A copy of this preliminary prospectus has been filed with the securities regulatory authorities in each of the Provinces of Alberta and Ontario but has yet to become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons authorized to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended. Accordingly, except to the extent permitted by the Agency Agreement, such securities may not be offered or sold in the United States or to a U.S. Person and this prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of such securities within the United States. See "Plan of Distribution".

PRELIMINARY PROSPECTUS DATED MARCH 12, 2001

csi wireless

New Issue ●, 2001

CSI WIRELESS INC.

$10,250,065

3,153,866 Common Shares and 1,576,933 Warrants Issuable Upon Exercise of 3,153,866 Special Warrants

This prospectus qualifies the distribution of 3,153,866 common shares ("Common Shares") of CSI Wireless Inc. ("CSI" or "CSI Wireless" or the "Corporation" or the "Company") and 1,576,933 Common Share purchase warrants (the "Warrants") issuable for no additional consideration, upon the exercise of 3,153,866 special warrants (the "Special Warrants") previously issued by the Corporation on February 23, 2001 (the "Closing Date") at a price of $3.25 per Special Warrant pursuant to a special warrant indenture dated as of the Closing Date (the "Special Warrant Indenture") between the Corporation and Montreal Trust Company of Canada (the "Trustee").

Each Special Warrant entitles the holder thereof to acquire one Common Share (subject to adjustment as hereinafter provided) and one-half (½) of one Warrant at no additional cost, at any time until 4:30 p.m. (Calgary time) (the "Expiry Time") on the earlier of: (i) the fifth Business Day following the date (the "Clearance Date") upon which a receipt for this prospectus is issued by the securities commission in the Selling Jurisdiction in which the holder of Special Warrants is resident; and (ii) the date which is one year from the Closing Date. Any Special Warrants not exercised prior to the Expiry Time shall be deemed, by their terms, to have been exercised immediately prior to the Expiry Time without any further action on the part of the holder. The specific attributes of the Warrants are set forth in a warrant indenture dated as of the Closing Date (the "Warrant Indenture") which provides, among other things, that each whole Warrant will entitle the holder thereof to purchase one Common Share at a price of $3.75 at any time on or prior to 4:30 p.m. (Calgary time) on June 19, 2002.

In the event that a receipt for this prospectus has not been obtained on or prior to 4:30 p.m. (Calgary time) on May 24, 2001 (the "Clearance Deadline") from the securities commissions in each of the Selling Jurisdictions, each holder of Special Warrants resident in a Selling Jurisdiction in which such receipt has not been obtained shall thereafter be entitled to receive, upon the exercise or deemed exercise of each Special Warrant, 1.1 Common Shares and 0.55 Warrants (in lieu of one Common Share and one-half of one Warrant otherwise receivable) at no additional cost.

	Number of Special Warrants	Price to Public	Agents' Fee(1)	Net Proceeds to CSI(2)
Per Special Warrant........................	1	$3.25(3)	$0.24375	$3.01
Total Special Warrants...................	3,153,866	$10,250,065	$768,755	$9,481,310

(1) Based on payment of a 7.5% commission.
(2) Before deducting expenses of the issue estimated to be $125,000, which will be paid from the general funds of the Corporation.
(3) The Corporation has allocated a price of $3.25 to the Common Share and nil to the one-half Warrant issuable upon exercise of each Special Warrant.

The Special Warrants were sold on a best efforts basis to investors pursuant to prospectus exemptions under applicable securities legislation pursuant to an agency agreement dated February 23, 2001 (the "Agency Agreement") between CSI, Acumen Capital Finance Partners Limited, First Associates Investments Inc., Canaccord Capital Corporation and Yorkton Securities Inc. (the "Agents"). No commission or fee will be payable to the Agents or otherwise by the Corporation in connection with the distribution of the Common Shares or Warrants upon exercise of the Special Warrants. See "Plan of Distribution".

This prospectus also qualifies in the Province of Alberta the distribution of agents' options ("Agents' Options") to purchase an aggregate of 236,540 Common Shares and 118,272 Warrants and in the Province of Ontario the distribution of the Agents' Options to purchase an aggregate of 157,693 Common Shares and 78,847 Warrants exercisable on or before 4:30 p.m. (Calgary time) on June 19, 2002, the Agents' Options being issuable on the exercise of 236,540 outstanding agent's warrants ("Agents' Warrants"). Each such Agents' Option will entitle the holder thereof to purchase one Common Share and one-half of one Warrant at any time and from time to time until June 19, 2002 upon payment to CSI of $3.26. The Agents' Warrants were issued to the Agents by CSI as compensation under the Agency Agreement in connection with the sale of the Special Warrants.

There is no market through which the Special Warrants may be sold and purchasers may not be able to resell the Special Warrants purchased under the Prospectus. The currently outstanding Common Shares are listed and posted for trading on The Toronto Stock Exchange (the "TSE") under the symbol "CSY". On February 5, 2001, the date prior to the date on which the issue of the Special Warrants was announced, the closing price of the Common Shares on the TSE (as reported by such exchange) was $3.47 and on March 9, 2001 was $2.75. See "Price Range and Trading Volume of Common Shares".

Investment in the Special Warrants should be considered speculative and subject to a number of risks (see "Risk Factors"). The effective offering price of $3.25 per Common Share for the Special Warrants exceeds the net tangible book value per Common Share, as at December 31, 2001, after giving effect to the issuance of 3,153,866 Common Shares on exercise of the Special Warrants, by $2.80 per Common Share, which represents dilution to the investors of approximately 86%. See "Dilution".

Certificates for the Common Shares and Warrants issuable upon exercise of the Special Warrants will be available for delivery within five Business Days from the exercise of the Special Warrants. Certain legal matters relating to the qualification for distribution of the Special Warrants and the Common Shares and Warrants issuable upon exercise thereof have been passed on behalf of CSI by Burnet, Duckworth & Palmer LLP, Calgary, Alberta, and on behalf of the Agents by Burstall Winger LLP, Calgary, Alberta.

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SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.

THE CORPORATION

CSI Wireless was incorporated under the laws of the Province of Alberta on July 31, 1990 and commenced operations in 1990. The Corporation's registered and head office is located at 1200 - 58th Avenue S.E., Calgary, Alberta, T2H 2C9.

CSI Wireless is a leader in designing, manufacturing and marketing advanced wireless and precision GPS products and technologies. The Corporation's Wireless Unit designs and manufactures products including wireless voice and data modems and wireless location modules for the transmission of critical 'state' information. These products provide benefits for commercial and consumer applications such as automotive telematics, fleet and asset management and fixed telemetry. The GPS Unit designs and manufactures products that utilize the Global Positioning System ("GPS") for use in a variety of applications such as marine navigation and precision agriculture. The Corporation typically sells its products through indirect channels such as original equipment manufacturers ("OEMs") and application service providers ("ASPs"). See "Business of the Corporation".

DISTRIBUTION

Special Warrants: This prospectus qualifies for distribution 3,153,866 Common Shares and 1,576,933 Warrants to be issued upon the exercise of previously issued Special Warrants. A total of 3,153,866 Special Warrants were issued pursuant to prospectus exemptions under applicable securities legislation at a price of $3.25 per Special Warrant, for aggregate gross consideration of $10,250,065. The Special Warrants were issued pursuant to the Special Warrant Indenture. See "Plan of Distribution". Since the date of issuance, no Special Warrants have been exercised.

