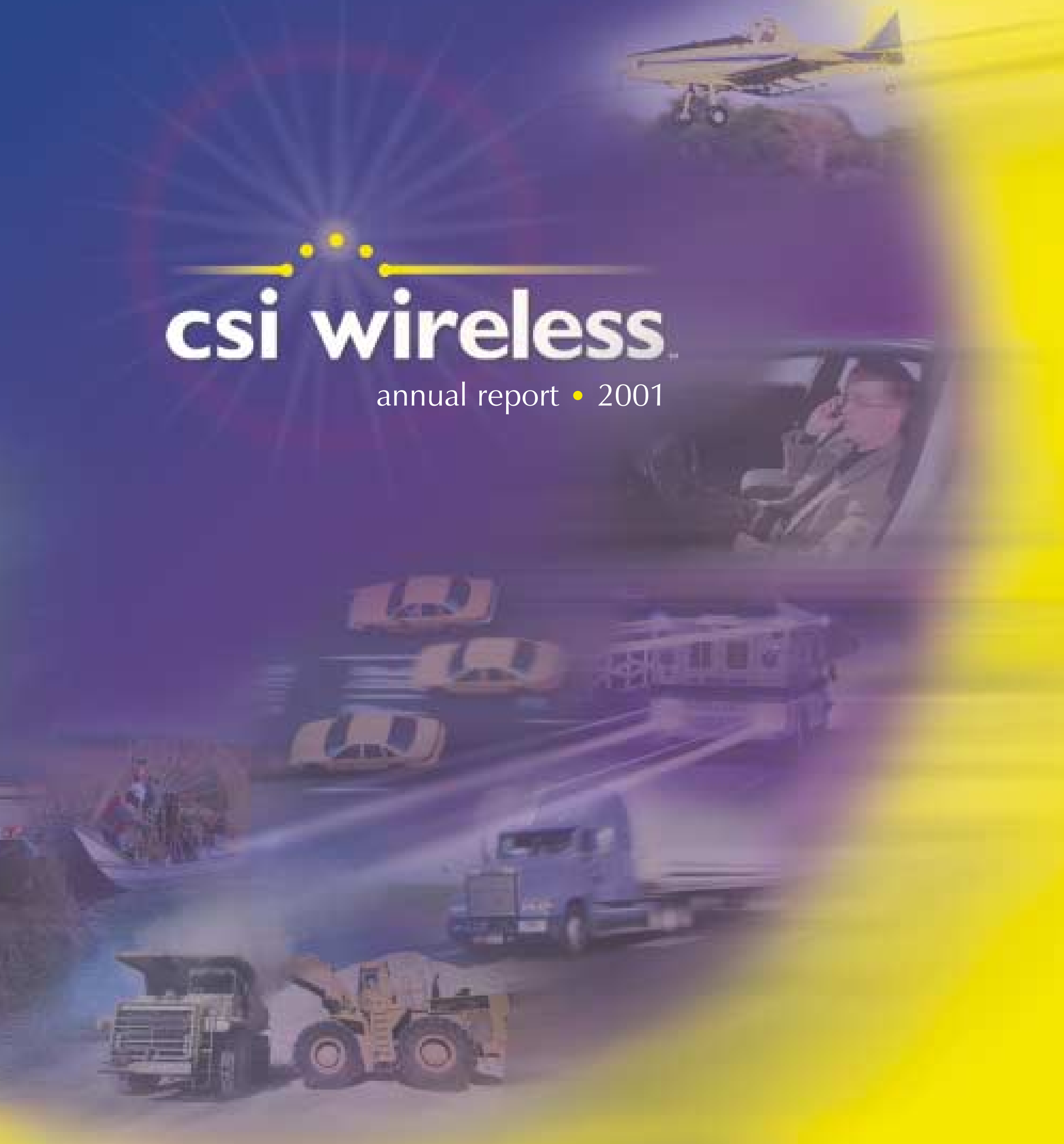
csi wireless

annual report • 2001



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Annual & Special Meeting

The Annual & Special Meeting of our shareholders will be held on Tuesday, May 14, 2002 at 3:00 pm in the Lakeview Room of the Westin Hotel, Calgary, Alberta.

CSI WIRELESS

CSI Wireless, from offices in Calgary, the Silicon Valley, and Scottsdale, designs and manufactures innovative, cost-effective wireless and Global Positioning System (GPS) products for mobile and fixed applications in the commercial and consumer markets. By integrating wireless and GPS technology, CSI Wireless has become an industry leader serving several emerging high-growth location-based markets including Telematics, Fleet Management and Asset Tracking. The Company owns several patents and intellectual property relating to wireless and GPS technologies, and has licensed its technology to GPS, cellular handset, and chipset manufacturers.

Financial Highlights

	2001	2000	1999
Revenues	$ 40,961	$ 26,591	$ 16,360
Gross Margins	13,114	7,706	6,919
Gross Margin	32%	29%	42%
Net Income (Loss)	(9,002)	(6,874)	568
Research & Development	8,142	4,116	1,261
Total Assets	39,525	36,980	11,409
Shareholders' Equity	19,824	17,870	4,037

(In thousands except for gross margin)

Message To Shareholders

We are pleased to report on another tremendous year for CSI Wireless! 2001 was characterized by a combination of strong revenue growth, GPS Business Unit profitability, aggressive technology and product development, and the integration of, and continuing investment in, the Wireless Business Unit.

Four Years of Revenue Growth
In 2001, CSI Wireless completed its fourth consecutive year of solid revenue growth. Despite a global economic downturn and a softening of the Wireless and Telecommunications markets, CSI's revenues grew 54% to $41 million, up from $27 million in 2000. We achieved growth in all of our core markets, with the most significant growth occurring in Precision Agriculture and Asset Tracking.

Core Markets Keep Growing
While a global economic recovery still appears to be somewhat elusive, we are pleased to report that in 2001, CSI's core markets continued to show growth. Our Wireless Business Unit is pursuing exciting growth opportunities in Telematics, Asset Tracking, Fleet Management, Stolen Vehicle Recovery and Fixed Wireless Telephones. Our GPS Business Unit continues to enjoy solid momentum in its markets, with Precision Agriculture, Geographic Information Systems (GIS) & Mapping and Marine Navigation among its strongest. We anticipate another year of strong growth in 2002.

GPS Unit Success
During 2001, we were pleased to report that the GPS Business Unit achieved strong profitability, driven largely by the success of the Outback®S targeted at ground-based Precision Agriculture customers and marketed by our distribution partner RHS Inc. Already the recognized market leader in air-based Precision Agriculture products, CSI has successfully executed its strategy to win similar leadership in the ground-based Precision Agriculture market – which is substantially larger.

The Outback®S and its new companion product, the Outback®360, released in December 2001, have been entrenching CSI's leadership position. The Outback® product line contributed more than $10 million in revenues in its first year, and is expected to be a strong growth area for CSI throughout 2002 and beyond.

