




csi wirelessTM

Interim Report • Q2 • June 30, 2004

Message to Shareholders

Second Quarter ended June 30, 2004

We are pleased to enclose our financial results for the second quarter of 2004, which is the second consecutive quarter in which we posted record gross margins and one in which we posted another record level of quarterly net earnings.

In the second quarter both the wireless and the GPS businesses grew on a consecutive basis over the first quarter. The first quarter is seasonally the strongest quarter for our GPS business, so it is exciting to post even stronger results in the second quarter of 2004. In general, 2004 has been a very strong year for our GPS business with both the ground and air agriculture markets exceeding our expectations. Likewise the wireless business improved in the second quarter, with increased volume shipments of fixed wireless telephones and increases in telematics sales.

GPS Business Unit

Our GPS product lines are continuing to perform extremely well, and have been the revenue and earnings drivers for the corporation through the first half of 2004. We anticipate that this strength will continue into 2005. Subsequent to the close of our second quarter, we announced \$15 million of purchase orders from RHS Inc. for Outback precision guidance products, indicating the growing strength of this business as we move forward. Our leading Outback branded products command leading market share positions in the precision farming market.

We also continue to work on adding new channels to market for our technology, as noted in our recent announcement with DICKEY-john, and with some initial purchase orders for the CSI branded GPS Steer product we also recently announced. In the air guidance market we have added new customers in South America that have provided solid revenue increases over 2003.

The auto steering technology, which we introduced this year, will have a dramatic effect on the growth in the agriculture market in the coming years, as we are one of only a handful of companies in the world who have developed this technology. The forecasted growth for autosteering technology is expected to quadruple in 2005 over 2004. We believe partnering with RHS will allow us to continue to lead the agriculture guidance business.

Our Marine and GIS product lines continue to perform solidly in the market. Our Vector product continues to be successful in key small target markets such as the hydrographic survey and marine construction markets where we have a dominant position. On the GIS side, while we have been impacted by US government spending cuts, we are maintaining our focus on broadening our product and customer base, as witnessed by the introduction of the Powermax, a Bluetooth enabled GPS receiver.

Wireless Business Unit

Our wireless business also had a strong second quarter as volume shipments of our leading TDMA fixed wireless telephone were up approximately 90% over the first quarter. As anticipated, this quarter we announced the receipt of purchase orders totaling \$18 million for our Motorola-branded TDMA-based fixed wireless telephones. These orders will commence shipment in the third quarter and will be completed during the fourth quarter. In aggregate, 2004 TDMA volumes should be nicely ahead of 2003 levels.

Since the close of the first quarter 2004, we announced a new addition to our Fixed Wireless product line – a GSM version of our fixed wireless telephone that will soon be commercially available. With this new product addition our addressable market for fixed wireless telephone sales has increased by a factor of ten, as 70% of the world's wireless networks are GSM. We are currently addressing immediate opportunities in Latin America, Asia, Europe and the Middle East. Based on current market interest and customer forecasts, we believe that the GSM phone will have the potential to double our fixed wireless telephone sales volumes in 2005.

During the quarter, based on strong market feedback from our initial announcement of the GSM fixed wireless product, the decision was made to initiate development of a second model of GSM telephone to add to our GSM product portfolio. This new phone targets the voice and text-messaging segment of the market, as compared to

the voice and data capabilities of the CSI 410 telephone, which we announced in June. While the development of this product variant will impact our research and development expenses for the remainder of the year, we see this phone as providing a balanced approach that will help us meet both ends of the carriers need for fixed wireless telephones.

The telematics business continues to show strength as we anticipate shipments of the GSM based Asset-Link™ product to begin during the last half of the year. We believe this product will grow our current customer base in this business, as GSM is offered in many countries throughout the world. Combining our cumulative knowledge in telematics applications with GSM technology will ensure solid growth in the coming years.

Beyond the Asset-Link, we continue to advance the development of the Location Tag products in our telematics business. The Location Tag product, which is a small, self-contained telematics device, which we first began discussing during our 2003 year end conference call, is continuing on schedule with field trials through the third quarter and planned shipments late in the fourth quarter. We anticipate this product to generate significant interest with sales late this year and with strong revenue opportunities in 2005.

With the new products we are currently developing, and the strong customer demand that we see, we are increasing our research and development resources to match these opportunities. Even though this will have an impact on the bottom line, we are still confident of meeting our guidance for the year and are on track for our best year ever.

