Q2 - June 30, 2002

Message To Shareholders

For the six months ended June 30, 2002, CSI reported net earnings of $472,000, or $0.03 per share - a substantial improvement from the net loss of $2,123,000, or ($0.13) per share, in the first-half of 2001. Much of this improvement results as the 2001 loss included $1.1 million of goodwill amortization versus zero in 2002, which reflects the new accounting rules for goodwill and other intangible assets adopted by the Company on January 1, 2002.

EBITDA for the first six months of the year was $1,569,000, as compared with $67,000 in the first six months of 2001, and gross margins improved to 41% from 38% for the same periods. The Company also reported improved revenues to $24,719,000 from $24,172,000 achieved in the same period of 2001.

Total expenses, excluding 2001 goodwill amortization, decreased in the first six months of 2002 to $9,755,000 from $10,272,000 for the first six months of 2001 - reflecting a focused effort on expense management and cost containment. Sales and general and administration expenses were all reduced as operating efficiencies improved.

“The Company continues to make strong progress in improving the efficiency of operations, resulting in improved margins and reduced expenses,” said Stephen Verhoeff, President and CEO of CSI Wireless. “As our recently released products begin to gain momentum in the markets, we anticipate further improvements in our financial results.”

The Company continued its focused investment in research and development activities, with $4.1 million invested during the first half of 2002 in the Company’s next generation wireless and GPS products. Investment in research and development remains vitally important for CSI Wireless, and has helped enable the Company to release several new leading products for both the GPS and Telematics markets during the first half of this year. Several more new products will be unveiled during the rest of the year.

The Company’s working capital at June 30 increased to $5,889,000, up 47% from March 31, 2002. This increase was due, in part, to an exercise of 705,000 warrants for $1,868,000, related to the financing in February, 2001. “The capital generated from these warrants has been important in strengthening our balance sheet,” said Verhoeff. “We view the exercising of these warrants as a vote of confidence from our major shareholders.” Working capital also benefited from the conversion of $2,300,000 US accounts payable into a 2-year term note as agreed upon with one of the Company’s manufacturing partners. As part of this arrangement, half of the proceeds from the exercise of the warrants is payable to the manufacturing partner, reducing the total amount outstanding.

For the three-month period ended June 30, consolidated revenues were $10,761,000 in 2002, as compared with $11,961,000 in 2001. Gross margins in the second quarter increased to 44% in 2002 from 35% in 2001. The improvement stems from higher gross margins associated with the Company’s license and non-recurring engineering fee payments received in the second quarter and on new products released during the past several quarters.

Message To Shareholders continued...

Selling, General & Administrative expenses during the second quarter of 2002 increased from the first quarter of 2002 by close to $600,000. This increase results from a number of factors including the reinstatement of management salaries following a temporary five-month reduction initiated in Q4 of 2001 as part of a larger cost savings initiative. The second quarter SG&A also includes a $210,000 foreign exchange loss related to the Company's positive U.S. dollar working capital and the increasing strength of the Canadian dollar at June 30, 2002. This compares to an $116,000 foreign exchange gain recorded in the first quarter of 2002.

CSI Wireless' GPS Business Unit produced another profitable quarter in the three months ended June 30, 2002. Its profits were reinvested into the Company's Wireless Business Unit, resulting in an overall second-quarter loss of $578,000, or ($0.03) per share, in 2002 compared with a substantially larger net loss of $1,632,000, or ($0.09) per share, in the same three months of 2001.

CSI invested $2,187,000 in research and development during the second quarter, which was focused on the Company's next generation of wireless and GPS products. Management expects the investment will generate significant revenues and margins in the coming years.

Fixed Wireless Telephone Sale Opportunity

On May 14, 2002, in conjunction with the official launch of its fixed wireless telephone, CSI Wireless announced it had signed a Development and Supply Agreement with a new partner. The partner will maintain exclusivity on the fixed wireless telephone for as long as it purchases a minimum of approximately $12.5 million per quarter.

CSI Wireless has recently received a second non-recurring engineering payment from the new partner, based upon product approval being received from the end customer. While the deliveries under this agreement remain subject to the conditions listed in the May 14, 2002 news release, management is satisfied with the progress to date. Final modifications, testing and approvals are proceeding and first deliveries are still planned to begin in the third quarter of 2002.

Other New Product Achievements

In addition to the Fixed Wireless Telephone, CSI Wireless has introduced eight other new products during the first half of 2002, five from the GPS Business Unit and three from the Wireless Business Unit.

The three new products introduced by the Wireless Business Unit were the Asset-Link™ 100 and 200 and the GT300. Along with these new product introductions, the Company was pleased to announce a $6.5 million contract with AirIQ for the AssetLink™200 - an innovative and cost-effective fleet tracking telematics device that offers both Control Channel and Circuit Switched AMPS capability.

