾ Calgary, Alberta	Director	1998 - Present	Chief Technology Officer & Vice President for Extreme Engineering Ltd
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 Sales, GPS	N/A	Vice President & General Manager, GPS of the Corporation
Theresa J. Lea Calgary, Alberta	Vice President Finance and Administration & General Manager, GPS	N/A	Vice President Finance and Administration & General Manager, 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.
- (4) Members of the Corporation's Human Resources and Corporate Governance 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, 2002.

As at December 31, 2002, the directors and officers of the Corporation, as a group, beneficially owned, directly or indirectly, 4,080,062 Common Shares or approximately 18% of the issued and outstanding Common Shares of the Corporation.

MANAGEMENT

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

CSI Wireless founder, President and Chief Executive Officer Stephen Verhoeff has been involved with the Company since its incorporation in 1990. He oversees all aspects of CSI's corporate operations including marketing, financial reporting, manufacturing and administration. Before 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

CSI Wireless Executive Vice President and Chief Financial Officer Brian Hamilton has been with CSI since 1995, and its CFO since 1996. His responsibilities include providing financial and general management leadership. Mr. Hamilton was the founder, President and CEO of Easy Street Adventures Inc., a public company that operated family entertainment parks. From 1987 to 1992, he was exclusively devoted to identifying emerging companies on behalf of two venture capital companies, Merbanco Inc. and Harvest Fund Inc. Mr. Hamilton 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 is a consultant to CSI Wireless, and President of Broadlink Research Inc. He has served as CSI Wireless' Chief Technology Officer since 2000. He also founded Wireless Link in 1987 and served as President and CEO until its acquisition by CSI in 2000. Earlier Dr. Najafi was co-founder and Vice President of Engineering at TransTech International Corporation, which developed a wide range of communications products including cellular phones, pagers, long-range spread-spectrum cordless phones, high-speed modems, cellular data products, satellite modems and voice response systems. Dr. Najafi has a PhD in Electrical Engineering from Stanford University.

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 Sales, 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 & General Manager, GPS Business Unit

Ms. Lea joined CSI in 1997 as controller and was promoted to VP Finance in 1999, and General Manager in early 2003. 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.

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 16 through 19, inclusive, of the Corporation's 2002 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 March 24, 2003 prepared in connection with the Annual and Special Meeting of Shareholders to be held on May 13, 2003, 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, 2002, together with the accompanying report of the auditor, which is included in the Corporation's 2002 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
 - (v) 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, 2002 and 2001

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of CSI Wireless Inc. as at December 31, 2002 and 2001 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, 2002 and 2001 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
March 4, 2003

CSI WIRELESS INC.

Consolidated Balance Sheets

December 31, 2002 and 2001

	2002	2001
Assets		
Current assets:		
Accounts receivable (note 15)	\$ 9,568,102	\$ 8,986,632
Inventories	9,251,148	9,400,184
Prepaid expenses and deposits	335,942	346,927
	<u>19,155,192</u>	<u>18,733,743</u>
Capital assets (note 4)	3,510,208	3,153,387
Deferred development costs (note 5)	—	122,747
Goodwill	18,071,676	17,515,176
	<u>\$ 40,737,076</u>	<u>\$ 39,525,053</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 6)	\$ 4,031,400	\$ 3,072,204
Accounts payable and accrued liabilities	10,107,646	11,393,179
Current portion of senior long-term debt (note 8)	1,905,852	952,921
Current portion of other long-term debt (note 7)	701,260	—
	<u>16,746,158</u>	<u>15,418,304</u>
Senior long-term debt (note 8)	2,170,408	4,282,796
Other long-term debt (note 7)	438,208	—
Preferred shares (note 9)	1,855,244	976,600
Common shares (note 10)	41,812,078	37,275,173
Deficit	(22,285,020)	(18,427,820)
Future operations (note 1)		
Commitments (note 14)		
Subsequent event (note 16)		
	<u>\$ 40,737,076</u>	<u>\$ 39,525,053</u>

See accompanying notes to consolidated financial statements.

CSI WIRELESS INC.