Summary

Overall, both of our business units posted strong results in the second quarter, and are well positioned with strong order backlogs through the remainder of the year. We have never been more optimistic about the Company than we are now with all business areas looking promising with many new high growth opportunities. We believe we are continuing to focus on the right customers and products, and expect a strong financial performance with record earnings and revenue for the full year. Management's focus is on meeting our key new product program milestones, and to securing the appropriate purchase order commitments for these programs.



Stephen Verhoeff
President and Chief Executive Officer
July 21, 2004

Interim Management Discussion and Analysis

The following discussion and analysis is effective as of August 12, 2004 and should be read together with our unaudited interim consolidated financial statements and the accompanying notes.

Overview

CSI Wireless Inc. (“CSI” or “the Company”) designs and manufactures innovative, cost-effective, Wireless and GPS products for mobile and fixed applications in the Consumer, Agriculture, Marine, Automotive and other related markets. Through the integration of GPS and Wireless technologies, CSI serves several emerging high-growth markets including Precision Guidance in Agriculture, Consumer-based Fixed Wireless Telephones and Commercial and Consumer Telematics.

Results of Operations

Summary of quarterly results

	For the Quarters Ended							
	Sep 30 2002	Dec 31 2002	Mar 31 2003	Jun 30 2003	Sep 30 2003	Dec 31 2003	Mar 31 2004	Jun 30 2004
Revenue	\$ 8,784	\$20,633	\$24,070	\$21,895	\$15,134	\$ 9,948	\$15,146	\$18,707
Gross margin	2,268	3,403	5,140	5,226	4,839	3,555	5,575	6,672
Expenses								
Research & development	2,207	1,743	1,898	1,795	1,592	1,732	2,026	2,559
Selling	1,150	1,138	1,001	1,057	1,003	1,039	1,027	1,216
General & administrative	1,254	1,213	1,180	1,183	980	952	1,128	1,160
Stock-based compensation	-	-	-	-	-	-	134	159
Depreciation & amortization	294	301	334	235	288	296	261	300
	4,905	4,395	4,413	4,270	3,863	4,019	4,576	5,394
Earning (loss) before the following	(2,637)	(992)	727	956	976	(464)	999	1,278
Interest expense (income)	163	312	198	171	141	168	103	(52)
Foreign exchange (gain) loss	(84)	(13)	211	(86)	42	52	108	(294)
Premium on preferred shares	-	322	46	74	51	40	62	64
	(2,716)	(1,613)	272	797	742	(724)	726	1,560
Loss (recovery) from arbitration	-	-	168	292	1,154	(135)	-	-
Restructuring costs	-	-	-	-	160	-	-	-
Net income (loss) for the period	\$ (2,716)	\$ (1,613)	\$ 104	\$ 505	\$ (572)	\$ (589)	\$ 726	\$ 1,560
Income (loss) per share – basic	\$ (0.14)	\$ (0.08)	\$ 0.01	\$ 0.02	\$ (0.02)	\$ (0.02)	\$ 0.03	\$ 0.05
Income (loss) per share – diluted	\$ (0.14)	\$ (0.08)	\$ 0.01	\$ 0.02	\$ (0.02)	\$ (0.02)	\$ 0.02	\$ 0.04

Quarter Ended June 30, 2004 versus Quarter Ended March 31, 2004

Revenues

Second quarter revenues of \$18.7 million were a 24% increase from first quarter revenue of \$15.1 million. Revenues in the Company's GPS Business Unit grew from \$8.3 million in the first quarter to \$8.4 million in the second quarter, a quarter that typically shows a seasonal decline in revenues. Strong sales in the agricultural guidance products for ground and air were the primary contributors to this strong performance. In the Wireless Business Unit, revenues of \$10.3 million were a 50% increase from revenues of \$6.9 million in the first quarter. Fixed wireless telephone deliveries in the quarter exceeded first quarter deliveries by over 90%. In addition, Telematics product revenues increased relative to the first quarter.

Gross Margins

Gross margins of 36% in the second quarter were down slightly from 37% in the first quarter. This reduction was primarily related to the increase in the relative share of Wireless product revenues during the quarter. In dollar terms, gross margins of \$6.7 million were a record level for the Company, exceeding the previous record of \$5.6 million that the Company earned in the first quarter this year.