The five new products introduced by the GPS Business Unit were the Seres Receiver & Antenna, Evolution Module, SX-1 Module, CornerPost and e-Diff software. Recently, on June 3, 2002, the Company unveiled its CornerPost precision guidance system that offers one-inch accuracy to the agriculture industry. This product is designed for various row-crop applications and competes on both accuracy and price. Given the current challenges facing the agriculture industry due to drought and low commodity prices, the Company hopes to meet these challenges through a diversified portfolio of agricultural precision guidance products such as the CornerPost. On June 19, 2002, CSI was awarded a U.S. patent for its e-Dif or "extended differential" software that enables GPS receivers to achieve the high accuracy available from differential GPS, but without the help of accuracy-enhanced differential signals. This product represents a very cost-effective method of achieving DGPS accuracy.

Revenues from these new products are expected to begin during the second half of 2002.

Stephen Verhoeff
President & CEO
August 14, 2002

Consolidated Balance Sheets

June 30, 2002 and December 31, 2001

	2002	2001
	Unaudited	*Audited*
Assets		
Current assets:		
Cash	$ 346,810	$ -
Accounts receivable	8,214,594	8,986,632
Inventories	7,485,052	9,400,184
Prepaid expenses and deposits	285,026	346,927
	16,331,482	18,733,743
Capital assets	3,568,476	3,153,387
Deferred development costs	5,178	122,747
Goodwill	18,071,676	17,515,176
	$ 37,976,812	$ 39,525,053
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	$ -	$ 3,072,204
Accounts payable and accrued liabilities	6,467,206	11,393,179
Current portion of senior long-term debt	1,905,842	952,921
Current portion of other long-term debt (note 4)	2,069,309	-
	10,442,357	15,418,304
Senior long-term debt	3,329,874	4,282,796
Other long-term debt (note 4)	1,423,701	-
Shareholders' equity:		
Share capital (note 5(a))	40,736,692	38,251,773
Deficit	(17,955,812)	(18,427,820)
	22,780,880	19,823,953
	$ 37,976,812	$ 39,525,053

See accompanying notes to consolidated financial statements.

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Consolidated Statements Of Operations And Deficit

Periods Ended June 30, 2002 and 2001

Unaudited	Three Months Ended June 30 2002	2001	Six Months Ended June 30 2002	2001
Sales	$ 10,761,162	$ 11,961,496	$ 24,719,396	$ 24,172,360
Cost of sales	6,028,034	7,736,290	14,492,542	14,959,889
	4,733,128	4,225,206	10,226,854	9,212,471
Expenses:				
Selling	1,049,370	1,111,256	2,056,662	2,223,101
General and administrative	1,574,331	1,498,520	2,502,419	3,180,086
Interest on long-term debt	228,819	302,388	541,321	553,678
Depreciation and amortization	271,292	310,981	555,154	572,480
Amortization of goodwill	-	531,625	-	1,063,263
	3,123,812	3,754,770	5,655,556	7,592,608
Earnings (loss) before undernoted item	1,609,316	470,436	4,571,298	1,619,863
Research and development costs	2,187,283	2,102,568	4,099,290	3,742,738
Loss for the period	(577,967)	(1,632,132)	472,008	(2,122,875)
Deficit, beginning of period	(17,377,845)	(9,916,139)	(18,427,820)	(9,425,396)
Deficit, end of period	$ (17,955,812)	$ (11,548,271)	$ (17,955,812)	$ (11,548,271)
Earnings (loss) per common share:				
Basic	$ (0.03)	$ (0.09)	$ 0.03	$ (0.13)
Diluted	(0.03)	(0.09)	0.02	(0.13)

See accompanying notes to consolidated financial statements.

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Consolidated Statements Of Cash Flows

