

Consolidated Statements of Cash Flow
Six months ended June 30, 2000 and 1999
Unaudited

	June 30, 2000	June 30, 1999
Operating Activities:		
Net earnings (loss)	\$ (490,146)	\$ 304,823
Item not involving cash:		
Depreciation and amortization	526,125	271,960
	35,979	576,783
Changes in non-cash operating accounts:		
Accounts receivable	(702,558)	1,202,835
Income taxes recoverable	38,967	-
Inventories	(986,308)	(250,498)
Prepaid expenses and deposits	148,952	(150,110)
Accounts payable and accrued liabilities	(206,785)	1,140,197
	(1,671,753)	2,519,207
Financing activities:		
Issue of share capital, net of share issue costs	3,957,988	10,322
Senior long-term debt	905,744	1,499,190
Subordinated debt	227,433	-
Repurchase of common shares	-	(64,495)
	5,091,165	1,445,017
Investing activities:		
Acquisition, net of cash acquired	(132,544)	(3,804,627)
Deferred development costs, net of incentives and grants	(149,072)	(100,000)
Purchase of capital assets	(264,272)	(105,179)
	(545,888)	(4,009,806)
Increase (decrease) in cash	2,873,524	(45,582)
Cash position, beginning of period	62,776	1,186,032
Cash position, end of period	\$ 2,936,300	\$ 1,140,450
Cash is comprised of:		
Cash	\$ 3,807,937	\$ 1,140,450
Bank indebtedness	(871,637)	-
	\$ 2,936,300	\$ 1,140,450



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Report to Shareholders
Organizing for High Growth Opportunities

Consolidated revenues for the six months ended June 30, 2000 were \$10,163,000, an increase of 41% over revenues of \$7,223,000 for the same period in 1999. The Company reported an expected net loss for the six months of \$490,000, or (\$0.06) per share, as compared with net income of \$305,000, or \$0.05 per share, reported for the same period last year.

The acquisition of Wireless Link Corporation was effective June 28th, 2000 and hence did not have a significant impact on the Company's second quarter results. Revenues for Wireless Link for the six-month period ended June 30, 2000 were approximately \$10,000,000. Accordingly, if the merger with Wireless Link were effective at January 1, 2000, the consolidated revenues of CSI Wireless at June 30, 2000 would have been approximately \$20,000,000.

For the three-month period ended June 30, 2000, CSI reported a modest increase in consolidated revenues to \$5,082,000, from revenues of \$4,977,000 for the same period last year. The Company reported a net loss for the quarter of \$721,000, or (\$0.09) per share, compared with net income of \$199,000, or \$0.03 per share, in the second quarter of 1999.

"While revenues increased by 41% in the first half of the year, revenues were not as strong as we had hoped in the second quarter of 2000," said Brian Hamilton, Executive Vice President and CFO of CSI Wireless. "This was largely due to some delays with customer shipments (which are now expected to be shipped in Q3 and Q4) and the industry-wide impact of component shortages."

EBITDA for the six months ended June 30, 2000 was \$293,000, as compared with \$589,000 for the same period in 1999.

Key Achievements

"We are organizing CSI Wireless to capitalize on high growth opportunities, particularly in the wireless mass markets," stated Stephen Verhoeff, President and CEO of CSI Wireless. "To date, the merger with Wireless Link is the most significant achievement in the history of our Company. Because we now own and develop wireless technologies as a combined entity, we are now being solicited to quote on projects requiring millions of units, suggesting enormous growth potential."

"A second key achievement during the first half of 2000 was the raising of additional financing," added Mr. Hamilton. A total of \$5 million of equity was raised, along with a negotiated increase to \$7 million in the Company's line of credit with CIBC. "This financing was put in place to provide resources to capitalize on the huge emerging wireless market opportunities."



**fast
forward**

A quarterly review
of what's up and
happening
in the world of
CSI Wireless

Sales Backlog - \$14 million

"As of July 28, 2000 our backlog was approximately \$14 million which will clearly take CSI Wireless to record revenues for the year," said Stephen Verhoeff.

Investing in the Future

"During the second quarter of 2000 we began increasing the investment in our future," continued Mr. Verhoeff. "For the six months ended June 30, 2000, our investment in Research & Development increased 90% over the same period in 1999. When comparing the same periods, our Sales and Marketing costs increased 53%. Expanding these two areas of the Company are key to capitalizing on these emerging wireless markets."