Consolidated Statements of Operations and Deficit

Years ended December 31, 2002 and 2001

	2002	2001
Sales	\$ 54,136,246	\$ 40,961,172
Cost of sales	38,238,297	27,847,063
	15,897,949	13,114,109
Expenses:		
Selling	4,344,215	4,236,186
General and administrative	4,874,004	5,119,177
Interest on long-term debt	1,015,918	1,234,992
Depreciation and amortization	1,149,744	1,255,540
Amortization of goodwill	—	2,128,242
	11,383,881	13,974,137
Income (loss) before undernoted item	4,514,068	(860,028)
Research and development costs	8,049,124	8,142,396
Redemption premium on preferred shares (note 9)	322,144	—
Net loss	(3,857,200)	(9,002,424)
Deficit, beginning of year	(18,427,820)	(9,425,396)
Deficit, end of year	\$ (22,285,020)	\$ (18,427,820)
Loss per common share before goodwill amortization	\$ (0.20)	\$ (0.39)
Loss per common share, basic	\$ (0.20)	\$ (0.52)

See accompanying notes to consolidated financial statements.

CSI WIRELESS INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2002 and 2001

	2002	2001
Cash flows from (used in) operating activities:		
Net loss	\$ (3,857,200)	\$ (9,002,424)
Items not involving cash:		
Depreciation and amortization	1,149,744	1,255,540
Amortization of goodwill	–	2,128,242
Redemption premium on preferred shares	322,144	–
Options granted to non-employees	54,781	–
	(2,330,531)	(5,618,642)
Change in non-cash operating working capital:		
Accounts receivable	(1,766,170)	236,319
Inventories	149,036	(3,984,929)
Prepaid expenses and deposits	10,985	(140,093)
Accounts payable and accrued liabilities	2,207,477	2,483,227
	(1,729,203)	(7,024,118)
Cash flows from (used in) financing activities:		
Increase in bank indebtedness	959,196	1,646,285
Senior long-term debt	(1,159,457)	(747,021)
Other long-term debt	(2,353,542)	–
Subordinated debt	–	(2,790,704)
Issue of share capital, net of share issue costs	5,666,824	10,487,033
	3,113,021	8,595,593
Cash flows used in investing activities:		
Purchase of capital assets	(1,383,818)	(1,571,475)
Decrease in cash position		
	–	–
Cash and cash equivalents, beginning of year		
	–	–
Cash and cash equivalents, end of year		
	\$ –	\$ –
Supplemental disclosure:		
Interest paid	\$ 900,027	\$ 1,026,521

See accompanying notes to consolidated financial statements.

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2002 and 2001

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) Revenue recognition:

The Company generates revenue primarily from the sales of equipment, as well as from royalty and licensing revenue.

Revenues from the sale of equipment are recognized upon shipment and when all significant contractual obligations have been satisfied and collection is reasonably assured. Accruals for warranty costs, sales returns and other allowances at the time of shipment are based upon contract terms and anticipated claims.

Revenue from licensing and royalties derived from the Company's technology, is recognized when all material services and conditions relating to the licenses and royalties have been satisfied and collection is reasonably assured.

(c) Inventories:

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

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2002 and 2001

2. Significant accounting policies (continued):

(d) 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.

(e) 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. No amounts have been capitalized in 2002.

(f) Research costs:

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

(g) Goodwill:

Goodwill 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. 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 future discounted cash flows, the goodwill is written down to its estimated value. There was no write-down after assessment of 2002 balances.

(h) 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.

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2002 and 2001

2. Significant accounting policies (continued):

(i) Per share amounts:

Loss per common share has been calculated using the weighted average number of common shares outstanding during the year. The weighted average shares outstanding for the year ended December 31, 2002 was 19,143,057 (December 31, 2001 – 17,454,181). Diluted loss per share is calculated using the treasury stock method. Diluted loss per share has not been shown separately as it is anti-dilutive for the years ended December 31, 2002 and 2001.

(j) 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.

(k) Stock-based compensation plans:

The Company has a stock-based compensation plan, which is described in note 10(d). Compensation expense is recognized for this plan only when stock options are issued to non-employees (see note 3). Any consideration paid on exercise of stock options is credited to share capital.

(l) 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.

(m) Comparative figures:

Certain comparative information for 2001 has been restated to conform with the current year's presentation.

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2002 and 2001

3. Change in accounting policies:

Effective January 1, 2002, the Company adopted the new accounting standards for stock based compensation. Under this standard, the Company follows the settlement date method of accounting for stock options granted to employees and the fair value method for stock options granted to non-employees. The Company discloses the effect of accounting for the stock options awarded to employees under the fair value method (see note 10(e)).

Effective January 1, 2002, the Company adopted the new accounting standards for goodwill and other intangible assets. This new standard requires that goodwill not be amortized, but only written down if impaired. In accordance with the new standard, the carrying value of goodwill will be assessed for impairment annually. Prior to the adoption of this new recommendation, goodwill was amortized on a straight-line basis over its estimated useful life.