Aggressive Technology and Product Development

The winning Outback®S and Outback®360 are the result of the aggressive technology and product development program within CSI. During 2002, we plan to continue this focus and currently expect to introduce more than a dozen new products throughout the year. In early 2002, we unveiled our new SERES product, a very compact, high-performance combined GPS/SBAS receiver and antenna system for Precision Agriculture, GIS & Mapping and other markets. We have also introduced the Asset-Link™100, the Asset-Link™200 and the GT300™ Geo-Telephone, all of which will broaden and diversify CSI's overall revenue base.

Integrating Wireless Link

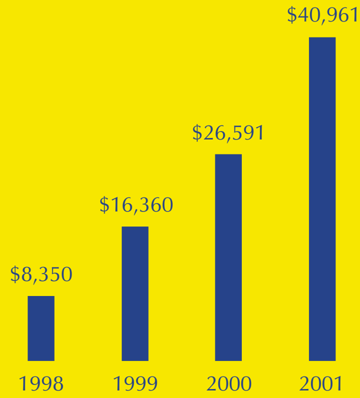
During 2001, CSI Wireless completed the integration of Wireless Link Corporation, which CSI acquired in 2000, thereby leveraging the synergies of the merged companies' wireless and GPS technologies. By combining the research and development resources of CSI with those from Wireless Link, we have positioned ourselves to be a leading player in the Wireless and GPS markets.

The strategic value of this acquisition has been powerfully evident during the initial months of 2002 as CSI has unveiled three separate products that combine CSI's GPS and Wireless technologies. The new Asset-Link™100 and Asset-Link™200 products are the first two members of what will soon be an entire family of innovative, cost-effective Fleet Tracking and Safety & Security products from CSI Wireless. The new GT300™ Geo-Telephone is the first handset to combine location-sensing GPS with dual-band TDMA/AMPS wireless technology and Microburst™ capability.

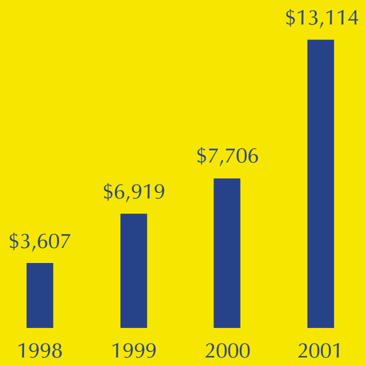
Research and Development

None of our new products and technologies would be possible without a strong commitment to research and development. In 2001, CSI invested $8 million in R&D – almost twice the amount invested in 2000. All of our research and development spending is oriented toward specific products and markets for which customers have been identified.

As part of our R&D program in 2001, we enhanced our in-house engineering capabilities by recruiting a number of talented new staff members. They are helping us to create next-generation products that will ensure CSI Wireless remains an industry leader in the Wireless and GPS markets. Our engineers are pursuing several new technologies that we are convinced will be essential to our industry.



Revenues (In thousands)



Gross Margins (In thousands)

"All of our research and development spending is oriented toward specific products and markets for which customers have been identified."

Operating Efficiencies

Operationally, we improved efficiencies and reduced expense levels in 2001 to improve our bottom line. Our strategy included transferring Wireless Business Unit production and finance activities from higher-cost facilities in the Silicon Valley to lower-cost facilities in Calgary and consolidating redundant resources. The reductions, completed in the fourth quarter, are saving CSI approximately $750,000 per quarter.

Success Recognized

We were honoured in 2001 to be recognized by the Alberta Science and Technology (ASTech) Leadership Awards Foundation, which made CSI the recipient of its prestigious annual "Outstanding Commercial Achievement" award. Previous recipients include Syncrude Canada Ltd., PanCanadian Petroleum Ltd. and Sherritt Gordon Ltd.

CSI Wireless was also identified as Alberta's 7th fastest-growing company in terms of revenues, and 13th fastest-growing overall, based on a variety of standards, by Alberta Venture magazine and Grant Thornton Chartered Accountants.

In early 2002, CSI received an additional honour. The American Society of Agriculture Engineers formally cited CSI's Outback®S Precision Agriculture product, which we market worldwide through RHS Inc., as an example of "outstanding innovation." The ASAE's selection committee placed the Outback®S on its exclusive list of agricultural products that "bring innovation to the marketplace" and "save producers time, costs and labour, while improving user safety."

The People Behind Our Success
Our continuing success would never have become reality without CSI Wireless' employees in Calgary, Scottsdale and the Silicon Valley. Their enthusiasm, effort, innovation, dedication and commitment is our greatest and most enduring strength. We sincerely thank each one of them.

We also want to thank our growing list of customers and shareholders. You are essential to our success. Thank you for your continued loyalty, support and patience. We have had a very strong start to 2002 and look forward to reporting continued progress and success throughout the year.

Stephen Verhoeff
President &
Chief Executive Officer

Hamid Najafi, Ph.D.
Chief Technology Officer

Brian Hamilton
Executive Vice President
& Chief Financial Officer

Advancing Technology

There is no end to the complicated buzzwords and jargon associated with the high-technology world of CSI Wireless: GPS, DGPS, L-Band, AMPS, TDMA, GSM, GPRS, MHz, 2G, 3G and more. However, the key to our success in this complex world has been our ability to generate great ideas – and then quickly transform them into technologies and products that exceed our customers' expectations. As you will see in the following pages, CSI has been successful in creating and translating concepts into products and applications, and our growing list of high profile customers clearly agree.

Wireless Technology

CSI has developed a variety of wireless technologies to help our customers. Our first wireless technology was based on the AMPS or Advanced Mobile Phone Service wireless protocol. This Circuit Switched, analog protocol is commonly referred to as the first-generation (1G) of wireless technology. Our AMPS technology is widely used, and provides our customers with the broadest cellular coverage available in North America.

More recently, CSI has developed second-generation (2G) digital wireless technology using the TDMA or Time Division Multiple Access protocol. Digital techniques convert analog voice signals into digital data for transmission, and have been developed to improve the efficiency, security and reliability of wireless transmission. This technology also enables advanced wireless services, such as text messaging, which will provide significant value to many of our customers.

In addition to these mainstream wireless technologies, we have developed products that operate using the very cost-effective Control Channel platforms provided by Aeris and Cellemetry, and the seamless WIN4℠ service provided by Verizon.

In anticipation of our customers' future requirements, CSI has created a wireless technology road map for developing and marketing third-generation (3G) wireless technology. 3G will equip our customers with a much broader range of applications – including high-speed mobile Internet and multi-media capabilities – than what is available from current wireless networks. The technologies on our current 3G road map include: GSM (Global System for Mobile communications), GPRS (General Packet Radio Service), CDPD (Cellular Digital Packet Data), GAIT (GSM ANSI-136 Interoperability Team) and EDGE (Enhanced Data rates for GSM Evolution).