Gross margins for the six months ended June 30, 2000 were 41%, as compared with gross margins of 40% reported for the comparable period in 1999. Gross margins for the three months period were 35%, a decrease from the 40% gross margins posted for the second quarter of 1999. This decrease was due to extra costs associated with electronic parts affected by the industry-wide components shortage, the specific product mix for customer shipments in the second quarter of 2000, as well as an inventory write-off taken in the second quarter of 2000.

Depreciation and amortization increased nearly 100% on a year-over-year basis, largely as a result of the amortization required on the goodwill required to be booked on acquisitions, in accordance with Canadian Generally Accepted Accounting Principles.

About CSI Wireless

With offices in Calgary, Silicon Valley, and Phoenix, CSI Wireless provides innovative, cost-effective, wireless and high accuracy GPS communications products for mobile and fixed applications in both commercial and consumer markets. Through the integration of GPS and wireless, CSI is actively pursuing the emerging high growth markets with mobile-location solutions for Fleet Management, Asset Tracking, Consumer Telematics, and Mobile computing applications. The Company owns a number of patents and intellectual property relating to a variety of wireless networks and GPS technologies. CSI has licensed its cellular technology to GPS, cellular handset, and chipset manufacturers. The common shares of CSI Wireless trade on The Toronto Stock Exchange under the trading symbol "CSY", with approximately 12.75 million shares outstanding.



Stephen Verhoeff
Chairman, President & CEO

Consolidated Statements of Operations and Deficit Periods ended June 30, 2000 and 1999 Unaudited

	Six months June 30, 2000	Six months June 30, 1999	Three months June 30, 2000	Three months June 30, 1999
Sales	\$ 10,162,547	\$ 7,223,055	\$ 5,082,166	\$ 4,977,282
Cost of sales	6,045,748	4,353,778	3,299,036	3,000,119
	4,116,799	2,869,277	1,783,130	1,977,163
Expenses:				
Selling	1,563,305	1,021,368	746,062	731,766
General and administrative	1,233,811	717,944	772,603	466,015
Interest on long-term debt	257,207	11,981	138,246	11,981
Depreciation and amortization	526,125	271,960	273,077	180,701
	3,580,448	2,023,253	1,929,988	1,390,463
Earnings before undernoted item	536,351	846,024	(146,858)	586,700
Research and development	1,026,497	541,201	574,228	387,273
Net earnings (loss)	(490,146)	304,823	(721,086)	199,427
Deficit, beginning of period	(2,551,803)	(3,119,994)	(2,320,863)	(3,014,598)
Deficit, end of period	\$ (3,041,949)	\$ (2,815,171)	\$ (3,041,949)	\$ (2,815,171)
Net earnings (loss) per common share:				
Basic	\$ (0.06)	\$ 0.05	\$ (0.09)	\$ 0.03
Fully diluted	(0.06)	0.05	(0.09)	0.03
Issued and outstanding shares:				
Common shares	12,750,466	6,416,200		
Preferred shares	350,000	-		
Special warrants	945,946	-		

Consolidated Balance Sheets At June 30, 2000 and December 31, 1999

	June 30, 2000	Dec 31, 1999
	Unaudited	
Assets		
Current assets:		
Cash	\$ 3,807,937	\$ 455,207
Accounts receivable	6,913,590	2,221,937
Income taxes recoverable	-	38,967
Inventories	5,572,512	4,008,731
Prepaid expenses and deposits	182,599	317,736
	16,476,638	7,042,578
Capital assets	2,546,015	1,524,045
Deferred development costs	429,423	405,224
Goodwill	20,235,120	2,829,441
	\$ 39,687,196	\$ 11,801,288
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 871,637	\$ 392,431
Accounts payable and accrued liabilities	10,037,870	3,720,903
Subordinated debt	2,563,289	-
Current portion of long-term debt	542,784	292,329
	14,015,580	4,405,663
Subordinated debt	-	2,335,856
Senior long-term debt	1,678,499	1,023,210
Shareholders' equity:		
Share capital	27,035,066	6,620,362
Deficit	(3,041,949)	(2,551,803)
	23,993,117	4,068,559
Due from shareholders	-	(32,000)
	23,993,117	4,036,559
	\$ 39,687,196	\$ 11,801,288

"We are now
quoting on
projects requiring
millions of units"

-Stephen Verhoeff