4. Capital assets:

December 31, 2002	Cost	Accumulated depreciation	Net book value
Computer equipment and software	\$ 1,636,994	\$ 918,844	\$ 718,150
Office and production equipment	3,459,534	1,615,311	1,844,223
Leasehold improvements	306,586	120,459	186,127
Licenses and other assets	1,236,267	474,559	761,708
	<u>\$ 6,639,381</u>	<u>\$ 3,129,173</u>	<u>\$ 3,510,208</u>
December 31, 2001			
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
	<u>\$ 5,404,990</u>	<u>\$ 2,251,603</u>	<u>\$ 3,153,387</u>

5. Deferred development costs:

	2002	2001
Deferred development costs, net of incentives and grants	\$ 1,464,213	\$ 1,464,213
Accumulated amortization	1,464,213	1,341,466
	<u>\$ —</u>	<u>\$ 122,747</u>

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2002 and 2001

6. Bank indebtedness:

The Company has an operating line of credit to a maximum amount of \$6,000,000 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 \$4,031,400 at December 31, 2002 (December 31, 2001 - \$3,072,204). The Company also has a Letter of Credit / Guarantee Line available in the amount of \$10,000,000 (\$2,800,000 issued at December 31, 2002) in connection with fixed wireless product sales. The Company in turn receives letters of credit from customers under similar terms (\$2,800,000 received at December 31, 2002).

7. Long-term debt:

On May 15, 2002 the Company entered into an agreement with a third party, which manufactures products for the Company, to convert \$3,493,010 of current accounts payable into a 2 year long-term note. This debt is secured behind the Company's senior debt, accrues interest at a rate of US prime rate plus 4%, and requires monthly interest and principal payments of \$40,500 US.

8. Senior long-term debt:

	2002	2001
Loan payable, requiring monthly payments of \$111,111 plus interest at the bank's prime rate plus 2.5% per annum increasing to 3.5% November 2002, secured by a general security agreement covering all assets of the Company	\$ 2,999,993	\$ 3,777,778
Loan payable, requiring monthly payments of \$47,709 plus interest at the bank's prime rate plus 1.75% per annum, secured by a general security agreement covering all assets of the Company	1,079,267	1,457,939
	4,076,260	5,235,717
Less current portion	1,905,852	952,921
	\$ 2,170,408	\$ 4,282,796

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2002 and 2001

8. Senior long-term debt (continued):

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

Fiscal year:		
2003		\$ 1,905,852
2004		1,905,852
2005		264,556

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

9. Preferred shares:

(a) Authorized:

Unlimited number of first preferred shares

Unlimited number of second preferred shares

(b) Issued:

	Number of Shares	Amount
Balance, December 31, 2000	350,000	\$ 507,500
Issued per asset purchase agreement	311,000	469,100
Balance December 31, 2001	661,000	976,600
Issued per asset purchase agreement	350,000	556,500
Redemption premium on preferred shares	—	322,144
Balance, December 31, 2002	1,011,000	\$ 1,855,244

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 holder over a five year period ending January 1, 2004 upon the attainment of annual sales targets. The preferred shares have a redemption premium of 10% per annum, however no redemption premium 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 retractable at the request of the holder on or after April 1, 2004 and redeemable by the Company after April 1, 2007.

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2002 and 2001

10. Common shares:

(a) Authorized:

Unlimited number of common shares

(b) Issued:

	Number of Shares	Amount
Balance, December 31, 2000	14,813,712	\$ 26,788,140
Issued on exercise of stock options	23,915	35,039
Issued on exercise of special warrants (note 10(c))	3,153,866	10,250,065
Exercise of share purchase warrants (note 10(f)(i))	400,000	1,160,000
Share issue costs	—	(958,071)
Balance, December 31, 2001	18,391,493	37,275,173
Issued on private placement	3,287,309	4,273,502
Issued on exercise of stock options	64,275	52,124
Exercise of share purchase warrants (note 10(f)(ii))	705,000	1,868,250
Share issue costs	—	(527,052)
Options granted to non-employees	—	54,781
Loan receivable from director (note 15)	—	(1,184,700)
Balance, December 31, 2002	22,448,077	\$ 41,812,078

(c) Special warrants:

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 entitled the holder to receive one common share at a price of \$3.75 per common share until June 19, 2002.

(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 2007.