Ultimately, we expect the world's current variety of competing wireless technologies to converge into a common 3G standard. Users – including our customers – want seamless wireless service that will operate the same way, and without disruptions, regardless of where they are. The challenge our industry faces, will be to provide this ubiquitous, powerful service at a reasonable cost. As a result, we do not expect this convergence to become a broadly available reality for years to come. In the meantime, CSI's technology roadmap will ensure that our customers needs are well served.

"Technology is simply concepts and ideas that
make our customers better."
- Hamid Najafi, Ph.D., CSI Chief Technology Officer

Global Positioning Technology

CSI has also developed significant GPS technologies that provide our customers with high-accuracy Global Positioning System (GPS) location information using a number of approaches. Historically, CSI led the industry by offering differential GPS (DGPS) using the land-based radio beacon differential method. More recently, we have expanded our customer offerings by adding L-Band satellite DGPS and Space Based Augmentation System (SBAS) DGPS to our portfolio. L-Band satellite DGPS enables customers to use privately owned satellites to provide the additional information needed to achieve high accuracy, whereas SBAS DGPS uses publicly owned satellite networks, such as the Wide Area Augmentation System (WAAS) in the U.S., to provide the required additional correction information.

To enable our customers to exploit the full potential of our GPS products, and to go well beyond what would be possible using our competitors' products, CSI has also developed some very powerful proprietary software. Two of the most successful examples are e-Dif™ and COAST™. They enable GPS systems to remain accurate and continue functioning without differential corrections for as long as 40 minutes, if signals are blocked by trees, buildings or other obstacles that usually make competing systems inoperable.

Research and Development Commitment

CSI's investment in research and development has equipped us with an extensive portfolio of wireless and GPS technology. We are committed to an ongoing investment in high-quality research and development to continue generating great ideas and great products for our customers.

PROVIDING SOLUTIONS

We offer our customers an impressive array of advanced wireless and high-accuracy GPS solutions for commercial and consumer applications. Our product and technology portfolios address customers' needs from a variety of perspectives, including two consistently critical factors – their operating requirements and their financial constraints.

Asset Tracking and Telematics Products

Our Asset-Link™ and AssetVision™ products, targeted for the Asset Tracking and Telematics markets, use a variety of wireless platforms to provide commercial customers with real-time capability for remotely managing vehicles, cargo, people and infrastructure. These products combine CSI's wireless technology with leading GPS technology and imbedded intelligence to collect, process and deliver crucial and timely business information. These products are at the heart of many industry-leading location-based services.

The Asset-Link™100, introduced in January 2002, features rugged and very compact Telematics technology that CSI developed for use with the Microburst™ Control Channel network that spans all of Canada, the United States, Mexico, and many parts of Central and South America. By designing the Asset-Link™100 with Microburst™ support, CSI has created a Telematics product for national and continental fleet and trailer tracking, and for various safety and security applications, which have significantly lower life-cycle costs.

The Asset-Link™200, introduced in March 2002, is similar to the Asset-Link™100 but adds the ability to regularly transfer larger packets of data to and from the vehicle, and to reconfigure the system – meaning to alter or adjust its monitoring capabilities and parameters – over the air.

The Asset-Link™200's over-the-air reconfigurability is unique. CSI developed it for use with the Microburst™ wireless network with coverage throughout most of the Western Hemsiphere.

In addition to offering Microburst™ capability, the Asset-Link™200 offers Circuit Switched AMPS (Advanced Mobile Phone Services) capability. Whereas the Asset-Link™100 and its low-cost Control Channel capability are ideal for customers needing to communicate only "exceptions", or small pieces of infrequent data, the Asset-Link™200, by combining Control Channel and Circuit Switched capabilities, represents an ideal solution for customers requiring more flexibility. They can use Control Channel for basic control and position-reporting services, and use Circuit Switched capability to transfer larger files of vehicle history data, or perform over-the-air alterations to the system.

Customers equipped with the Asset-Link™100 or Asset-Link™200 can perform a variety of useful Telematics functions including:

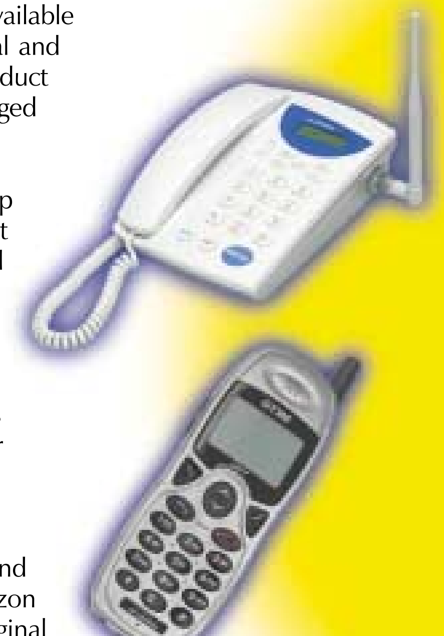
- tracking vehicles' locations;
- logging and analyzing vehicles' performance data, including temperature trends;
- performing important security functions including door-locking and ignition controls, plus geo-fencing (containing vehicles inside pre-set geographic areas); and
- employing potentially life-saving automatic safety features including crash notification, airbag deployment notification, and emergency dispatch.

Some customers will want to occasionally alter the Asset-Link™200's fleet-monitoring functions. For example, a trucking company might want to establish a new geo-fence for some of its vehicles if they begin traveling to new regions. Because the Asset-Link™200's fleet-monitoring functions can be altered or reconfigured over the air, there is no time and expense wasted bringing the trucks back to the shop, or transporting a technician to each vehicle to make the changes. This represents enormous savings for large truck fleets with vehicles all over the continent.

The original AssetVision™, introduced in 1999, offers heavy equipment and trucking customers the same safety and security capabilities of the Asset-Link™ product line, with the added benefit of more vehicle-performance monitoring capabilities, more power and more connectivity with on-board systems.

CSI's latest Telematics product is the new GT300™ Geo-Telephone, introduced in March 2002, which combines aided location-sensing GPS technology with wireless technology (Dual band TDMA/AMPS). The GT300™ is the only wireless handset with Microburst™ two-way paging, which adds the ability to communicate with the handset when it is beyond the range of digital networks.

By making the GT300™ both Short Messaging Service (SMS) and Microburst™-capable, CSI enables users to access one of the world's largest digital cellular phone coverage areas available from a single network – covering Canada, the U.S., Mexico and many parts of Central and South America. By aiding the GPS with cellular network information, we make the product useable inside most buildings and most "urban canyons" that have traditionally challenged similar products.



The GT300™, which is planned to be available in mid 2002, extends CSI's leadership position in Asset Tracking and Telematics for vehicle rental companies, call centres, fleet operators and other companies serving mobile professionals, field service personnel and other people on the move. With the GT300™, drivers can know and relay location information at any time, dispatchers can monitor and direct mobile assets, and individuals can stay in touch with home and office. As a result, fleets operate more efficiently, assets and employees are protected, and customer service is enhanced. With the introduction of the GT300™, CSI Wireless has also defined a new class of products – "Personal Telematics" – for car clubs and families that want to conveniently monitor members' whereabouts.