Exercise Details: Each Special Warrant entitles the holder thereof to acquire, at no additional cost to the holder, one Common Share and one-half of one Warrant at any time until the Expiry Time on the date which is the earlier of the fifth Business Day following the Clearance Date and the date which is one year from the Closing Date. Any Special Warrants not exercised prior to the Expiry Time shall be deemed to have been exercised immediately prior to the Expiry Time without any further action on the part of the holder. See "Plan of Distribution".

Use of Proceeds: The net proceeds to the Corporation are intended to be used by the Corporation for research and product development projects, sales and marketing, working capital and debt reduction. See "Use of Proceeds".

Risk Factors: The Corporation’s securities should be considered to be speculative due to the nature of the Corporation's business, its present stage of development and other factors. Investors must rely on the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation and those investors who are not prepared to do so should not invest in these securities. Investment in the securities offered hereby involves a significant degree of risk. Investors should carefully review the following factors, together with the other information contained in the prospectus.

The Corporation competes with other more established companies, some of which have greater financial, marketing and other resources than the Corporation.

The Corporation's operations are subject to a number of laws, regulations and guidelines.

The Corporation is dependent on a relatively small number of key officers and employees, the loss of any of whom could have an adverse effect on the Corporation.

The Corporation is reliant upon certain key suppliers for raw materials and components and no assurances can be given that the Corporation will not experience delays or other difficulties in obtaining supplies, as a result of trade disputes or other matters. The Corporation is also dependent upon certain of its major customers. The loss of such major customers could have a material adverse effect on the Corporation's business.

The Corporation must continue to make significant investments in research and development in order to continue to develop new products, enhance existing products and achieve market acceptance for its products. However, there can be no assurance that development stage products will be successfully completed or, if developed, will achieve significant customer acceptance.

The Corporation may choose to reallocate some of the proceeds for other purposes.

The Corporation may seek to expand its business, through the acquisition of compatible products or businesses and there can be no assurance that suitable acquisitions candidates can be identified and acquired on terms favorable to the Corporation.

The Corporation does not have patents on some of its principal products and there can be no assurance that others may not develop the same or similar technologies and products.

Many of the markets for CSI products are new and emerging. The Corporation's success will be significantly affected by the outcome of the development of these new markets.

The Corporation has product liability insurance, however there can be no assurance that such insurance will be sufficient or will continue to be available on reasonable terms in the future.

CSI's success in the wireless data and communications market may depend in part on its ability to develop products that keep pace with the continuing changes in technology, evolving industry standards and changing customer and end user preferences and requirements.

The wireless data and communications industry is intensely competitive and subject to rapid technological change. More established and larger companies with greater financial, technical and marketing resources may compete with CSI's wireless products.

Customers can only use wireless products over wireless data networks operated by third parties and ineffective or unreliable service may affect sales of CSI products.

On May 1, 2000, the U.S. Government announced the immediate removal of selective availability (being the intentional degradation of GPS signals for non-U.S. Government users) and as a result, some customers will no longer require the additional precision provided by CSI's DGPS products.

The Corporation's GPS products rely on signals from satellites that it does not own or operate. Such satellites and their ground support systems are complex electronic systems subject to electronic and mechanical failure and possible sabotage. A reduction in the number of operating satellites would impair the current utility of the GPS system or the growth of current and additional market opportunities.

See "Risk Factors".

Dilution: The effective issue price of $3.25 per Common Share issuable on exercise of the Special Warrants exceeds the net tangible book value per Common Share as at December 31, 2001, after giving effect to the issuance of 3,153,866 Common Shares on exercise of the Special Warrants, by $2.80. See "Dilution".

Dividend Policy: The board of directors of the Corporation does not presently intend to implement a dividend policy and it is unlikely that dividends will be paid in the near future. The board of directors will review this policy from time to time having regard to the financial condition of the Corporation and other factors that the board of directors may consider appropriate in the circumstances. The Corporation does not anticipate paying any dividends on its outstanding Common Shares in the foreseeable future. See "Dividend Record and Policy".

SELECTED FINANCIAL INFORMATION
(in thousands except for share and per share information)

	Years Ended December 31,		
	2000[9]	1999[10]	1998
	(audited)	(audited)	(audited)
Revenues	$26,591	$16,360	$8,350
Gross Margin	7,706	6,919	3,607
Net Earnings (loss)	(6,874)	568	424
Working Capital	871	2,637	2,309
Total Assets	36,980	11,409	4,635
Long-term Debt	8,773	3,651	-
Shareholders Equity	17,870	4,037	3,525
Research and Development Costs	4,116	1,261	510
EPS-Basic[1][2]	(0.64)	0.09	0.07
EPS-Fully Diluted[1][3]	-	0.09	0.07
Outstanding Common Shares[4]			
Weighted Average	10,821,018	6,393,988	6,450,600
At Period End	14,813,712	6,362,375	6,425,600
Options Outstanding[5]	2,806,943	482,750	976,750
Warrants Outstanding[6]	940,541	-	-
Prior Agent's Options Outstanding[7]	84,595	-	-
Bankers Warrants Outstanding[8]	250,000	-	-

Notes:

(1) "EPS" means earnings per share.

(2) EPS-Basic is calculated using the weighted average number of outstanding shares for the applicable period.

(3) EPS-Fully Diluted is calculated to include all Common Shares which would be outstanding if all outstanding options and warrants were exercised at the beginning of the applicable period.

(4) Includes an aggregate of 1,000,000 Incentive Shares issuable pursuant to the Wireless Link Incentive Share Administration Plan (see "Executive Compensation - Wireless Link Incentive Share Administration Plan").

(5) Options outstanding include options granted pursuant to the Corporation's Share Option Plan and Wireless Link Acquisition Share Option Plan (see "Executive Compensation - Share Option Plans").

(6) The warrants are exercisable at a price of $2.90 per share and expire on December 12, 2001.

(7) Each Prior Agent's Option allows the Prior Agent to purchase one common share and one warrant at a price of $2.90 per option until December 12, 2001. Each Warrant is exercisable at a price of $2.90 per share until December 12, 2001.

(8) The Bankers Warrants are exercisable at a price of $3.10 per share and expire on September 30, 2005.

(9) Includes the business and assets of Wireless Link for the period from July 1, 2000 to December 31, 2000. See "History of the Corporation" and "Acquisitions."

(10) Includes the business and assets of Satloc for the period from April 4, 1999 to December 31, 1999. See "History of the Corporation" and "Acquisitions".