Operating Expenses

Operating expenses increased by 18% over the first quarter primarily as a result of the ramp-up in the Company's GSM fixed wireless telephone development program and the Location Tag development program. In addition to these costs, sales and marketing costs associated with the fixed wireless telephone business contributed to this increase.

Interest and Other

The Company earned interest income of \$52 thousand in the second quarter, compared to interest expense of \$103 thousand in the first quarter of 2004. The Company is earning interest income on its cash balance. CSI paid out the long-term debt and the outstanding operating line during the first quarter of 2004 following the completion of the equity financing in March.

The Company realized a foreign exchange gain of \$294 thousand during the second quarter compared to a foreign exchange loss in the first quarter of \$108 thousand. The gain arose primarily due to the impact of a stronger US dollar during the quarter on US dollar denominated working capital.

Net Income

Net income in the second quarter was \$1.6 million, or \$0.05 per share (basic), compared to \$726 thousand, or \$0.03 per share (basic), representing an improvement of \$0.8 million, or \$0.02 per share (basic), from the first quarter results.

Quarter Ended June 30, 2004 versus Quarter Ended June 30, 2003

Revenues

On a year-over-year quarterly basis, revenues of \$18.7 million decreased from \$21.9 million for the second quarter of 2003. Fixed wireless telephone volumes in the first half of 2003 were very strong, however, inventory in the distribution channels resulted in a reduction of fixed wireless telephone volumes during the last half of 2003 and early in 2004. Volumes have rebounded during 2004, and the purchase orders in hand should take volumes in the last half of 2004 above those achieved during the first half of 2003. In addition, the introduction of the GSM version of the fixed wireless telephone during the last half of 2004 will help to diversify the Company's product line in the future.

Revenues in the GPS Business Unit were very strong in the quarter, increasing by 32% from \$6.4 million in 2003 to \$8.4 million in 2004. This increase was primarily a result of stronger ground and air agriculture sales.

Gross Margins

Gross margins of 36% in the second quarter of 2004 were up by 50% from margins of 24% in the second quarter of 2003. Margin improvements were realized in both the GPS and Wireless Business Units. In spite of the decline in revenue from the second quarter of 2003, record quarterly gross margins of \$6.7 million were achieved, up from \$5.2 million in the second quarter of 2003, due to both product cost reductions and changes in the product mix.

Operating Expenses

Operating expenses of \$5.4 million in the second quarter of 2004 were up 26% from \$4.3 million in the second quarter of 2003. This increase was as a result of increased research and development costs related to the GSM fixed wireless telephone and Location Tag development programs. In addition, operating costs have increased due to increased marketing activities associated with the fixed wireless telephone program, and the implementation of the new accounting standard relating to stock-based compensation.

Net Income

Net income of \$1.6 million, or \$0.05 per share (basic), in the second quarter of 2004 increased from net income of \$505 thousand, or \$0.02 per share (basic), in the second quarter of 2003, due primarily to the improved gross margins as described above.

Liquidity and Capital Resources

The Company's cash balance at June 30, 2004 was \$16.8 million, an increase of \$4.3 million from \$12.5 million at March 31, 2004. Cash generated from operations during the second quarter was \$2.1 million before working capital changes, and \$4.9 million after working capital changes. Within working capital, accounts payable generated an increase in cash of \$2.9 million arising primarily from differences in the timing of receipt for payment on fixed wireless telephone deliveries and payment to suppliers.

Inventories consist of components, work in process and finished goods related to the products manufactured and sold by the Company. Inventory levels increased slightly from \$6.5 million at March 31, 2004 to \$6.6 million at the end of June 2004.

CSI has an unused bank operating line of credit with its bank with a maximum borrowing limit of \$6,000,000. The available borrowing limit under this operating line is determined based on trade receivables and inventory levels. During the quarter, the Company's bank revised the interest rate on this operating line from prime plus 3.5% to prime plus 1.0%. The Corporation has entered into a general security agreement with its bank to secure such indebtedness.

Critical Accounting Policies and Estimates

CSI prepares its consolidated financial statements in Canadian dollars and in accordance with accounting principles generally accepted in Canada.

There were no changes in accounting policies or estimates in the quarter.