Wireless Modem Modules

The CVDM-3 is an analog wireless voice and data modem module for Telematics and Telemetry applications. It operates on AMPS, Cellemetry, Microburst™ and the Verizon WIN4℠ platform, depending on customers' needs. CSI markets the CVDM-3 to Original Equipment Manufacturers (OEMs), Systems Integrators, and Application Service Providers (ASPs) for a variety of applications including automated vehicle location (AVL), security system and equipment monitoring, and automatic meter reading.

Fixed Wireless Telephones

We have completed development of our FWT-8000 Fixed Wireless Telephone and shipped more than 5,000 units, with an Original Equipment Manufacturer (OEM) sales agreement pending. The phone, which accesses the digital TDMA cellular network with a full 3-watt power output, is "fixed" in that it is intended for desktops or wall-mounting, but wireless in that it has no connections other than a power cord. The FWT-8000 offers reliable state-of-the-art wireless telephone service, even in fringe areas, to homes and businesses without any need to install expensive copper wiring. This is a very attractive option in developing countries that lack traditional telecommunications infrastructure, or here in North America – where landline phone networks are operating at full capacity, or a temporary phone is required at a cottage or similar location.

OEM Precision Guidance Products

The Outback®S and new Outback®360 are precision guidance products for the agricultural industry that CSI developed under contract for RHS Inc., an OEM customer. The Outback®S is a low-cost system that enables farmers to swath or move back and forth across their fields in very precise rows, with minimal overlap, whether in straight lines or contours. The product is easy to install and operate.

The Outback® 360 is a computerized visual aid system, and a companion product to the Outback® S. It features a high-resolution colour display that effectively enables farmers to view their fields from the sky – monitoring the progress of their tractors, sprayers, cultivators and other farming equipment as they move across fields. RHS purchased more than $10 million of Outback® products from CSI in 2001 and forecasts it will purchase more than $15 million in 2002.

Our other OEM GPS products include the SBX-3A and SLX-2. The SBX-3A is a medium-frequency radiobeacon DGPS engine that augments a separate GPS receiver with free accuracy-improving 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 features two built-in correction sources – the freely available Space Based Augmentation Systems (SBAS) and the subscription-based OmniSTAR system. SBAS includes the Wide Area Augmentation System (WAAS) plus the European Geostationary Navigation Overlay System (EGNOS) and Japan's MTSAT Satellite Augmentation System (MSAS) that are under development. The SLX-2 also allows for an optional SBX-3A beacon module to provide further versatility and correction redundancy.

The SLX-2 features CSI's exclusive COAST™ technology that enables it to use old correction data for up to 40 minutes without seriously degrading accuracy. Using COAST™, the SLX-2 is less likely than competing products to be affected by differential signal outages that occur when trees, buildings and other obstacles temporarily block signals from reaching the SLX-2's GPS antenna. COAST™ enables the SLX-2 to "coast" through differential outages with minimum reduction in performance.

CSI's patent-pending e-Dif™ technology, making use of COAST™, may be optionally installed within the SLX-2 to enable it to operate without a source of differential corrections for up to 40 minutes while offering sub-metre performance initially. No competing products offer this flexibility.

Aerial and Ground-Based Guidance Systems

Our AirStar M3 and SwathStar M3 are, respectively, high-performance aerial and ground-based guidance systems that feature rugged VGA liquid crystal displays and high-speed processors for performance-driven guidance and data logging processes. Each system is highly accurate and designed for the rigours of swath guidance, mapping, yield monitoring and agricultural soil sampling.

Because some precision guidance applications require less sophisticated data processing, we also offer lower-cost options. The AirStar 99.5 is a mid-cost aerial guidance system featuring swath guidance and data logging. The LiteStar is a low-cost unit that combines the processor and a lightbar, and provides high-precision swath guidance for both aerial and ground guidance.

Integrated GPS Receivers

The SERES is our newest integrated receiver. Unveiled in February 2002 with an initial $850,000 purchase order from a U.S. firm, it is a combined GPS/SBAS receiver and antenna system that appeals to several markets including Precision Agriculture and GIS & Mapping. The SERES receives GPS and WAAS signals, as well as signals from Europe's EGNOS and Japan's MSAS systems.

Sharing its heritage with the SLX-2, the SERES also features COAST™ technology and is e-Dif™ compatible.

Our other integrated GPS and DGPS 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 Agriculture, Asset Tracking and GIS & Mapping. The DGPS MAX is our flagship model that features GPS, SBAS, OmniSTAR and beacon internal receivers, plus COAST™ technology.

GPS Antennas and Accessories

CSI manufactures and markets a variety of precision GPS and DGPS antennas, software packages and other accessories that complement our navigation systems.

AIRIQ

Thousands of car rental firms in North America are vulnerable to the threat of vehicle theft and misuse. Commercial trucking companies face the further threat of lost or stolen cargo, and of perishable goods that can spoil if a shipment is delayed. Meanwhile, firms with service fleets such as taxis or repair vehicles are faced with shrinking margins and the need for more efficient deployment of vehicles.

In response to these challenges, car rental firms, commercial trucking companies and business with service fleets are turning to technology to more closely monitor and manage their mobile assets. Many – including the most familiar names in the car rental business – are relying on CSI Wireless vehicle equipment to do the job.

CSI supplies fleet-management equipment to AirIQ, a wireless Internet applications service provider with an asset management system that is in use throughout North America. An industry pioneer and leader in mobile resource management, AirIQ is headquartered in Pickering, near Toronto, Ontario.

CSI has been supplying AirIQ with vehicle AssetVision™ units since 1999. Companies equipped with CSI-AirIQ technology have access to a wide range of valuable fleet information and services, including vehicle location, boundary notification, automated inventory, maintenance reminders, security alerts and remote vehicle disabling.

AirIQ, the operating name of eDispatch.com Wireless Data Inc., is monitoring thousands of mobile assets on behalf of its customers. Although most of the vehicles are U.S.-based, AirIQ is pursuing the entire North American market for large car rental fleets – a market in excess of 2.4 million vehicles – as well as commercial transport (a market in excess of 11 million vehicles) and service vehicle fleets.

RHS Inc.

For generations of farmers, the easiest way to ensure they cultivated, seeded, sprayed and harvested every part of their fields was to navigate their tractors and equipment so each trip back and forth overlapped with the previous one. A skillful farmer with sharp eyes – and using flags or sprayed-foam markings to indicate where he already travelled – could contain the overlap to only 40 or 50 centimetres, while many of his counterparts overlapped by a metre or more.