GLOSSARY OF TERMS

Certain capitalized words and terms used throughout this prospectus are defined below:

"Agency Agreement" means the agreement made as of February 23, 2001 between the Corporation and the Agents relating to this offering of Special Warrants;

"Agents" means Acumen Capital Finance Partners Limited, First Associates Investments Inc., Canaccord Capital Corporation and Yorkton Securities Inc.;

"Agents' Options" means the 236,540 options issuable on exercise of the Agents' Warrants;

"Agents' Warrants" means the 236,540 warrants issued to the Agents by CSI as compensation under the Agency Agreement in connection with the sale of the Special Warrants;

"AMPS" means the Advanced Mobile Phone Service, a standard system for analog signal cellular telephone service in the United States and other countries. The term originally used by AT&T refers to its cellular technology. The AMPS standard has been the foundation for the industry in the United States, although it has been slightly modified in recent years. 'AMPS-compatible' means equipment designed to work with most cellular telephones;

"ASP" means applications service provider;

"AVL" means automatic vehicle location, the ability to pinpoint the location of a vehicle within a given range;

"Bluetooth" means a technology specification for small form factor, low-cost, short-range radio links between mobile PCs, mobile phones, and other portable devices. It is expected to enable users to connect a wide range of computing and telecommunications devices without the need to use cables;

"CDMA" means code division multiple access, a digital technique used by cellular network carriers to transmit voice or data by assigning each user a code and spreading the transmission over several frequencies;

"CDPD" means cellular digital packet data;

"Circuit Switched" means a switching technique that establishes a dedicated and uninterrupted connection between the sender and the receiver;

"Clearance Date" means the date upon which a receipt for this prospectus is issued by or on behalf of the securities commissions in the provinces of Alberta and Ontario;

"Closing Date" means February 23, 2001;

"Common Shares" means the Common Shares in the share capital of the Corporation and "Common Share" means any one of them;

"Corporation" or **"CSI"** or **"CSI Wireless"** or **"Company"** means CSI Wireless Inc., a corporation incorporated pursuant to the *Business Corporations Act* (Alberta);

"DGPS" means differential GPS, a method of obtaining improved position accuracies (in the order of 1 to 5 meters) from an otherwise limited stand-alone GPS. This is accomplished through broadcasting differential corrections from a fixed known location to a GPS unit equipped with a DGPS receiver;

"DSP" means digital signal processor;

"EDGE" means Enhanced Data Rates for Global Evolution;

"Expiry Time" means any time until 4:30 p.m. (Calgary time) on the earlier of: (i) the fifth Business Day following the date (the "Clearance Date") upon which a receipt for this prospectus is issued by or on behalf of the securities commission in each of the Selling Jurisdictions in which the holder of Special Warrants is resident; and (ii) the date which is one year from the Closing Date.

"GIS" means geographic information system;

"GPRS" means general packet radio service, an extension to the GSM standard to include packet data services. It is scheduled to be launched in trials in late 2000;

"GPS" means global positioning system, consisting primarily of a constellation of 24 satellites controlled by the U.S. Department of Defense. The system is designed to provide world wide positioning services with an accuracy of approximately 10 to 15 meters;

"GPS Unit" is the operating business unit of CSI which designs, manufactures and markets precision GPS positioning products for multiple markets including marine navigation, precision farming, geographic information systems, hydrographic surveying and automatic vehicle location;

"GSM" means the global system for mobile communications, the European standard for digital cellular telephone systems, see also TDMA;

"IMT-2000" means International Mobile Telecommunications-2000, the standard for third-generation mobile communications systems. In Europe, it is called UMTS and in Japan it is called J-FPLMTS;

"IP" means internet protocol;

"LED" means light emitting diode;

"M-commerce" means mobile commerce;

"OEM" means original equipment manufacturer and in the context of CSI means those OEM customers who utilized the CSI developed PCB module (such as the SBX-3A) as a "plug-in and use" add on into an existing equipment package supplied to the OEM's customers;

"Packet Switched" means a technique for sending digital data in packets through a network to a remote location. The data sent is assembled by the 'modem,' into individual packets of data;

"PCB" means printed circuit board;

"Preferred Shares" means the First Preferred Shares and the Second Preferred Shares in the capital of the Corporation;

"Prior Agent" means Acumen Capital Finance Partners Limited;

"RTK" means real-time kinematic, a positioning technique that delivers very high accuracy positioning on the order of a few inches;

"Satloc" means Satloc (1999) Inc., a wholly-owned subsidiary of CSI, incorporated pursuant to the laws of the State of Arizona;

"Selling Jurisdictions" means the provinces of Alberta and Ontario;

"Series 1 Shares" means the first series of First Preferred Shares of the Corporation of which 1,550,000 shares are authorized to be issued as First Preferred Shares, Series 1 being redeemable, retractable and convertible shares;

"Special Warrant Indenture" means the special warrant indenture dated as of February 23, 2001, between the Corporation and the Trustee;

"Special Warrants" means the 3,153,866 special warrants issued by the Corporation on the Closing Date at a price of $3.25 per special warrant pursuant to the Special Warrant Indenture;

"TDMA" means time division multiple access, a digital technique used by cellular network carriers to transmit voice or data by assigning each user a particular time slot on a frequency allowing a large number of users to access (in sequence) a single radio frequency channel without interference by allocating unique time slots to each user within each channel;

"Telemetry" means a wireless system for the transmission of data (either digital or analog) for remote monitoring;

"Trustee" means The Montreal Trust Company of Canada;

"TSE" means The Toronto Stock Exchange;

"UMTS" means Universal Mobile Telecommunications Services, the European term for wireless systems based on the IMT-2000 standard;

"U.S." or **"United States"** means the United States of America;

"Warrants" means the 1,576,933 warrants issuable on exercise of the Special Warrants;

"Warrant Indenture" means the warrant indenture dated as of February 23, 2001 between the Corporation and the Trustee.

"Wireless" refers to radio-based systems that allow transmission of telephone and/or data signals through the air without a physical connection, such as a metal wire or fiber optic cable;

"Wireless Link" means CSI's wholly-owned subsidiary, Wireless Link Corporation, a corporation incorporated pursuant to the laws of California;

"Wireless Unit" is the operating business unit of CSI that designs, manufactures and markets products that allow companies to remotely monitor and manage assets using existing cellular networks to send and receive business - critical data;

"WLL" means wireless local loop, a local wireless communications network that bypasses the local exchange carrier (LEC) and provides high-speed, fixed data transmission.

EXCHANGE RATES

Except the financial statements for Wireless Link Corporation which are in U.S. dollars, all dollar references in this prospectus are in Canadian dollars except where otherwise indicated.

The following table sets forth for the period indicated certain exchange rates based on the noon buying rate in the City of New York for cable transfers in Canadian dollars as certified for customer purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate"). Such rates are set forth as United States dollars per Canadian $1.00 and are the inverse of rates quoted by the Federal Reserve Bank of New York for Canadian dollars per US$1.00.

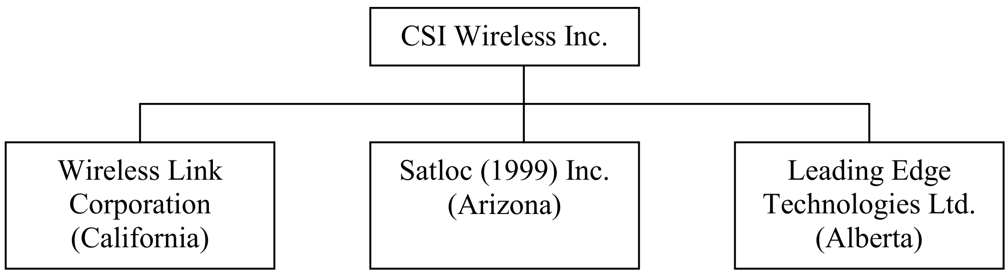
	Year Ended December 31				
	2000	1999	1998	1997	1996
Noon Buying Rate at end of period (US$)	0.6669	0.6925	0.6504	0.6999	0.7301
Average Noon Buying Rate during period (US$)	0.6732	0.6730	0.6748	0.7220	0.7332
Highest Noon Buying Rate during period (US$)	0.6969	0.6925	0.7105	0.7487	0.7513
Lowest Noon Buying Rate during period (US$)	0.6410	0.6535	0.6341	0.6945	0.7235

On March 8, 2001, the Noon Buying Rate was Canadian $1.00 = US$0.6453 (US$1.00 = $1.5497).