Periods Ended June 30, 2002 and 2001

Unaudited	Three Months Ended June 30 2002	Three Months Ended June 30 2001	Six Months Ended June 30 2002	Six Months Ended June 30 2001
Cash flows from (used in) operating activities:				
Net earnings (loss) for the period	$ (577,967)	$(1,632,132)	$ 472,008	$(2,122,875)
Items not involving cash:				
Depreciation and amortization	271,292	310,981	555,154	572,480
Amortization of goodwill	-	531,625	-	1,063,263
Options granted to non-employees	5,126	-	44,437	-
	(301,549)	(789,526)	1,071,599	(487,132)
Change in non-cash operating working capital:				
Accounts receivable	2,475,304	1,870,655	772,038	(557,224)
Inventories	325,135	(1,009,551)	1,915,132	(4,156,788)
Prepaid expenses and deposits	23,700	(98,510)	61,901	(150,042)
Accounts payable and accrued liabilities	(2,035,720)	(665,025)	(1,432,963)	(568,806)
	486,870	(691,957)	2,387,707	(5,919,992)
Cash flows from (used in) financing activities:				
Bank indebtedness	(1,263,459)	728,198	(3,072,204)	(697,721)
Senior long-term debt	-	(95,418)	-	(286,254)
Other long-term debt	-	-	-	(2,790,704)
Issue of share capital, net of share issue costs	1,880,807	(96,827)	1,883,981	10,483,162
	617,348	535,953	(1,118,223)	6,708,483
Cash flows from (used in) investing activities:				
Purchase of capital assets	(757,408)	(347,713)	(852,674)	(788,491)
Deferred development costs, net of incentives and grants	-	(1,663)	-	-
	(757,408)	(349,376)	(852,674)	(788,491)
Increase (decrease) in cash position	346,810	(505,380)	346,810	-
Cash and cash equivalents, beginning of period	-	505,380	-	
Cash and cash equivalents, end of period	$ 346,810	$ -	$ 346,810	$ -
Supplemental disclosure:				
Interest paid	$ 98,451	$ 395,293	$ 165,849	$ 511,230

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Periods ended June 30, 2002 and 2001
Unaudited

1. Basis of Presentation:

   The accompanying unaudited consolidated financial statements for CSI Wireless Inc. (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. The financial information included herein is unaudited. These interim financial statements follow the same accounting policies and methods of application as the most recent annual audited financial statements dated December 31, 2001, except where noted below. The disclosures herein are incremental to those included within the annual financial statements. These interim financial statements should be read in conjunction with the annual statements.

2. 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 intrinsic value method 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 5(c)).

   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

3. 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 and equity funding 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.

4. Long Term Debt:

   Effective May 15th, 2002 the Company entered into an agreement with a third party, who manufactures products for the Company, to convert $2,300,000 US 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 principle payments.

5. Share Capital:

(a) Issued:

	Number of Shares	Amount
Balance, December 31, 2001	18,391,493	$ 37,275,133
Issued on exercise of stock options	15,950	15,771
Exercise of share purchase warrants	705,000	1,868,250
Options granted to non-employees	-	44,438
Balance, June 30, 2002	19,112,443	$ 39,203,592

	Number of Shares	Amount
Preferred shares issued:		
Balance, December 31, 2001	661,000	$ 976,600
Issued per asset purchase agreement	350,000	556,500
Balance, June 30, 2002	1,011,000	$ 1,533,100

(b) At June 30, 2002 the following stock options are outstanding:

Share Option Plan	2,564,225
Wireless Link Plan	475,421

c) The fair value of each option granted to non-employees is estimated on the date of grant using the Black-Sholes 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 June 30, 2002, the Company recorded $44,438 as compensation expense for non-employees who have been granted stock options.

As the Company follows the intrinsic value method of accounting for stock options granted to employees, no compensation cost has been recognized for the six-month period ended June 30, 2002. Had compensation cost for stock options granted to employees been determined based on the fair value method, the Company's pro-forma net earnings would have been reduced by $33,230 to $438,778 and the pro-forma earnings per share would have been $0.02 for the six-month period ended June 30, 2002.

(d) 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.

6. 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 segments reported are consistent with those reported at December 31, 2001.

Six months ended June 30:

	GPS Business Unit		Wireless Business Unit		Corporate		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
Sales	$17,556,143	$17,280,514	$ 7,163,253	$ 6,891,846	$ -	$ -	$24,719,396	$24,172,360
Interest expense	-	-	-	-	541,321	553,678	541,321	553,678
Depreciation and amortization	390,878	619,643	164,276	1,016,100	-	-	555,154	1,635,743
Net earnings (loss)	5,209,891	5,038,232	(4,737,883)	(5,128,513)	(1,816,908)	(2,032,594)	472,008	(2,122,875)
Capital assets and goodwill	5,777,397	5,274,002	15,867,933	16,479,763	-	-	21,645,330	21,753,765
Total assets	15,748,402	17,603,908	22,228,410	23,861,551	-	-	37,976,812	41,465,459
Capital expenditures	470,935	345,230	381,739	443,261	-	-	852,674	788,491

(b) Sales by geographic segment:

	2002	2001
U.S.A.	$ 19,018,967	$ 20,418,148
Europe	540,216	521,101
Other	1,352,733	1,074,252
Canada	3,807,480	2,158,859

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

7. Contingent liabilities:

On June 28th the Company received a Statement of Complaint citing damages of no less than $15,000,000 from a former business partner. The Company has filed an Answer to the Complaint, as well as counterclaims seeking damages, costs and expenses. The Company believes the claim is made without substantial merit, and accordingly no provision for loss, if any, has been made with respect to the claim.