Every bit of overlap meant that particular strip of the field was cultivated twice, seeded twice, sprayed twice and harvested twice. It wasted both the farmer's and his equipment's time. It also wasted fuel, fertilizer, herbicides and insecticides.

The waste doesn't sound important when the overlap measures 40 or 50 centimetres. But multiply it by the entire length of the field, and the number of passes the farmer must make to navigate the field, and the waste grows substantially. Multiply it by the thousands of farmers doing the same thing across North America, year after year, and the waste becomes immense.

This drives up farmers' production costs, which they must absorb or pass on to consumers in higher food prices. It also has an adverse environmental impact, as unnecessary chemicals are applied to the soil.

In response to farmers' concerns, CSI applied its proven GPS expertise to developing products that precisely navigate tractors and equipment across fields with virtually no overlap, and accurately map fields for customized spraying.

In 2000, CSI unveiled its patent-pending Outback®S product that features CSI's high-performance SLX-2 GPS engine (capable of location-sensing accuracies of five centimetres in some environments) and a lightbar display for navigation and guidance. Farmers have applauded the Outback®S, saying it is incredibly easy to use, and incredibly easy to transfer from one piece of farm equipment to another.

In late 2001, CSI unveiled its patent-pending Outback®360, an accessory to the Outback®S. It is a computerized visual aid system, featuring a high-resolution colour display screen that offers farmers a 360-degree bird's eye view of their fields. Using the Outback®360 in conjunction with the Outback®S, farmers can effectively look down from the sky – monitoring the progress of their tractors, sprayers, cultivators and other farming equipment as they move across fields.

CSI markets both products exclusively through RHS Inc., an OEM customer.

The Outback®360 operates in real-time, so farmers can identify overlaps and missed spots as they happen, rather than afterward. Similarly, farmers can accurately anticipate headlands – or field perimeters – so they know precisely when their equipment should be turned on/off and/or raised/lowered.

With the touch of a button, farmers using the Outback®360 can also:

- zoom in to take a close look at their work, then zoom out to view the entire field again;
- view their machinery in progress;
- mark their fields' perimeters to precisely calculate acreage and the spray, fuel, time, etc., that each field requires;
- learn how much of a field's acreage has been sprayed, cultivated, harvested, etc., and what remains; and
- mark exact areas of their fields where they want to alter conditions – typical examples include more fertilizer, less irrigation, deeper cultivation, varied seed mix – then monitor performance or crop yields.

RHS President Rick Heiniger says: "CSI continues to have an intuitive sense of the products that farmers need to do their jobs more quickly, easily and cost-effectively. The Outback®360 is a very meaningful evolutionary addition to the Outback®S. They both offer high-quality, impressive functionality, consistent dependability and easy installation – plus pricing that ensures they're within easy reach of the mainstream farming market."

"We're confident the Outback®360 will soon become as popular as the Outback®S, which generated almost $10 million in sales in 2001."
- Stephen Verhoeff, CSI President and CEO

CNH Global N.V. (Case Construction)

CSI Wireless and CNH Global N.V. – a worldwide leader in construction equipment manufacturing, and the world's largest manufacturer of agricultural tractors and combines – are helping construction equipment fleet managers avoid the huge costs stemming from equipment downtime and lost productivity.

For companies with large fleets of construction equipment, locating individual machines at job sites and keeping them maintained for peak performance are major challenges. CNH recognized the need for fleet management solutions, and contracted with CSI Wireless for its asset tracking capabilities.

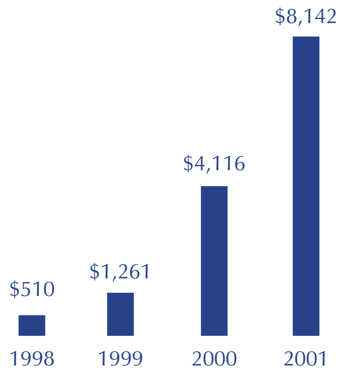
CSI's AssetVision™ product is the GPS tracking component in FleetLink™, the service introduced by CNH in North America last year. CNH is offering FleetLink™ through its dealer network as an after-sales option on its new and used Case Construction Equipment.

With FleetLink™ and its AssetVision™ component, equipment owners are able to accurately locate any machine's position to within a few feet. There is no software to download and no upgrades to maintain.

Additional features offer customers access to detailed maintenance information via a secure Web site, and to operating data that helps fleet managers improve the performance and productivity of each machine.

CNH is the number-one manufacturer of agricultural tractors and combines in the world, the third-largest maker of construction equipment, and has one of the industry's largest equipment finance operations. Revenues in 2001 totalled U.S. $9.7 billion. Based in the United States, CNH's network of dealers and distributors operate in 160 countries. CNH agricultural products are sold under the Case IH, New Holland and Steyr brands. CNH construction equipment is sold under the Case, New Holland, Fiatallis, Fiat-Hitachi, Kobelco, Link-Belt and O&K brands.

"CNH's desire to offer FleetLink™ and AssetVision™ with its Case brand represents a solid vote of confidence in CSI Wireless' asset-tracking technology. We're excited about the long-term potential of this initial agreement."
- Stephen Verhoeff, CSI President and CEO



Research & Development Investment
(In thousands)

MANAGEMENT'S DISCUSSION & ANALYSIS
of Financial Condition and Results of Operations

Overview
The world economies and the general technology sectors experienced another challenging year in 2001. At CSI Wireless, 2001 was another year of investment in the future, with a record $8 million invested in research and development. The Company also posted a record year for revenues and gross margins. However, the heavy investment in R&D put a strain on the Company's resources in 2001. To address this challenge on its own, CSI Wireless implemented cost control initiatives to ensure the Company would operate within its means.

2001 was an exciting year, in that CSI was able to develop many new products for both the GPS and Wireless markets. Numerous new products are scheduled for release in 2002, ranging from GPS antennas and receivers, to GPS enabled cellular handsets, to fixed wireless telephones. Each product is being directed at, and developed for, specific customers and identified markets. Management expects the 2001 investment in research and development will provide the years ahead with a bounty of new products, with improved margins.

Results of Operations

Revenues
Revenues in 2001 of $40,961,000 represented a 54% increase over the $26,591,000 achieved in 2000, and marked the fourth consecutive year the Company has reported revenue increases of 50% or more. For the three-month period ended December 31, 2001, the Company reported an increase in revenues to $10,027,000, from $9,441,000 for the same period in 2000.

CSI's revenue growth was driven by strong growth in GPS product sales and new wireless product sales. The GPS Business Unit had sales of $29 million, compared to $19 million in 2000. The Company had tremendous success in 2001 supplying the Outback® products to RHS Inc. The quality, price and accuracy of the Outback® product has significantly contributed to a large increase in the Company's ground-based Precision Agriculture market-share. The Company is anticipating similar success with the new companion product to the Outback®S – the Outback®360 – in 2002. Overall, the Precision Agriculture market produced significant revenue for CSI in 2001. Sales of all GPS guidance products – such as receivers, lightbars, and integrated guidance systems – totaled just over $24 million in 2001.