THE CORPORATION

CSI was incorporated as Canadian Systems International Inc. under the laws of the Province of Alberta on July 31, 1990. On October 26, 1992 the Corporation changed its name to Communication Systems International Inc. Effective April 30, 1996, the Corporation amended its articles to effect, among other things, a redesignation of the Corporation's Class A Common Shares to Common Shares, a stock split of the Common Shares on a 12,500 for 1 basis and to delete the "private company" share transfer restrictions. On June 21, 2000 by articles of amendment, the Corporation changed its name to CSI Wireless Inc. CSI designs and manufactures low cost precision products for the global positioning system ("GPS") industry and wireless data and communications industries. The Corporation's registered and head office is located at 1200 - 58th Avenue S.E., Calgary, Alberta, T2H 2C9.

Corporate Structure



The Corporation has three wholly-owned subsidiaries, Wireless Link Corporation ("Wireless Link") incorporated under the laws of California; Satloc (1999) Inc., ("Satloc") a corporation incorporated pursuant to the laws of the State of Arizona; and Leading Edge Technologies Ltd. ("Leading Edge"), a corporation incorporated under the laws of the Province of Alberta. In this prospectus, the "Corporation", the "Company", "CSI Wireless" and "CSI" refer to CSI Wireless and its subsidiaries as a whole unless the context otherwise requires.

CSI Wireless is organized into two operating business units: the Wireless Unit and the GPS Unit. The Wireless Unit has 39 employees and the GPS Unit has 95 employees. In addition, 6 employees, including the president, perform corporate functions which are not directly attributed to either operating unit.

History of the Corporation

The Corporation commenced operations in 1990 with the introduction of its first radio receiver product. In 1993, CSI introduced and sold its first DGPS radio beacon product, the MBX-1 unit, which plugged into a regular GPS system to provide differential corrections enhancing the user's overall positioning accuracy. In 1994, the Corporation broadened its product line by offering a printed circuit board ("PCB") card to OEM customers that require the differential corrections gained by inserting the PCB card into their electronic equipment. In 1995, the Corporation introduced a combined self-contained GPS/DGPS unit.

In October 1996, CSI acquired ownership of the beacon receiver technology used for DGPS utilized by it and entered into an exclusive license arrangement for the loop antenna (except for one pre-existing license) utilized with its technology.

In March 1997 the Corporation completed an initial public offering of 2,400,000 Common Shares for gross proceeds of $6 million and its Common Shares commenced trading on the TSE.

In June 1997 CSI acquired all of the outstanding shares of Leading Edge, a manufacturer of a variety of cables, including those used by the Corporation. CSI purchased the shares for cash consideration of $130,000.

In December 1997 CSI introduced its SBX-2 intelligent radio beacon receiver engine and introduced an L-band receiver product that received both satellite and beacon station differential correction data. CSI also released its

ABX-3 automatic differential beacon receiver in April 1998 being the first of a new series of high performance dual channel digital DGPS beacon receivers targeted at the leisure marine and in-shore fisheries market.

In December 1998 CSI received ISO 9002 certification.

In April 1999 CSI's new "smart antenna", the SBA-1, was commercialized and made available for distribution. The SBA-1 combines the SBX-2 with CSI's low cost antenna and is utilized primarily in the marine industry.

On June 24, 1999 CSI acquired certain portions of the business and assets of Satloc, Inc. (the "Satloc Assets") with an effective date of April 4, 1999. Satloc, Inc. was founded in 1992 and is a global supplier of aerial and ground-based precision guidance systems using DGPS technology and has gained acknowledgment in the industry for its GPS aerial swath guidance systems for agriculture and other applications.

The acquisition of the Satloc Assets has provided several strategic advantages to CSI including:

- New products - the combined research and development expertise, using complimentary technologies, assists the Corporation in generating competitive, low-cost products.

- New markets - the acquisition has added market share in the aerial guidance systems market, along with several DGPS guidance applications for other markets, including precision agriculture and GIS.

- Distribution - the Satloc Assets have been integrated into CSI's worldwide sales channels and distributors and users have access to a wider variety of products from a single source.

- Critical mass - the acquisition has provided operating cost efficiencies and has permitted further expansion into the U.S. market and abroad.

Total consideration paid for the Satloc Assets was $6,069,627, consisting of subordinated debt for $2,220,000 and cash of $3,849,627. Contingent consideration of up to $1,550,000 (USD) (approximately $2,300,000 CDN) of Series 1 Shares is payable over a five year period subject to the future performance of the "Satloc" business. As at the date hereof, 661,000 Series 1 Shares have been issued and are outstanding. The Series 1 Shares are not convertible before April 1, 2004, except in the event of a change in control of CSI. The conversion price is the greater of $1.00 (CDN) or the 30-day average trading price prior to April 1, 2004 (the "Conversion Date"). The conversion price is subject to anti-dilution provisions and adjustments for currency fluctuation until the Conversion Date at which time the conversion price will be fixed. In no event will more than 5,000,000 Common Shares be issued to satisfy conversion rights of the Series 1 Shares. The Series 1 Shares are redeemable at the request of Satloc on or after April 1, 2004 and by CSI after April 1, 2007.

In September 1999 CSI submitted applications for provisional patents on two key technologies, one for the AVL-1, which is focused on using differential technology in vehicular applications and the other on the filter architecture used in the new SBX-3 beacon receiver released in September 1999.

In March of 2000 the Corporation completed a rights offering of 1,635,221 Common Shares for gross proceeds of $2,616,354.

In June 2000 the Corporation completed an offering of 945,946 special warrants for gross proceeds of $2,364,865.

On June 30, 2000 CSI completed the acquisition of all of the issued and outstanding shares of Wireless Link (the "Wireless Shares"). Wireless Link, founded in 1987, was a privately held company located in the Silicon Valley, primarily engaged in the business of developing, manufacturing, licensing and selling technology and products associated with location-based wireless data communications applications. Wireless Link's products included wireless modems and asset-tracking products.

The acquisition of Wireless Link has provided several strategic advantages to CSI including:

- Technology - Wireless Link has an extensive proprietary technology portfolio and expertise covering a wide range of wireless platforms.

- Integration - Certain of the Wireless Link products combine wireless and GPS technology. CSI has a high level of expertise in GPS technology that will contribute to the success of these products.

- Markets - The addition of wireless technology and products brings access to markets that are forecast to grow dramatically in the near term.

Total consideration paid for the Wireless Shares consisted of the issuance by CSI of an aggregate of 4,400,000 Common Shares. In addition, CSI agreed to issue an additional 1,000,000 Common Shares as incentive shares, for no additional consideration, for the benefit of certain management and employees of Wireless Link. (See "Executive Compensation - Wireless Link Incentive Share Administration Plan"). The Corporation also granted to employees of Wireless Link an aggregate of 950,000 options to purchase Common Shares. See "Executive Compensation - Share Option Plans".