Certain statements in Management's Discussion and Analysis, other than statements of historical fact, are forward-looking in nature and involve various risks and uncertainties. These can include, without limitations, statements concerning possible or assumed future results of operations of the Company preceded by, followed by or that include words and phrases such as "believes," "plans," "intends," "expects," "anticipates," "estimates" or similar expressions. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions related to all aspects of the GPS and Wireless industries and the global economy. As a result, the Company's actual results may differ materially from those anticipated in the forward-looking statements and there can be no assurance that such statements will prove to be accurate. Factors that may cause such differences include, but are not limited to, those set forth under the section labeled "Business Risks". The Company assumes no obligation to update forward-looking statements should circumstances or Management's estimates or opinions change.

CSI WIRELESS INC.

Consolidated Balance Sheets

	June 30 2004 (unaudited)	December 31 2003 (audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 16,814,939	\$ —
Accounts receivable	10,740,654	9,606,485
Inventories	6,598,056	8,174,568
Prepaid expenses and deposits	474,416	422,604
	<u>34,628,065</u>	<u>18,203,657</u>
Capital assets	4,947,441	4,188,697
Goodwill	18,818,176	18,624,676
	<u>\$ 58,393,682</u>	<u>\$ 41,017,030</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ —	\$ 2,557,939
Accounts payable and accrued liabilities	9,168,841	8,041,181
Current portion of capital leases	400,113	156,904
Current portion of senior long-term debt	—	761,672
Preferred shares (note 4)	2,652,812	2,242,154
	<u>12,221,766</u>	<u>13,759,850</u>
Capital lease obligations	513,423	387,674
Shareholders' equity:		
Share capital (note 3)	65,761,587	49,551,086
Contributed surplus	846,827	156,049
Deficit	(20,949,921)	(22,837,629)
	<u>45,658,493</u>	<u>26,869,506</u>
	<u>\$ 58,393,682</u>	<u>\$ 41,017,030</u>

See accompanying notes to consolidated financial statements.

CSI WIRELESS INC.

Consolidated Statements of Operations and Deficit

(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2004	2003	2004	2003
Sales	\$ 18,706,977	\$ 21,894,565	\$ 33,853,444	\$ 45,964,350
Cost of sales	12,034,593	16,668,279	21,605,682	35,597,752
	6,672,384	5,226,286	12,247,762	10,366,598
Expenses:				
Research and development	2,558,924	1,794,720	4,585,257	3,693,024
Selling	1,216,115	1,057,338	2,243,096	2,058,495
General and administrative	1,160,103	1,180,495	2,288,308	2,338,565
Stock based compensation (note 3(e))	158,562	2,175	292,644	23,530
Depreciation and amortization	300,379	235,465	561,123	569,766
	5,394,083	4,270,193	9,970,428	8,683,380
Earnings before undernoted item	1,278,301	956,093	2,277,334	1,683,218
Redemption premium on preferred shares	64,060	74,026	126,157	120,407
Foreign exchange loss (gain)	(293,698)	(86,269)	(185,277)	124,495
Interest expense (income)	(52,386)	171,458	50,612	369,488
	1,560,325	796,878	2,285,842	1,068,828
Loss from unsuccessful arbitration	–	292,000	–	460,000
Net earnings	1,560,325	504,878	2,285,842	608,828
Deficit, beginning of period	(22,510,246)	(22,181,070)	(22,837,629)	(22,285,020)
Change in accounting policy (note 2)	–	–	(398,134)	–
Deficit, end of period	\$ (20,949,921)	\$ (21,676,192)	\$ (20,949,921)	\$ (21,676,192)
Earnings per common share:				
Basic	\$ 0.05	\$ 0.02	\$ 0.07	\$ 0.03
Diluted	\$ 0.04	\$ 0.02	\$ 0.07	\$ 0.03
Weighted average shares outstanding:				
Basic	32,649,773	21,751,289	30,750,527	21,749,692
Diluted	36,181,679	21,810,524	34,359,125	22,135,686

See accompanying notes to consolidated financial statements.

CSI WIRELESS INC.