Revenues (continued)
Revenues for the Wireless Business Unit were $12 million in 2001, after $7 million in the last six months of 2000, when CSI acquired Wireless Link, and established a Wireless Business Unit. The unit's 2001 revenues were largely composed of sales to AssetVision™ customers such as AirIQ, which in turn sold the product as part of a complete fleet management solution.

Gross Margins
Gross margin dollar contribution increased 70% for the year to $13,114,000, from $7,706,000 in 2000. The increase enabled a doubling of CSI's investment in research and development of new products. As a percentage of revenues, gross margins increased in 2001 to 32%, compared to 29% in 2000. The improvement primarily stemmed from the strong margin performance of the Company's new GPS products. Management expects margins to continue to improve in 2002, particularly as CSI releases its next-generation wireless products.

Research and Development
With a focus on future growth and leadership, CSI doubled its investment in research and development in 2001 – to $8,142,000 after $4,116,000 in 2000. In the fourth quarter alone, the Company invested $2,029,000 in research and development, an increase of almost $500,000 from the $1,530,000 spent in the fourth quarter of 2000.

All of CSI's research and development spending is oriented toward specific products and markets for which customers have been identified. The value of this ongoing investment was amply demonstrated in early 2002, when CSI unveiled three highly innovative wireless products – the Asset-Link™100, the Asset-Link™200 and the GT300™, a GPS enabled cellular phone.

Many of the research and development costs incurred in Canada continue to qualify for scientific research and experimental development income tax treatment. This includes both investment tax credits and the elective deferral of expenses. Research and development costs incurred in the U.S. also qualify in certain circumstances for tax credits.

Selling and General & Administrative Expense

Selling expenses for 2001 increased only 5% from 2000. This marginal increase is significant, given that revenues increased 54% in 2001 from the prior year. The new products introduced in 2001 have enabled the Company's sales team to leverage existing relationships into new and increased sales without significantly increasing the number of employees on the Company's sales teams.

General and Administrative expenses for 2001 increased 37% to $5,119,000 from $3,713,000 in 2000. This increase is in part due to the full year of expenses recorded for Wireless Link versus the six months of expense recorded in 2000. The 2001 expenses also include amounts accrued as bad debts for the year, as well as a write-off of almost $350,000 relating to our sales to a specific customer.

CSI is maintaining a strong focus on working capital and expense management during this period of heavy R&D investment. In the third and fourth quarters of 2001, the Company undertook several initiatives to reduce expenses and improve operating efficiencies. These included the further consolidation of manufacturing operations and finance and administration functions into the Calgary office, and reductions in general expenses. These initiatives will result in savings of more than $750,000 per quarter. The full effect of these savings will be seen in the first quarter of 2002. At December 31, 2001, CSI Wireless had $4,000,000 of an unused line of credit with the Canadian Imperial Bank of Commerce

Goodwill, Depreciation and Amortization

Amortization of goodwill in 2001 of $2,128,000 was almost twice the $1,230,000 amortized in 2000. This significant year-over-year increase is due to the fact that the 2001 expense reflects a full twelve months of amortizing the goodwill that arose from the Wireless Link acquisition in mid 2000. The goodwill amortization for 2000 included only approximately six months of Wireless Link goodwill amortization.

Depreciation of fixed assets and amortization of deferred development costs increased 51% in 2001 from $829,000 to $1,256,000. This increase is in part due to the $1,571,000 of capital assets purchased during the year. 2001 also included a full year of depreciation expense taken on the Wireless Link assets, compared to six months of depreciation recorded in 2000.

Interest

Interest expense in 2001 of $1,235,000 was almost twice that of 2000's $670,000. This can be explained in part by the interest calculated on the $4,000,000 demand loan that was advanced in September 2000. Interest on this loan was calculated at bank prime plus 3.5% in 2001. It has subsequently been reduced to bank prime plus 2.5% for most of 2002 but will increase again to bank prime plus 3.5% in November 2002. Interest expense for 2001 also includes interest calculated on the Company's line of credit at rates between bank prime plus 0.75% and bank prime plus 1.25%.

Income Taxes

For the year ended December 31, 2001, the Company had tax losses and future tax deductions in each legal entity. CSI as a legal entity has tax deductions of $3,647,000 that can be used to reduce taxable income in future years. CSI also has investment tax credits in the amount of $737,000 that can be used to reduce taxes otherwise payable in future years. Wireless Link as a legal entity has cumulative net operating losses of U.S. $15,336,000, and additional tax deductions of U.S. $978,000 that can be used to reduce taxable income in future years. Satloc as a legal entity has tax deductions that can be used to reduce taxable income in future years in the amount of U.S. $2,457,000.

Net Earnings

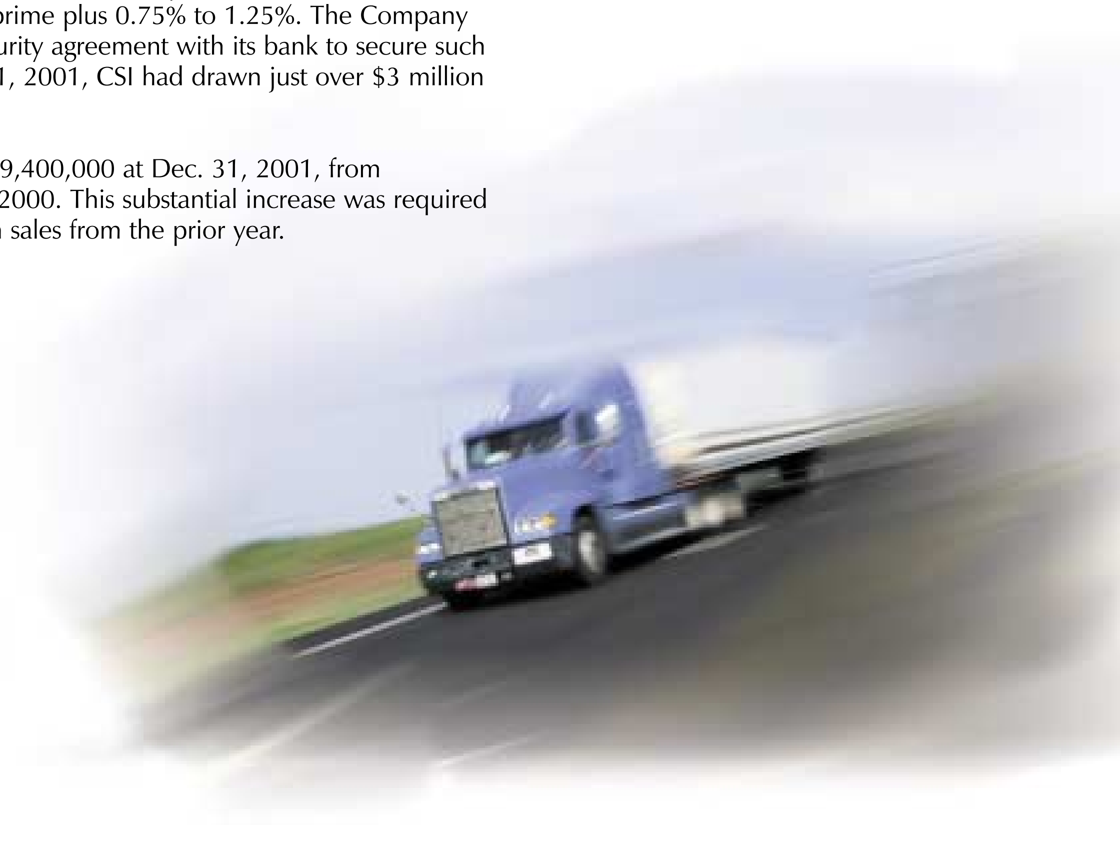
CSI had an EBITDA loss for 2001 of $4,384,000 or ($0.32) per share, compared with an EBITDA loss of $4,145,000 or ($0.28) per share, in 2000. After depreciation and amortization, and interest expense, the net loss for 2001 was $9,002,000 or ($0.52) per share, compared with a net loss of $6,874,000, or ($0.64) per share, in 2000. The losses for the year reflect the significant investment in research and development that the Company made in 2001, as previously noted, that was required to develop the Company's latest generation of products. For the three months ended December 31, 2001, the Company reported a reduced EBITDA loss of $1,794,000, as compared with an EBITDA loss of $2,274,000 for the same period in 2000. After depreciation and amortization, the Company reported a net loss for the quarter of $3,136,000, or ($0.17) per share, compared with a net loss of $3,316,000, or ($0.18) per share in the fourth quarter of 2000.