On February 23, 2001 the Corporation completed an offering of 3,153,866 Special Warrants for gross proceeds of $10,250,065.

BUSINESS OF THE CORPORATION

WIRELESS BUSINESS UNIT

Through its Wireless Unit, CSI Wireless designs, manufactures and markets products that allow companies to remotely monitor and manage assets using existing cellular networks to send and receive business-critical data. The Company has been developing cellular technology and products since 1987 and has created an extensive portfolio of intellectual property that enables it to develop products that operate on a variety of wireless platforms. The Company recently launched a family of Fixed Wireless phones for Tier 3 markets and developing countries that lack sufficient wired infrastructure. The Company's AssetVision™ and AssetLink™ line of products offer complete solutions for remote mobile asset management, safety and security applications, Telematics, and fleet management. The Company's cellular CVDM modems are available as "drop-in" modules for easy integration by OEMs and Application Service Providers into existing mobile and stationary asset management applications such as fleet management and automatic meter reading. All of these products are uniquely positioned to provide one of the only solutions in the industry that provides customers with a tri-mode analog and digital capability at the same price point as previous analog-only products.

In addition to the products described above, the Company also designs cellular handsets on a contract basis. Although this activity is not seen as a significant margin-generating activity on its own account, it furthers the development of the Company's wireless intellectual property portfolio and will be leveraged into the Company's product offerings.

Industry Background and Trends

The wireless communications industry has seen significant growth with over 112 million current cellular subscribers in the United States according to the Cellular Telecommunications Industry Association ("CTIA"), up from 34 million subscribers in 1995 (CTIA website www.wow-com.com, March 7, 2001). This growth has occurred as a result of declining cost, broadening network coverage, expanding product features and improved reliability. While the majority of wireless use has been voice-based, the transmission of wireless data for commercial and consumer applications is beginning to enjoy significant growth.

Wireless Communications Technologies

The North American public wireless voice and data communications industry is comprised of several technologies used by wireless service providers.

First Generation Technologies - Analog Circuit-Switched. The Advanced Mobile Phone Service ("AMPS") is a circuit-switched, analog wireless technology and is currently the most widely used North American wireless technology due to its broad geographic coverage. AMPS operates using Frequency Division Multiple Access ("FDMA") which assigns each user a unique frequency channel for the duration of its telephone conversation. Because there are a limited number of frequency channels available in a given cellular area, AMPS telephone networks have a limited capacity that can result in loss of service in high usage areas.

Second Generation Technologies - Digital Circuit-Switched. Since the early 1990's, digital techniques that convert analog voice signals into digital data for transmission have been developed to improve the efficiency, security and reliability of wireless transmission and to enable advanced services such as text messaging. These technologies are used in conjunction with FDMA circuit-switched technology and increase capacity by sharing the frequency channels between users.

Time Division Multiple Access ("TDMA") is a digital wireless technology that increases the number of potential users in an area by assigning each user a specific timeslot in a frequency channel, thereby allowing several users to transmit on the same frequency channel. The Global System for Mobile Communications ("GSM") established in Europe is rapidly becoming an international standard, and the worldwide leader, for digital wireless transmission.

The Global System for Mobile Communications ("GSM") is the worldwide leader for digital wireless transmission with approximately 69% of the global digital wireless market (GSM Association website www.gsmworld.com, March 7, 2001). In addition, GSM is the standard for European digital wireless transmission. GSM uses the same base digital technology as TDMA, however, it is not compatible with North American TDMA networks as it operates in a different frequency band and uses a different modulation technique.

In an effort to create global seamless second generation digital wireless services, the GAIT Team (GSM/ANSI-136 Interoperability Team) has been commissioned by GSM and TDMA groups to define standards that will allow these platforms to operate interchangeably across networks. The resulting protocol is being referred to as "GAIT" and will be the largest worldwide digital wireless technology in use in the future.

Code Division Multiple Access ("CDMA") is another digital technology that splits wireless signals into pieces that are tagged with a user's code. These pieces are spread over several frequencies and are reassembled at the receiver. This process permits a much more comprehensive use of the available frequency channels.

Second Generation Technologies – Digital Control Channel. Control channels are digital channels that are used by the cellular networks for the transmission of information related to call initiations between cellular systems and cellular customers. Once a cellular call is initiated, the message in handed over to a voice channel by the network. The capacity of these control channels far exceeds the current and expected utilization by cellular networks. Control channel cellular service providers utilize these control channels to send small data messages over existing cellular networks and provide a low cost, highly reliable transmission technique for applications that require lower data rate communications such as fixed telemetry and fleet management. Control channel data, currently implemented only on analog systems, is expected to migrate rapidly to digital networks over the next 18 to 24 months.

Cellemetry LLC and Aeris Communications, Inc. ("Aeris") are the exclusive operators of control channel services in North America. Aeris is also developing services for Central and South America.

Second Generation Technologies – Digital Packet-Switched. Circuit-switched wireless networks require that users be assigned a frequency channel and maintain the connection throughout the conversation, after which time the connection is terminated. Users are charged based on the total connection time. Using "packet-switched" technologies, cellular users remain connected to the wireless network without using a frequency channel unless data is being transferred. Therefore, cost is based only on the data transferred, not the time connected. This is accomplished because data is accumulated in "packets" and sent in short bursts enabling a very efficient utilization of frequency channels. Relative to circuit-switched technologies, these technologies result in significant improvements in technical and economic performance.

Cellular Digital Packet Data ("CDPD") is the primary digital packet-switched technology deployed in North America today. CDPD uses the AMPS cellular network and operates by transmitting the data on the idle frequencies of the existing cellular base stations. CSI Management believe that this technology will remain an important segment of the mobile data networks for at least the next 5 years.

Other important digital-packet switched platforms include GPRS (General Packet Radio Service) and the Metricom Ricochet network being deployed in large cities in North America. The CDPD network and the Metricom network are currently the only mobile wireless IP connected (direct wireless Internet access) networks available in North America. Within 12 months, at least 14 cities in North America are expected to have GPRS coverage. In approximately the same number of cities, CDMA 1XRTT technology is expected to be available by Q1, 2002.

Emerging Technologies – Third Generation ("3G") Technologies. 3G technologies will replace or augment existing networks with new standards. The primary 3G technologies being developed include:

- UWC-136/ Enhanced Data Rates for Global Evolution ("EDGE")
- CDMA-2000
- Wideband CDMA ("wCDMA")

3G technologies will provide data transmission rates that will enable a much broader range of applications depending on wireless data transmission such as mobile computing and the mobile internet, however, most analysts do not expect 3G systems to be widely deployed for 3 to 5 years.

Table 1 summarizes the network speed, expected approval date and expected availability of the primary technologies supporting wireless data transmission over the next couple of years:

Table 1 - Wireless Technologies

Technology		Network Speed		Expected Initial Operational Capability		Expected Availability to Market
CDPD		19.2 kbps		-		Nationwide
Metricom		28.8 kbps		-		Limited US markets
1XRTT		144 kbps		Q1 2001		Q3 2001
GPRS		19.6 kbps		Q2 2001		Q3 2002
CDMA-2000		2.4 Mbps		Q4 2001		Q4 2002 nationwide
EDGE		384 kbps		Q3 2001		Q4 2002 nationwide
wCDMA/UMTS		2 Mbps		Q2 2002		Q3 2004

Wireless Data Applications Markets

Historically, the success of the wireless data transmission applications, such as those used in the automotive telematics and asset management markets, has been restricted by several factors including the high cost of wireless service and hardware, a lack of ubiquitous and reliable coverage, and business processes and systems that did not support the implementation of wireless technologies. However, recent developments in the industry have begun to mitigate these issues:

- *Broad coverage* – The growth in wireless networks has resulted in full coverage of North America through a variety of service providers and technologies.