Consolidated Statements of Cash Flows

(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2004	2003	2004	2003
Cash flows from (used in)				
operating activities:				
Net earnings	\$ 1,560,325	\$ 504,878	\$ 2,285,842	\$ 608,828
Items not involving cash:				
Depreciation and amortization	300,379	235,465	561,123	569,766
Redemption premium on preferred shares	64,060	74,026	126,157	120,407
Foreign exchange gain (loss) on preferred shares	56,870	(284,249)	91,001	(284,249)
Stock based compensation	158,562	2,175	292,644	23,530
	2,140,196	532,295	3,356,767	1,038,282
Change in non-cash operating working capital:				
Accounts receivable	(56,727)	4,245,548	(1,134,169)	(1,859,781)
Inventories	(77,591)	3,370,303	1,576,512	1,899,462
Prepaid expenses and deposits	(22,834)	(10,653)	(51,812)	(22,365)
Accounts payable and accrued liabilities	2,880,095	(6,660,913)	1,127,660	160,103
	4,863,139	1,476,580	4,874,958	1,215,701
Cash flows from (used in)				
financing activities:				
Bank indebtedness	–	(409,529)	(2,557,939)	1,069,868
Senior long-term debt	–	(476,463)	(761,672)	(952,926)
Other long-term debt	–	(218,739)	–	(456,086)
Capital leases	(50,672)	(106,888)	(58,512)	(372,304)
Issue of share capital, net of share issue costs	44,054	10,577	16,210,501	10,858
	(6,618)	(1,201,042)	12,832,378	(700,590)
Cash flows from (used in)				
investing activities:				
Purchase of capital assets	(561,905)	(275,538)	(892,397)	(515,111)
Increase in cash position	4,294,616	–	16,814,939	–
Cash and cash equivalents, beginning of period	12,520,323	–	–	–
Cash and cash equivalents, end of period	\$ 16,814,939	\$ 204,334	\$ 16,814,939	\$ 382,264
Supplemental disclosure:				
Interest paid	\$ 21,887	\$ 98,451	\$ 134,349	\$ 165,849
Interest received	\$ 58,593	\$ –	\$ 69,082	\$ –

See accompanying notes to consolidated financial statements.

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Periods Ended June 30, 2004 and 2003

(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, 2003, 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 policy:

Prior to January 1, 2004, the Company applied the fair value based method of accounting prescribed by CICA Handbook Section 3870, *Stock-based Compensation and Other Stock-based Payments*, only to stock options granted to non-employees, and applied the intrinsic value method of accounting to employee stock options. Under the intrinsic value method, any consideration paid by employees on the exercise of stock options or purchase of stock was credited to share capital and no compensation expense was recognized.

The CICA Accounting Standards Board has amended CICA Handbook Section 3870 – *Stock-based Compensation and Other Stock-based Payments* – to require entities to account for employee stock options using the fair value based method, beginning January 1, 2004. Under the fair value based method, compensation cost is measured at fair value at the date of grant and is expensed over the award's vesting period. In accordance with one of the transitional provisions permitted, the Company has retroactively applied the fair value based method to all employee stock options granted on or after January 1, 2002 and prior to January 1, 2004. The Company has not restated prior year's reported amounts, and accordingly, has adjusted 2004 opening retained earnings at January 1, 2004 by \$398,134, and contributed surplus by the same amount. Options granted in 2004 are expensed in the current financial statements in accordance with the standard previously described.

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Periods ended June 30, 2004 and 2003

(Unaudited)

3. Share capital:

(a) Authorized:

Unlimited number of common shares

(b) Issued:

	Number of Shares	Amount
Balance, December 31, 2003	26,916,691	\$ 49,551,086
Issued on exercise of stock options	182,802	354,639
Exercise of share purchase warrants	265,693	524,847
Exercise of agents warrants	320,524	587,264
Issued on private placement (note 3(d))	5,000,000	16,250,000
Share issue costs	—	(1,506,249)
Balance, June 30, 2004	32,685,710	\$ 65,761,587

(c) At June 30, 2004 the following stock options and share purchase warrants are outstanding:

Share Option Plan	3,480,410
Wireless Link Acquisition Share Option Plan	235,593
Total Options outstanding	3,716,003
Share Purchase Warrants:	
- Exercise price of \$2.00, expiring August 8, 2005	2,818,500
Agents Warrants:	
- Excise prices of \$1.60 & \$2.00, expiring in 2004 and 2005	376,030
Bankers Warrants:	
- Exercise price of \$2.50, expiring September 30, 2005	250,000
	3,444,530

(d) Special warrants:

On March 3, 2004, the Company completed a fully subscribed underwritten private placement of 5,000,000 special warrants, which included 1,000,000 special warrants pursuant to the exercise of the underwriters' option. The special warrants were purchased at a price of \$3.25 per special warrant, for gross proceeds of \$16.25 million. Each special warrant entitled the holder to acquire one common share for no additional consideration. Final receipt of the short form prospectus was received on March 29, 2004, and the special warrants were converted into common shares on April 8, 2004.