Liquidity and Capital Resources

CSI had negative cash flows from operations of $5,619,000 in 2001 compared to negative cash flows of $4,650,000 in 2000. In the fourth quarter of 2001, negative cash flows from operations were $2,247,000 versus negative cash flows of $2,540,000 in 2000. The overall cash position of the Company decreased from an overdraft position of $1,426,000 at December 31, 2000 to an overdraft position of $3,072,000 at December 31, 2001. The Company raised net proceeds of $9,481,000 from the special warrants financing in February of 2001. These proceeds were used to retire the subordinated debt of $2.8 million, fund the investment in research and development during the year, and fund the increase in working capital reported at year end. CSI's working capital ratio at December 31, 2001 was 1.22, up from 1.06 at December 31, 2000. Working capital increased from $871,000 at December 31, 2000 to $3,315,000 at December 31, 2001.

CSI has a $7,000,000 line of credit with its bank, with borrowing limits determined by trade receivables and inventory levels. Loans under this arrangement incur interest at prime plus 0.75% to 1.25%. The Company has entered into a general security agreement with its bank to secure such indebtedness. At December 31, 2001, CSI had drawn just over $3 million on this line of credit.

Inventory levels increased to $9,400,000 at Dec. 31, 2001, from $5,415,000 at December 31, 2000. This substantial increase was required to support the 54% increase in sales from the prior year.



Liquidity and Capital Resources (continued)

Share capital at December 31, 2001 increased $10,956,000 to $38,252,000 from $27,296,000 at December 31, 2000. This increase is substantially a result of the special warrants financing that the Company completed on February 23, 2001, at which time gross proceeds of $10,250,000 were raised. The remaining increase in share capital results from the exercise of both purchase warrants and stock options.

In 2001, CSI invested $1,571,000 in various capital assets. This amount included $517,000 for leasehold improvements and furniture leases and purchases associated with the occupancy of the Company's new Calgary premises. These premises provide the space required to consolidate the Calgary operations into one building and migrate certain activities from the United States to Canada where the cost associated with these functions is far less. CSI also spent almost $700,000 in 2001 on production and computer equipment needed to support activities in all three locations. In the fourth quarter of 2001, the Company spent approximately $209,000 on capital assets, most of which was production equipment.

Business Risks

The nature of the Company's business gives rise to certain risks that may impact future financial results. The Company identifies the most significant risks to be:

1. In 2001, CSI incurred a financial loss. Although the Company currently expects to have positive earnings by the third or fourth quarter of 2002, it is possible that an overall net loss will occur for 2002. If the Company fails to execute on its current contracts, or if current customers significantly reduce their purchases, the 2002 loss could be substantial. In light of this risk, the Company is prepared to complete an equity financing to provide adequate working capital and fund such a potential loss.

2. The economic and financial markets in 2001 experienced significant slowdowns and devaluation. The slowed economy had a negative effect on CSI in 2001, although it is difficult to quantify lost opportunities. Although the prospects for 2002 initially appear to be improved, this uncertain economic environment may have a negative impact on the Company's future growth.

3. Many of CSI's competitors currently have greater financial, technical, production, and marketing resources. This may enable them to respond more quickly to market demands, and may enable them to better implement their technological developments.

4. Future revenues are subject to many factors that are beyond the Company's control. Examples include the liquidity and business plan execution of customers, general industry conditions, and the rate of acceptance of new technologies in the marketplace.

5. CSI is reliant upon certain key suppliers for raw materials, components, and external manufacturing. No assurances can be given that the Company will not experience delays or other difficulties in obtaining materials critical in the completion of our products.

Management's Responsibility For Financial Reporting

The management of CSI Wireless Inc. is responsible for the preparation and the presentation of the consolidated financial statements and related information published in this annual report. These statements were prepared in accordance with generally accepted accounting principles in Canada.

The preparation of the financial information necessarily requires the use of some estimates and judgements, such as selection and application of accounting principles appropriate to the circumstances and with due consideration to materiality. Where appropriate, management seeks and receives guidance in these matters from external legal, accounting and other advisors.

To ensure the reliability of the financial statements, management relies on the Company's system of internal controls. The accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable.

KPMG, an independent firm of chartered accountants, reviewed the Company's internal controls and provided management and the audit committee with their recommendations for any improvements they deemed advisable. Management and the audit committee have reviewed these recommendations and are taking action to implement them. Management continuously monitors and adjusts the Company's internal controls and management information systems to accommodate a changing environment while ensuring financial integrity.

Management also recognizes its responsibility for ensuring that the Company, at all times, conducts its affairs in an ethical manner, conforming to all applicable laws and regulations, and in accordance with the highest standards of personal and corporate conduct.

Brian Hamilton S A Verhoeff

Calgary, Canada	Brian Hamilton Executive Vice President & Chief Financial Officer	Stephen Verhoeff Chairman, President & Chief Executive Officer

Auditor's Report To The Shareholders

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

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

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

KPMG LLP

Chartered Accountants

Calgary, Canada
February 13, 2002

CONSOLIDATED BALANCE SHEETS

December 31, 2001 and 2000

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

See accompanying notes to consolidated financial statements.