- *Wireless service cost improvements* – The increase in the number of cellular subscribers has resulted in a reduction in cost associated with wireless service. The CTIA reports that the average US cellular monthly bill declined from US$51 in 1995 to US$41 in 1999 (CTIA website www.wow-com.com, March 7, 2001). In addition to reductions in the cost of voice networks, new data services such as those offered by Aeris.net, Cellemetry, and Verizon WIN[4] are reducing the cost of service for lower data rate applications.

- *Wireless product profit margins* – The limited number of wireless hardware providers has resulted in steady operating margins among most of the competitors nearly twice that of traditional hardware automotive manufacturers based upon Company calculations.

- *Wireless hardware cost reductions* – New technology and the expanding user base are resulting in a continuing reduction in the cost of wireless hardware.

- *Increasing data transmission rates* – Emerging technologies are increasing data transmission rates improving the effectiveness of many wireless data applications.

- *Systems Integrators* – Systems integrators and application service providers are developing services that simplify the implementation of wireless data applications across the wireless vertical markets.

- *Early entrants* – Early adopters of wireless data applications, such as utilities companies and public safety organizations, are demonstrating that existing products and services can be adopted efficiently and effectively and result in significant operating advantages.

As a result of the improvements in the environment for wireless data communications, numerous applications are being identified and pursued by product manufacturers, wireless networks, systems integrators, applications service providers and end users. These include applications in the following vertical markets.

Telematics. Telematics, a term coined by Mercedes Benz, refers to in-vehicle communications of data and/or voice to provide roadside assistance, security, location-based connectivity or other driver and passenger needs. Examples include an automatic call for emergency assistance, including precise location information, if an airbag is deployed; the ability to have a wireless, hands-free conversation with a call centre following an accident; or the ability of a remote call centre to open car doors where the keys have been locked in the car. The Strategis group has forecast that the automotive telematics market in the United States will grow from approximately 1 million subscribers in 2000 to about 17 million in 2005 (Mobile Computing Online, Telematics - En Route to the Future, February 9, 2001). Management estimates that 50 to 70% of the telematics service users will be in the after-market in this time frame.

Fleet and Asset Management. Businesses that employ large or high-value mobile fleets such as taxis, rental cars, transport trailers, heavy equipment, agricultural equipment, armored cars and delivery trucks often bear unnecessary costs associated with lack of information regarding the location and operation of these fleets. By having complete location and other operating information, efficiency can be improved by optimizing fleet utilization, freeing up operating capital, reducing operating costs and improving customer service. In addition to operating improvements, losses from theft of both vehicles and cargo can be reduced, geographic fences can be defined and operating performance can be monitored.

Fixed Telemetry. Fixed telemetry refers to the ability to transmit and receive data from remote sites for monitoring and control application purposes. A typical fixed telemetry application is automatic meter reading (“AMR”). Using AMR, a utility can gather real-time information regarding energy usage of its customers allowing it to develop focused customer service plans or pricing strategies based on real-time usage. Other applications include the monitoring of oil and gas production at remote sites, automatic service calls related to malfunctioning office or other equipment and tailored restocking messages from vending machines. Management believes that the potential market for fixed telemetry applications, in terms of volume, is enormous and far exceeds the market for other vertical markets.

Fixed Wireless Local Loop. Fixed wireless local loop ("WLL") refers to the use of wireless technologies to provide voice and data communication services to residential or business customers rather than connecting such customers to networks using copper wire. Typically, WLL has been seen as a solution to reduce the infrastructure costs associated with widespread telecommunications delivery in developing countries. However, with the evolution of 3G wireless technologies, WLL represents an alternative to providing cost-effective broadband services to residential and business customers in North America.

Mobile Computing. Portable computers and handheld computing devices have become integral to the mobile workforce. The consultancy group Cahners In-Stat Group estimates that nearly 25 million people in the United States will use mobile wireless internet services by 2003 (Cahners In-Stat Group, 3G Technology as a Fixed Wireless Solution, May 2000). The growth of the e-mail, Internet, and corporate Intranet networks, has increased dramatically the value of wireless connectivity for these mobile workers. In addition, the significant emphasis being placed on mobile computing applications for enterprises by Microsoft (Mobile Information Server 2001), Oracle (Oracle 9i) and IBM (WebSphere Everplace) is expected to significantly reduce the cost of developing and delivering mobile data services for wireless devices.

The significant advances in wireless technologies and systems supporting wireless commercial and consumer applications has resulted in the infrastructure being in place for dramatic growth in wireless data applications. This infrastructure is expected to continue to grow at a significant pace as emerging technologies come into place and as hardware manufacturers and systems integrators continue to develop applications that result in effective and efficient products that steamline activities for businesses and individuals.

The CSI Wireless Solution

CSI Wireless is a leader in the design, manufacture and marketing of advanced wireless communications devices, primarily for the wireless transmission of critical ‘state’ information for commercial and consumer applications. The Company’s technology portfolio includes a wide variety of wireless protocols that enable a range of solutions dependent on business and personal needs. The following characteristics describe the competitive advantages associated with the Company’s products.

Breadth of Proprietary Wireless Technologies. CSI Wireless has been a pioneer in wireless communications technologies since 1987 and has developed an extensive proprietary portfolio of wireless technologies that serve a wide range of applications. This wide range of technologies is incorporated into our products enabling customers to select the technology most appropriate for the needs of the specific application with respect to data rate, frequency of messages, geographic coverage, cost and others. Table 1 describes the Company’s existing wireless technology portfolio.

Table 1 - Wireless Core Technology

Air Interface	Network	Status
AMPS	AMPS Cellular	In Production
Aeris MicroBurst	AMPS Cellular Control Channel	In Production
Cellemetry	AMPS Cellular Control Channel	In Production
Verizon WIN[4]	AMPS Cellular	In Production
TDMA-DAMPS	800 Mhz Digital AMPS	In Beta Testing
TDMA PCS	TDMA 800/1900	In Beta Testing
GSM	GSM	In Development
CDPD	AMPS CDPD	In Development
Aeris VBurst	AMPS Cellular	In Development

The Company will continue to incorporate appropriate emerging wireless standards into its products as the respective networks become available on a broad basis. The Company's strategy includes integration of GPS technology with all of the protocols listed above. The wireless technology roadmap the Company plans to follow at this time is:

Current Portfolio	See above
Q4, 2001	GSM/GPRS/AMPS
Q2, 2002	GAIT/GPRS/Bluetooth
2003	EDGE
2004+	Global UMTS (wCDMA)

Proprietary Positioning Technologies. CSI Wireless has been a leader in designing high precision positioning technologies since 1990 and is one of the only companies competing in the wireless location markets owning both wireless and positioning technologies. The Company has an extensive proprietary portfolio of technology related to the Global Positioning System ("GPS"), including GPS, high-precision differential GPS ("DGPS"), and antenna technologies. These technologies are a critical component of devices that access wireless vertical markets requiring wireless location solutions.