(ii) Wireless Link Acquisition Share Option Plan:

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

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2002 and 2001

10. Common shares (continued):

(d) Stock options (continued):

At December 31, 2002, the following stock options are outstanding out of a total of 4,114,999 reserved for issuance:

	2002	2001
Share Option Plan	2,630,399	2,418,685
Wireless Link Plan	435,593	554,591
	<u>3,065,992</u>	<u>2,973,276</u>

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

	December 31, 2002		December 31, 2001	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Total options outstanding, beginning of year	2,973,276	\$ 2.89	2,806,943	\$ 2.97
Granted	408,750	1.85	682,750	2.14
Exercised	(64,275)	0.80	(23,915)	1.47
Cancelled/Expired	(251,759)	2.12	(492,502)	2.27
Stock options outstanding, end of year	<u>3,065,992</u>	<u>\$ 2.80</u>	<u>2,973,276</u>	<u>\$ 2.89</u>
Exercisable at year end	<u>2,289,638</u>	<u>\$ 3.07</u>	<u>1,604,474</u>	<u>\$ 2.62</u>

Range of Exercise Prices Outstanding	Options Outstanding			Options Exercisable	
	Number outstanding at December 31, 2002	Weighted Average Remaining Contractual Life (months)	Weighted Average Exercise Price	Number Exercisable at December 31, 2002	Weighted Average Exercise Price
\$0.00 – 1.00 0.95		14,150	14 \$	0.95	14,150 \$
1.01 – 2.00	705,300	44	1.47284,148	1.59	
2.01 – 3.00	1,287,542	32	2.451,017,133	2.42	
3.01 – 6.95	1,059,000	31	4.14974,207	4.20	

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2002 and 2001

10. Common shares (continued):

- (e) The fair value of each option granted to non-employees is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 2002: zero dividend yield; expected volatility of 50%; risk-free rates of 5%; and expected lives of 5 years. At December 31, 2002, the Company has recorded \$54,781 as compensation expense for non-employees who have been granted stock options.

As the Company follows the settlement date method of accounting for stock options granted to employees, no compensation cost has been recognized for the year ended December 31, 2002. Had compensation cost for stock options granted to employees been determined based on the fair value method, the Company's pro-forma net loss would have been increased by \$64,659 to \$3,921,859 and the pro-forma loss per share would have been \$0.20 for the year ended December 31, 2002.

- (f) 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 were 1,576,933 common share purchase warrants outstanding at December 31, 2001 that entitled the holder to acquire 1,576,933 common shares at a price of \$3.75 per share. On June 26, 2002, subsequent to amending the terms of the outstanding share purchase warrants, 705,000 warrants were exercised at a price of \$2.65 per share for proceeds of \$1,868,250. All remaining unexercised share purchase warrants expired on June 27, 2002.
- (iii) Pursuant to the private placement completed during the year, the Company issued 1,643,655 common share purchase warrants that entitle the holder to acquire 1,643,655 common shares at a price of \$1.80 per share, expiring February 21, 2004.

- (g) Agents options:

- (i) There were 354,812 Agents options outstanding at December 31, 2001 that entitled the holder to purchase one common share and one share purchase warrant at a price of \$3.26 per option. These options expired June 19, 2002.
- (ii) There are 115,056 regular warrants issued and outstanding at December 31, 2002 to Agents that are exercisable at \$1.80 per share until February 21, 2004. There are also 230,112 Agents warrants outstanding at December 31, 2002 that are exercisable at \$1.42 per share until November 21, 2003.

- (h) Bankers warrants:

There are 250,000 Bankers warrants outstanding as at December 31, 2002 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. On January 29, 2003 these warrants were repriced at \$2.50.

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2002 and 2001

II. Income taxes:

Income tax expense varies from the amount that would be computed by applying the combined Federal and Provincial income tax rate of 39.24% (2001 – 42.12%) before income tax as follows:

	2002	2001
Basic rate of 39.24% (2001 – 42.12%) applied to loss before income tax	\$ (1,514,000)	\$ (3,792,000)
Increase (decrease) resulting from:		
Amortization of non-tax based assets	–	733,000
Loss for which tax benefit is not recognized	1,511,000	3,225,000
Other	3,000	(166,000)
Income tax expense	\$ –	\$ –

The components of the Company's net future income tax asset at December 31, 2002, no portion of which has been recorded in these financial statements, are as follows:

	Asset (Liability)		Total
	Canada	United States	
Net operating losses	\$ –	\$ 11,820,000	\$ 11,820,000
Research and development tax pools	237,000	–	237,000
Capital assets	(173,000)	165,000	(8,000)
Share issue costs	384,000	–	384,000
Inventory	–	(65,000)	(65,000)
Goodwill	–	(144,000)	(144,000)
	\$ 448,000	\$ 11,776,000	\$ 12,224,000

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

United States	Net operating losses
2018	\$ 1,340,000
2019	5,361,000
2020	6,578,000
2021	10,552,000
2022	5,718,000

The Company has tax credits totaling \$1,087,000 in Canada, and \$1,539,000 in the United States.