Approved by the Board:

Paul Camwell
Director

Michael Lang
Director

Consolidated Statements Of Operations And Deficit

Years ended December 31, 2001 and 2000

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

See accompanying notes to consolidated financial statements.

Consolidated Statements Of Cash Flows

Years ended December 31, 2001 and 2000

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

Supplemental disclosure:		
Interest paid	$ 1,026,521	$ 229,364

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2001 and 2000

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

1. Future operations:

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

2. Significant accounting policies:

(a) Principles of consolidation:

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

(b) Inventories:

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

(c) Capital assets:

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

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

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

(d) Deferred development costs:

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

(e) Research costs:

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

(f) Goodwill:

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

2. Significant accounting policies (continued):

(g) Use of estimates:

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

(h) Earnings (loss) per share:

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

(i) Foreign currency translation:

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

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

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

(j) Stock-based compensation plans:

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

(k) Income taxes:

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

3. Change in accounting policy:

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

4. Capital assets:

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

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

5. Deferred development costs:

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

6. Business acquisition:

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

The cost of the net assets acquired at assigned values consisted of:

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

7. Bank indebtedness:

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

8. Subordinated debt:

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

9. Senior long-term debt:

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

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

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

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

10. Share capital:

(a) Authorized:

Unlimited number of common shares
Unlimited number of first preferred shares
Unlimited number of second preferred shares

10. Share capital (continued):

(b) Issued:

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

	Number of Shares	Amount
Preferred shares issued:		
Balance, December 31, 1999	-	$ -
Issued per asset purchase agreement (note 10(h))	350,000	507,500
Balance, December 31, 2000	350,000	507,500
Issued per asset purchase agreement (note 10(h))	311,000	469,100
Balance, December 31, 2001	661,000	$ 976,600

(c) Special warrants:

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

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

10. Share capital (continued):

(d) Stock options:

(i) Stock Option Plan:

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

(ii) Wireless Link Acquisition Share Option Plan:

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

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

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

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

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

	Options Outstanding			Options Exercisable	
Range of exercise prices outstanding	Number outstanding at December 31, 2001	Weighted average remaining contractual life (months)	Weighted average exercise price	Number exercisable at December 31, 2001	Weighted average exercise price
$0 - 1.00	76,985	13	$ 0.81	72,986	$ 0.76
1.01 - 2.00	585,507	51	1.61	271,099	1.61
2.01 - 3.00	1,169,784	40	2.44	913,382	2.46
3.01 - 6.95	1,141,000	45	4.14	347,007	4.22

10. Share capital (continued):

(e) Share purchase warrants:

(i) There were 845,946 common share purchase warrants outstanding at December 31, 2000, that entitled the holder to acquire 845,946 common shares at a price of $2.90 per share. During 2001, 400,000 of these share purchase options were exercised with the balance of 445,946 expiring on December 12, 2001.

(ii) There are 1,576,933 common share purchase warrants outstanding at December 31, 2001, expiring on June 19, 2002, entitling the holder to acquire 1,576,933 common shares at a price of $3.75 per share.

(f) Brokers options:

(i) There were 84,595 Prior Agents Options outstanding at December 31, 2000 that entitled the Prior Agents to purchase one common share and one share purchase warrant at a price of $2.90 per option until December 12, 2001. These options expired on December 12, 2001.

(ii) There are 354,812 Agents Options outstanding at December 31, 2001 that entitle the holder to purchase one common share and one share purchase warrant at a price of $3.26 per option until June 19, 2002.

(g) Bankers warrants:

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

(h) Preferred Shares:

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

11. Income taxes:

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

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

11. Income taxes (continued):

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

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

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

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

12. Segmented information:

(a) Operating segments:

The Company's method for determining what information to report about operating segments is based on the way that management organizes the operating segments within the Company for making operating decisions and assessing financial performance. The Company's chief operating decision maker is considered to be the Company's President and CEO. The President and CEO reviews financial information presented on a technology basis, being the GPS Positioning devices and the Wireless Communication devices.

Year ended December 31:

	GPS Positioning Devices		Wireless Communication Devices		Corporate		Total	
	2001	2000	2001	2000	2001	2000	2001	2000
Sales	$29,019,000	$19,487,000	$ 11,942,000	$ 7,103,000	$ -	$ -	$40,961,000	$26,590,000
Interest expense	-	-	-	-	1,235,000	670,000	1,235,000	670,000
Depreciation and amortization	1,344,000	1,044,000	2,050,000	1,014,000	-	-	3,384,000	2,058,000
Net earnings (loss)	6,132,000	(696,000)	(12,045,000)	(4,014,000)	(3,089,000)	(2,163,000)	(9,002,000)	(6,873,000)
Capital assets and goodwill	1,010,000	4,555,000	564,000	17,065,000	-	-	1,574,000	21,620,000
Total assets	16,523,000	14,284,000	23,002,000	22,696,000	-	-	39,525,000	36,980,000
Capital expenditures excluding acquisition	1,007,000	478,000	564,000	110,000	-	-	1,571,000	588,000

12. Segmented information(continued):

(b) Sales by geographic segment:

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

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

(c) Major customers:

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

13. Financial instruments:

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

14. Commitments:

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

2002	$ 1,322,000
2003	1,084,000
2004	947,000
2005	919,000
2006	884,000
Thereafter	2,952,000
	$ 8,108,000

15. Related party transactions:

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

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

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

CORPORATE INFORMATION

- **Directors**

  Stephen Verhoeff
  Chairman, President & CEO

  Brian Hamilton
  Executive Vice President & CFO

  Hamid Najafi
  Chief Technology Officer

  Michael Lang
  Chairman
  StoneBridge Merchant Capital Corp.

  Howard Yenke
  Businessman

  Paul Camwell
  Vice President & CTO
  Extreme Engineering Ltd.

  Michael Brower
  President
  Fall Creek Consultants Inc.

- **Senior Officers**

  Jim Burge
  Vice President & GM, GPS

  Walter Feller
  Vice President
  Engineering and Research & Development, GPS

  Theresa Lea
  Vice President Finance & Administration, GPS

  Colin Maclellan
  Sr. Vice President & GM, Wireless

  Chris Carver
  Vice President Product Marketing, Wireless

  Phil Gabriel
  Vice President Sales, Wireless

  Cameron Olson
  Vice President Finance, Wireless

- **Legal Counsel:**
  Burnet, Duckworth and Palmer LLP
  Calgary, Alberta

- **Bankers:**
  CIBC, Main Branch
  Calgary, Alberta

- **Auditors:**
  KPMG LLP
  Calgary, Alberta

- **Registrar and Transfer Agent:**
  Computershare Trust Company of Canada
  Calgary, Alberta

- **Stock Listing:**
  Toronto Stock Exchange
  Ticker Symbol: CSY

- **Shareholder Inquiries:**
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