Price. The Company has focused on driving cost reductions in its products, while maintaining functionality, performance and quality. The cost of both hardware and applications software is a key driver to users in the wireless markets that CSI Wireless is targeting. Technology ownership, both wireless and GPS, is a significant competitive advantage that the Company is able to utilize to reduce the cost of its products. In addition, CSI has focused on reduced cost in customer applications. For example, the Company has incorporated control channel technologies into its products providing a low-cost wireless alternative to customers requiring low data rate transmission capabilities.

Ease of Use. CSI Wireless' products are designed for ease of use. The Company offers its development customers a developer's kit that supports the integration of its products into customers' systems or processes. Products are designed to be scalable, allowing for functionality consistent with customer and application need, yet providing manufacturing efficiencies through economies of scale.

Quality. The Company's products are engineered to high standards and are subjected to extensive testing. The Wireless Unit has adopted an external manufacturing strategy and has established relationships with large manufacturing companies that meet the highest quality standards (including ISO 9000 Certification).

Business Strategy

CSI Wireless' objective is to be a leading global provider of wireless communications devices providing mission-critical business and personal information to its users. Key elements in the Company's business strategy include:

Expand Technology Portfolio. The Company's research and development capabilities have been, and will continue to be the key driver to success in the rapidly evolving wireless markets. The Company will continue to expand its technology leadership by aggressively developing its wireless and positioning technology portfolios and by implementing strategies to protect its proprietary technology. The Company will continue to design cellular phones on behalf of large phone manufacturers with the goal of expanding its technology base along the roadmap outlined previously.

Implement Disciplined Product Development. Formal product development processes are necessary to increase the assurance that the Company develops the right products, on-time, on-budget and on-schedule. These processes will link the following activities:

- Business Development (Ideas Inventory, Opportunities Identification)
- Product Management (Business Case, Marketing Specifications, Complete Product Life Cycle Management, Communications, Reporting, Beta Testing)
- Program Management (Engineering Project Management, Design Verification Testing)
- Production Management (Design for Manufacturability, Design for Test, Materials optimization, Production Planning)
- Product Termination Management

Diversify Markets. Recent history has shown that new markets for technology advance at varying rates based upon many factors that are difficult to predict. In the near term, the Company will target the following vertical markets:

- Automotive Telematics
- Fleet and Asset Management
- Fixed Telemetry
- Fixed Wireless Local Loop

Develop Multi-Market Multi-Protocol Products. There does not exist, nor does management believe there will exist in the foreseeable future, a perfect single data network for mobile wireless data services. High infrastructure development costs and ongoing operational costs demand that the number of mobile users required to support any wireless network is in the tens of millions. Today there are not a sufficient number of mobile data users, and if there were, the same factors that constrain the deployment of wireless voice networks would also apply to data networks and mobile wireless applications. Based on this view, CSI Wireless is developing products that incorporate a variety of its wireless communications technologies and will serve a variety of vertical markets and customer needs. Both the hardware cost and the communications costs will be dramatically reduced through the economies of scale that arise from this approach.

Expand and Develop Strategic Relationships. The wireless communications industry environment is extensive, competitive and rapidly changing. Management believes that in this environment, it is critical to develop and maintain strategic relationships with suppliers, communications network suppliers, systems integrators, original equipment manufacturers, and industry associations. These relationships provide the Company with access to broad distribution channels, new sales opportunities, technology insights and market intelligence.

Broaden Procurement Power. The wireless communications hardware industry has been faced, and in management's opinion will continue to face, severe components shortages as a result of the dramatic growth in demand for wireless products. The Company is developing and implementing strategic procurement strategies that management believes will give it purchasing power that puts it in league with some of the world’s largest wireless product manufacturers.

Enhance Manufacturing Quality and Capacity. The Company has adopted an External Manufacturing (“EM”) strategy in order focus its capital on the development of technology and products that will achieve its business strategy. The Company has established relationships with top EM companies that will ensure a very high quality product with capacity for dramatic production growth in the face of expanding market opportunities.

Pursue Focused Acquisitions. Where appropriate, the Company will supplement internal growth and technology development with acquisitions where this will accelerate the achievement of the Company’s business strategy.

Invest in Intellectual Capital. CSI Wireless believes that the people in all levels of the organization have been, and will continue to be the key factor in the achievement of its objectives. As such, the Company will continue to place a high priority on its intellectual capital.

Products

CSI Wireless uses the communications technology it designs to build wireless products that allow commercial and individual users to maintain contact with their stationary or mobile assets using a variety of wireless infrastructure.

AssetVision™. The Company’s AssetVision™ product line, uses public wireless networks to give enterprise management real time visibility to infrastructure, vehicles, cargo and people. The AssetVision™ product line is a technologically integrated solution for mobile asset management that combines cellular connectivity, GPS, and embedded intelligence to collect, process and deliver business information. This product is used by customers in automotive telematics, fleet management and asset management applications such as truck and trailer fleets, heavy equipment and automobile rentals.

AssetLink™. The Company's recently announced AssetLink™ product line, uses various wide area wireless networks to enable a new category of products for safety and security. Management believes that the AssetLink™ product line is technologically the most highly integrated solution available on the market today.

Wireless Modems. The CVDM™ family of products are .6W and 3-Watt cellular modem modules for analog and digital networks used by OEMs, systems integrators and ASPs for a variety of applications including automated vehicle location, automatic meter reading, security system monitoring and equipment monitoring.

The following table outlines the CSI Wireless product line:

Product	Applications	Technology	Status
AssetVision™	Fleet Management Asset Management Telematics Trailer Tracking	Verizon WIN^4/GPS Aeris.net MicroBurst/GPS Aeris.net/Verizon WIN^4 Dual Mode/GPS Cellemetry/GPS AMPS/GPS GSM/GPRS/GPS	In Production In Production In Production In Production In Production In Development (2001/2002)
AssetLink™	Safety and Security Fleet Security Automotive Telematics	Cellemetry or MicroBurst™/GPS AMPS/TDMA/CDPD/GPS	In Production within 60 days Under Consideration
Wireless Modems (CVDM™ Family)	Fixed Telemetry Fleet Management (OEM) Asset Management (OEM) Telematics (OEM)	Verizon Win^4 Aeris.net/Verizon WIN^4 Dual Mode Aeris.net MicroBurst Cellemetry AMPS CDPD TDMA GSM	In Production In Production In Production In Production In Production In Development (shipping Dec. 2001) In Development (shipping July 2001) In Development (2001)
Wireless Local Loop Telephone Terminal	Wireless telephone delivery to residential and commercial locations	TDMA 800	In Beta Testing
TDM-3000	TDMA PCS Cellular Handset (contract R&D)	TDMA 800/1900	In Beta Testing

Research and Product Development

In 2001, the primary objective of the Company's engineering group is a clear focus on the product development supporting key contracts and supporting progression along the Company's technology roadmap. Opportunities with low strategic or low economic value will not be entertained.