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2002 and 2001

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 treating the GPS Business Unit and the Wireless Business Unit separately.

Year ended December 31:

	GPS Business Unit		Wireless Business Unit		Corporate		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
Sales	\$ 24,975,000	\$ 29,019,000	\$ 29,161,000	\$ 11,942,000	\$ -	\$ -	\$ 54,136,000	\$ 40,961,000
Interest expense	-	-	-	-	1,016,000	1,235,000	1,016,000	1,235,000
Depreciation and amortization	731,000	1,334,000	419,000	2,050,000	-	-	1,150,000	3,384,000
Net earnings (loss)	4,977,000	6,132,000	(5,668,000)	(12,045,000)	(3,166,000)	(3,089,000)	(3,857,000)	(9,002,000)
Capital assets and goodwill	5,890,000	5,231,000	15,692,000	15,560,000	-	-	21,582,000	20,791,000
Total assets	14,820,000	16,523,000	25,917,000	23,002,000	-	-	40,737,000	39,525,000
Capital expenditures	822,000	1,007,000	562,000	564,000	-	-	1,384,000	1,571,000

(b) Sales by geographic segment:

	2002	2001
United States	\$ 43,858,000	\$ 32,184,000
Canada	5,411,000	4,456,000
Europe	1,020,000	957,000
Other	3,847,000	3,364,000

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, 2002, 61% (December 31, 2001 - 49%) were to 5 customers. The Company had sales to customers that exceed 10% of total revenues. The Wireless Business Unit has sales to one customer totaling \$17,159,000, and the GPS Business Unit had sales to one customer totaling \$8,743,000. Both of these customers are located in the U.S.

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2002 and 2001

13. Financial instruments:

The carrying values of accounts receivable, inventories, 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 other long-term debt could not be determined because no market exists for this instrument.

The nature of these instruments and the Company's operations expose the Company to the following risks:

(a) Credit risk:

Credit risk reflects the risk the Company may be unable to recover accounts receivable. The Company has a number of individual contracts and therefore there exists no significant concentration of credit risk. The Company employs established credit approval practices to further mitigate this risk.

(b) Interest risk:

The Company is exposed to interest rate risk to the extent that it has significantly drawn on its operating line-of-credit and carries long-term debt, both of which calculate interest as a function of the current prime lending rate.

(c) Foreign exchange risk:

The Company is exposed to foreign exchange risk in that the majority of its revenues and a significant portion of its expenses are denominated in U.S. dollars.

14. Commitments:

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

2003	\$ 1,500,000
2004	1,133,000
2005	1,103,000
2006	1,062,000
2007	1,084,000
Thereafter	2,056,000
	<hr/>
	\$ 7,938,000

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2002 and 2001

15. Related party transactions:

In connection with the acquisition of Wireless Link, the Company advanced \$1,184,700 to an officer and director of the Company. A total of 700,000 shares of CSI Wireless Inc. were pledged to the Company as security for the loan. Subsequent to December 31, 2002, the Company settled the loan in exchange for the shares pledged as security which were then cancelled (see note 16). As such, at December 31, 2002, the loan was removed from current accounts receivable and netted against share capital in anticipation of the cancellation of the security shares.

The Company has made loans to various employees. The total amount of such loans was \$188,672 at December 31, 2002 (December 31, 2001 - \$246,321) 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 Link would advance loans to certain of its employees to facilitate the exercise of stock options that such employees held in Wireless Link. Loans have also been made to certain employees to assist them in paying the withholding tax on shares issued to them under the Incentive Share Plan. It is expected that collection of these amounts will occur in 2003.

16. Subsequent event:

On March 4, 2003, the Company cancelled 700,000 common shares that were previously held as security for a \$1,184,700 loan made to an officer and director (note 15). The cancellation of the shares was accounted for at the 20 day average trading price preceding the cancellation date resulting in no loss to be recognized at December 31, 2002.

