Q3 - September 30, 2002

MESSAGE TO SHAREHOLDERS

For the three months ended September 30, 2002, CSI Wireless reported a 30% increase in revenues to $8,784,000, as compared with revenues of $6,761,000 for the same period last year. Sales of the new Motorola-branded fixed wireless phone primarily accounted for the increase in revenues. Gross margins for the quarter of 25% were unchanged from the third quarter of 2001. This resulted as non-recurring engineering fees and royalties offset the impact of the low margin fixed wireless phone sales.

Total expenses (before investment in R&D) for the third quarter of 2002 were $2,778,000, as compared with $2,563,000 for the third quarter of 2001, calculated prior to goodwill amortization.This slight increase in spending is largely due to a decrease in foreign exchange gains experienced in the third quarter of 2002 compared to the third quarter of 2001.

CSI Wireless reported negative EBITDA of $2,260,000 for the three months ended September 30, 2002, as compared with negative EBITDA of $2,656,000 for the same period in 2001. The Company also reported a net loss for the quarter of $2,716,000, or ($0.14) per share as compared with a net loss, before amortization of goodwill, of $3,212,000, or ($0.18) per share in the third quarter of 2001. The decreased loss is in part attributed to the cost cutting measures implemented in the fourth quarter of 2001.

In recent years, the third quarter has been the weakest quarter of the year as the result of a slow period for sales to the agricultural market, which makes up a large portion of the Company's overall GPS revenues. CSI is a leading supplier to the precision guidance market for agriculture.

The precision agriculture market remains an important part of our growth and I am pleased to say that we are leading several segments of this market. Subsequent to the close of the third quarter we received a $6 million dollar purchase order from RHS Inc., our distribution partner for our Outback products. The business with RHS, which was approximately $10M last year is strengthening and the $6M purchase order is for 2003 demand that is already anticipated.

RHS and CSI Wireless are beginning to see results of their efforts to bring on southern hemisphere business in South America and Australia. These new regions are expected to help eliminate the seasonally-low business in the third quarter in future years.

CSI Wireless achieved record revenues of $33,503,000 for the nine months ended September 30, 2002, as compared with revenues of $30,934,000 for the same period in 2001. The Company also posted record gross margins for the nine month period of $12,495,000, an increase of 14% over $10,934,000 for the same period last year. Improving margins are largely due to the positive contributions from the wireless business unit, including non-recurring engineering fees and royalties earned by the Company.

Message To Shareholders continued...

Selling, General & Administrative expenses at September 30, 2002 totalled $6,881,000 for the year to date. This is a decrease of 6% from the $7,410,000 spent at September 30, 2001. This decrease results from both a reduction in year to date foreign exchange losses at September 30th, and reduced spending in 2002 by the Company as part of its cost cutting strategy.

The Company continued to invest in research and development in the third quarter in anticipation of numerous product releases in the fourth quarter of 2002. Third quarter spending totalled $2,207,000 contributing to a year to date investment in research and development of $6,306,000. This compares to $6,113,000 spent on research and development at September 30, 2001. The Company is pleased to see many of its research and development projects nearing completion, and anticipates releasing several new leading products for both the GPS and Telematics markets during the next few quarters.

CSI Wireless reported negative EBITDA of $692,000 for the nine months ended September 30, 2002, as compared with negative EBITDA of $2,589,000 in 2001. After depreciation and amortization, the Company reported a net loss for the nine months of $2,244,000, or ($0.12) per share, as compared with a net loss (prior to goodwill amortization) of $4,272,000, or ($0.25) per share reported for the same period last year. Improvements in the bottom-line numbers were primarily the result of the increased margins in the wireless business unit and streamlined operations.

Working capital at September 30, 2002 was $2.3 million, a decrease from the same period last year of almost $1 million. This decrease results from additional senior debt becoming current, and a calculated decrease in the level of inventory carried by the Company.