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Periods ended June 30, 2004 and 2003

(Unaudited)

3. Share capital (continued):

(e) Stock based compensation:

The fair value of each stock option granted is estimated on the date of grant using the Black-Sholes option pricing model with the following weighted average assumptions used for options granted in the second quarter of 2004: zero dividend yield; expected volatility of 65%; risk-free rates of 5%; and expected lives of 2.5 years. For the quarter ended June 30, 2004, the Company recorded \$158,562 as compensation expense.

4. Preferred Shares:

	June 30, 2004		December 31, 2003	
	Number of Shares	Amount	Number of Shares	Amount
Preferred shares issued	1,511,000	\$ 2,652,812	1,361,000	\$ 2,242,154

The terms of the preferred shares allows for the holder of the shares to demand retraction in the form of either shares or cash at any time after April 1, 2004, and accordingly the shares are shown as a current liability. On January 1, 2004, an additional 150,000 preferred shares were issued to the holder as the defined performance criteria was met for 2003. This represents the final required performance-related issuance of preferred shares in accordance with the agreement under which the Company acquired certain business assets from the holder. The preferred shares are redeemable at the request of the Company after April 1, 2007.

5. Segmented information:

(a) Operating segments:

The Company determines the information to report about operating segments based upon the structure in which management has organized the operating segments within the Company for making operating decisions and assessing financial performance.

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Periods ended June 30, 2004 and 2003

(Unaudited)

5. Segmented information (continued):

(a) Operating segments (continued):

Three months ended June 30:

	GPS Business Unit		Wireless Business Unit		Corporate		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
Sales	\$ 8,415,000	\$ 6,373,000	\$ 10,292,000	\$ 15,522,000	\$ -	\$ -	\$ 18,707,000	\$ 21,895,000
Interest expense	-	-	-	-	(52,000)	171,000	(52,000)	171,000
Depreciation and amortization	191,000	140,000	109,000	95,000	-	-	300,000	235,000
Net earnings (loss)	2,408,000	908,000	(266,000)	639,000	(582,000)	(1,042,000)	1,560,000	505,000
Capital assets and goodwill	7,628,000	7,378,000	16,138,000	15,682,000	-	-	23,766,000	23,060,000
Total assets	34,685,000	17,462,000	23,709,000	24,736,000	-	-	58,394,000	42,198,000
Capital expenditures	494,000	208,000	68,000	68,000	-	-	562,000	276,000

Six months ended June 30:

	GPS Business Unit		Wireless Business Unit		Corporate		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
Sales	\$ 16,707,000	\$ 13,464,000	\$ 17,146,000	\$ 32,500,000	\$ -	\$ -	\$ 33,853,000	\$ 45,964,000
Interest expense	-	-	-	-	51,000	369,000	51,000	369,000
Depreciation and amortization	362,000	361,000	199,000	209,000	-	-	561,000	570,000
Net earnings (loss)	4,917,000	2,072,000	(1,256,000)	814,000	(1,375,000)	(2,277,000)	2,286,000	609,000
Capital assets and goodwill	7,628,000	7,378,000	16,138,000	15,682,000	-	-	23,766,000	23,060,000
Total assets	34,685,000	17,462,000	23,709,000	24,736,000	-	-	58,394,000	42,198,000
Capital expenditures	671,000	382,000	221,000	133,000	-	-	892,000	515,000

(b) Sales by geographic segment:

	Three Months ended June 30		Six Months ended June 30	
	2004	2003	2004	2003
U.S.A.	\$ 16,035,000	\$ 18,622,000	\$ 28,520,000	\$ 40,503,000
Canada	1,502,000	1,943,000	2,780,000	3,079,000
Europe	346,000	598,000	734,000	989,000
Other	824,000	732,000	1,819,000	1,393,000

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

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Periods ended June 30, 2004 and 2003

(Unaudited)

5. Segmented information (continued):

(c) Assets by geographic segment:

	June 30, 2004	December 31, 2003
U.S.A.	\$ 29,096,000	\$ 27,111,000
Canada	29,298,000	13,906,000

(d) Major customers:

Of the Company's sales for the six-month period ended June 30, 2004, 69% (2003 - 77%) were to 5 customers. The Wireless Business Unit had sales to one customer totaling \$11.7M (2003 - \$26.6M), and the GPS Business Unit had sales to one customer totaling \$7.1M (2003 - \$4.2M). Both of these customers are located in the United States.

For more information, please contact:

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