During the third quarter, CSI Wireless finalized performance testing of its new fixed wireless telephone with Brightstar Corporation and Motorola Inc. and subsequently received an initial purchase order for more than $20 million, for delivery over a five-month period. Brightstar is distributing CSI's telephone, which carries the Motorola brand name, throughout Latin America. Brightstar is also distributing a similar CSI product for the North American market called BaseOne.

Our twin themes for 2002 continue to be the rolling out of new products and the pursuit of profitability, We have introduced 10 new products since December, 2001 and have 6 more to introduce in the next few quarters.

Stephen Verhoeff
President & CEO
October 22, 2002

Consolidated Balance Sheets

September 30, 2002 and December 31, 2001

	2002	2001
	Unaudited	*Audited*
Assets		
Current assets:		
Accounts receivable	$ 9,553,204	$ 8,986,632
Inventories	8,241,443	9,400,184
Prepaid expenses and deposits	386,028	346,927
	18,180,675	18,733,743
Capital assets	3,503,476	3,153,387
Deferred development costs	-	122,747
Goodwill	18,071,676	17,515,176
	$ 39,755,827	$ 39,525,053
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	$ 3,155,145	$ 3,072,204
Accounts payable and accrued liabilities	9,347,740	11,393,179
Current portion of senior long-term debt	1,905,852	952,921
Current portion of other long-term debt (note 4)	1,422,577	-
	15,831,314	15,418,304
Senior long-term debt	2,646,871	4,282,796
Other long-term debt (note 4)	1,191,569	-
Shareholders' equity:		
Share capital (note 5)	40,758,280	38,251,773
Deficit	(20,672,207)	(18,427,820)
	20,086,073	19,823,953
	$ 39,755,827	$ 39,525,053

See accompanying notes to consolidated financial statements.

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Consolidated Statements Of Operations And Deficit

Periods Ended September 30, 2002 and 2001

Unaudited	Three Months Ended September 30 2002	2001	Nine Months Ended September 30 2002	2001
Sales	$ 8,783,661	$ 6,761,478	$ 33,503,057	$ 30,933,838
Cost of sales	6,515,312	5,040,001	21,007,854	19,999,890
	2,268,349	1,721,477	12,495,203	10,933,948
Expenses:				
Selling	1,149,838	1,046,340	3,206,500	3,269,442
General and administrative	1,171,721	960,709	3,674,141	4,140,795
Interest on long-term debt	162,698	228,710	704,019	782,388
Depreciation and amortization	293,509	327,130	848,663	899,610
Amortization of goodwill	-	532,063	-	1,595,327
	2,777,766	3,094,952	8,433,323	10,687,562
Earnings (loss) before undernoted item	(509,417)	(1,373,475)	4,061,880	246,386
Research and development costs	2,206,978	2,370,225	6,306,267	6,112,961
Net loss for the period	(2,716,395)	(3,743,700)	(2,244,387)	(5,866,575)
Deficit, beginning of period	(17,955,812)	(11,548,271)	(18,427,820)	(9,425,396)
Deficit, end of period	$ (20,672,207)	$ (15,291,971)	$ (20,672,207)	$ (15,291,971)
Loss per common share before goodwill amortization:				
Basic	$ (0.14)	$ (0.18)	$ (0.12)	$ (0.25)
Diluted	(0.14)	(0.18)	(0.12)	(0.25)
Loss per common share:				
Basic	$ (0.14)	$ (0.21)	$ (0.12)	$ (0.34)
Diluted	(0.14)	(0.21)	(0.12)	(0.34)
Weighted average number of shares (in thousands)				
Basic	19,114	17,827	18,650	17,138
Diluted	19,114	17,827	18,650	17,138

See accompanying notes to consolidated financial statements.

csi wireless

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CONSOLIDATED STATEMENTS OF CASH FLOWS
Periods Ended September 30, 2002 and 2001

Unaudited	Three Months Ended September 30 2002	2001	Nine Months Ended September 30 2002	2001
Cash flows from (used in) operating activities:				
Net loss	$ (2,716,395)	$(3,743,700)	$(2,244,387)	$ (5,866,575)
Items not involving cash:				
Depreciation and amortization	293,509	327,130	848,663	899,610
Amortization of goodwill	-	532,063	-	1,595,327
Options granted to non-employees	5,206	-	49,644	-
	(2,417,680)	(2,884,507)	(1,346,080)	(3,371,638)
Change in non-cash operating working capital:				
Accounts receivable	(1,338,610)	955,060	(566,572)	397,835
Inventories	(756,391)	(1,445,028)	1,158,741	(5,601,816)
Prepaid expenses and deposits	(101,002)	(10,122)	(39,101)	(160,164)
Accounts payable and accrued liabilities	2,880,535	2,077,411	1,447,572	1,508,605
	(1,733,148)	(1,307,186)	654,560	(7,227,178)
Cash flows from (used in) financing activities:				
Bank indebtedness	3,155,145	2,021,063	82,941	1,323,342
Senior long-term debt	(682,994)	(143,127)	(682,994)	(429,381)
Other long-term debt	(878,864)	-	(878,864)	(2,790,704)
Issue of share capital, net of share issue costs	16,381	3,871	1,900,362	10,487,033
	1,609,668	1,881,807	421,445	8,590,290
Cash flows from (used in) investing activities:				
Purchase of capital assets	(223,330)	(574,621)	(1,076,005)	(1,363,112)
Decrease in cash position	(346,810)	-	-	-
Cash and cash equivalents, beginning of period	346,810	-	-	-
Cash and cash equivalents, end of period	$ -	$ -	$ -	$ -
Supplemental disclosure:				
Interest paid	$ 188,428	$ 227,731	$ 642,721	$ 738,961

See accompanying notes to consolidated financial statements.

Notes To Consolidated Financial Statements

Periods ended September 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:

   On May 15, 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 principal payments of $78,000 US.

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	38,400	32,112
Exercise of share purchase warrants	705,000	1,868,250
Options granted to non-employees	-	49,645
Balance, September 30, 2002	19,134,893	$ 39,225,180

	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, September 30, 2002	1,011,000	$ 1,533,100

(b) At September 30, 2002 the following stock options are outstanding out of a total of 4,114,999 authorized:

Share Option Plan	2,516,201
Wireless Link Plan	452,993

(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 September 30, 2002, the Company recorded $49,645 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 nine-month period ended September 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 loss would have been increased by $43,382 to $2,287,769 and the pro-forma loss per share would have been $0.12 for the nine-month period ended September 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.

Nine months ended September 30:

	GPS Business Unit		Wireless Business Unit		Corporate		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
Sales	$21,459,095	$22,178,213	$ 12,043,962	$ 8,755,625	$ -	$ -	$33,503,057	$30,933,838
Interest expense	-	-	-	-	704,019	782,388	704,019	782,388
Depreciation and amortization	555,750	939,465	292,913	1,555,472	-	-	848,663	2,494,937
Net earnings (loss)	5,663,274	5,360,717	(5,678,456)	(8,908,048)	(2,229,205)	(2,319,244)	(2,244,387)	(5,866,575)
Capital assets and goodwill	5,764,446	5,442,260	15,810,706	16,026,932	-	-	21,575,152	21,469,192
Total assets	13,628,377	15,676,300	26,127,450	26,004,677	-	-	39,755,827	41,680,977
Capital expenditures	547,690	838,297	528,315	524,815	-	-	1,076,005	1,363,112

(b) Sales by geographic segment:

	2002	2001
U.S.A.	$ 25,891,000	$ 25,015,000
Europe	795,000	790,000
Other	2,419,000	2,411,000
Canada	4,398,000	2,718,000

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