Current Activities

CSI Wireless has targeted major manufacturers of over the road trucks and construction/agriculture equipment in connection with development and distribution relationships. CSI Wireless is developing a GSM-based AssetVision™ product to address the needs of these manufacturers' international partners. Management of CSI Wireless believes that by offering these companies a single protocol (AssetVision™ PDI-Packet Data Interface) that operates over the AMPS cellular network in the U.S., and will also operate over the GSM networks of the world, the usefulness of these products to multi-national customers will be greatly enhanced. This technology will be further leveraged across the Company's products and will provide other international opportunities to the Company.

In the automotive telematics market segment, CSI Wireless announced in 2000 a development/supply agreement with LoJack Corporation ("LoJack") for an advanced low-cost telematics product. CSI Wireless and LoJack have teamed to define successive generations of Internet-enabled telematics and vehicle security products to capitalize on LoJack's extensive worldwide distribution channels.

Leveraging on CSI Wireless' experience designing cellular handsets for license, the Company is currently undertaking beta-testing on its TDMA-based dual band, tri-mode digital cellular handset which has been designed under contract for a world class consumer products manufacturer. Production of this cellular handset is expected to begin in April 2001. The technology behind this digital radio product forms the base of several other products the Company is developing including the fixed wireless terminals described below and a new line of wireless modems.

CSI Wireless is designing fixed wireless applications with the development of wireless local loop ("WLL") telephone terminals. These terminals will form part of a complete solution in low cost telephone services for developing countries. Wireless telephone terminals are used where it is uneconomical to extend standard copper wire to provide basic telephone services. The Company is designing a dual-band, tri-mode WLL product based on its TDMA cellular handset that will support voice, data and fax.

The Company is also considering opportunities for product development in mobile computing and mobile internet access based upon relationships that currently exist.

Marketing, Sales and Distribution

The Wireless Unit does not typically distribute its products to end users. Rather, the Company has adopted a strategy of distributing its products through major OEMs, system integrators and service providers. OEMs typically integrate products into their own products and supply value-added services to end users through their own firmly established dealer and parts distribution networks (eg. CASE New Holland). System integrators and service providers usually provide end-to-end solutions directly to the end user by reselling CSI's products and value-added services to specific vertical markets (eg. AirIQ, PeopleNet, InterTrak).

In 2001, a comprehensive channel partner program is being put in place to expand the Company's relationships with significant customers and to improve the discipline with which the Company manages customer relationships.

CSI Wireless has developed relationships with over 65 potential distribution partners. These manufacturers, systems integrators and service providers have purchased a developers' kit in order to integrate CSI Wireless PDI protocol into their customer solutions which will in turn allow them to resell the AssetVision™, Asset-Link or CVDM™ products. In 2001 all of these partners will be encouraged to sign up as a channel partner where they will receive marketing assistance and sales leads in return. The purpose of this program is to ensure that CSI Wireless provides maximum support to the market makers and leverages its ability to distribute dramatically more product than has been sold directly to its customers.

The Wireless Unit of CSI Wireless sells its products primarily to customers in North America, however, international sales are expected by management to increase as new products are introduced and the Company increases investment in sales and marketing activities internationally. Approximately 74% of its 2000 sales occurred in the United States. Approximately 23% of its 2000 sales occurred in Canada. Approximately 3% of its 2000 sales occurred in other areas of the world.

Customers

Table 1 provides a representative selection of CSI customers:

Original Equipment Manufacturers	Systems Integrators/Service Providers
CASE/New Holland (Case Corporation) Magellan Corporation Telenetics Corporation Wiltech International	AirIQ Inc. Lojack Corporation PeopleNet Communications Corporation HeavyTrack.com, Inc. Response Services Center, L.L.C. Televoke, Inc. InterTrak Tracking Services, L.L.C.

Many of the manufacturers that use CSI Wireless' products are their own systems integrators, using the Company's products and software to build solutions for their customers. For example, CSI Wireless' customer, AirIQ Inc., is a systems integrator. They take the AssetVision™ product and build it into a solution to provide fleet and asset management solutions for rental car companies. LoJack is a service provider to the consumer automotive telematics aftermarket.

Recent announcements relating to customers include the following:

- On January 9, 2001 the Company announced a $7.2 million purchase order for AssetVision™ with MicroBurst® technology from InterTrak Tracking Services, L.L.C., a company that provides vehicle and asset tracking services in the United States. The order is to be delivered over a 12-month period with shipments beginning in Q1 of 2001; and

- On January 19, 2001 the Company announced a $7.5 million purchase order from PeopleNet Communications Corporation for the soon to be released CVDM-3100 cellular voice and data modem module. PeopleNet provides internet-based vehicle location and communications solutions to the transportation industry and is a current customer of CSI Wireless. Shipments under this contract are expected to begin in Q2 of 2001.

Competition

CSI Wireless views its primary competitors by product as follows:

Product	Key Competitors
AssetVision™ AssetLink™	Sierra Wireless Inc. Novatel Wireless, Inc. Motorola, Inc. AirLink Communications Inc. Trimble Navigation Limited Orbcomm Global, L.P.
Wireless Modems	Ericsson Standard Communications Inc. Novatel Wireless, Inc. Sierra Wireless, Inc. NextCell, Inc. Tellus Technology Inc.

Manufacturing

CSI Wireless currently outsources substantially all of its wireless device manufacturing to two external manufacturers: C-Mac Industries Inc. (USA and Mexico) and Telian Corporation (Korea). By outsourcing its manufacturing activities, CSI Wireless benefits by:

- focusing resources on product development and sales and marketing
- eliminating the need to devote capital to equipment and facilities
- participating in contract manufacturer economies of scale, including procurement power
- enjoying the latest state-of-the-art manufacturing and test techniques
- having access to significant additional production capacity and high quality manufacturing resources

Management believes that the 2001 drivers of success in the manufacturing area include:

1. Cost of Quality
   a. Design for manufacturability (“DFM”)
   b. Design for testability (“DFT”)
   c. Component engineering and standardization
   d. Document control
   e. Engineering change (“EC”) management

2. On-Time Delivery
   a. The “right” external manufacturer
   b. Accountability of the external manufacturer

3. Product Cost
   a. Early involvement in the product design process
   b. Procurement processes

Facilities

The Wireless Unit currently leases approximately 9000 square feet of office space in Milpitas, Santa Clara County, California. The majority of the Unit’s research and development, sales and marketing, operations and administrative activities are located in this leased facility. In addition, certain of the Wireless Unit’s research and development and administrative staff are located in the Calgary facilities.

Personnel

At December 31, 2000, the Wireless Unit has 39 employees in total with 17 in Research and Development, 7 in Sales and Marketing, 10 in Operations and 5 in Administration. These totals include 6 engineers and 1 administrative employee in Calgary that are devoted to the Wireless Unit.

GPS POSITIONING DEVICES BUSINESS UNIT

Through its GPS Unit, CSI Wireless designs, manufactures and markets precision GPS positioning products for multiple markets including marine navigation, precision farming, geographic information systems, hydrographic surveying and automatic vehicle location. The Company's products include high accuracy differential GPS ("DGPS") receivers, autonomous GPS receivers, combined DGPS and GPS receivers, OEM engines (PCB-based GPS and DGPS sensors), GPS and DGPS antennas, and precision aerial and ground guidance systems.

Industry Background and Trends

The Global Positioning System

The United States Department of Defense ("DoD") operates a reliable, 24 hour per day, all weather Global Positioning System ("GPS"). This system consists of ground control facilities, end users, and a constellation of 24 satellites (plus active spares) orbiting the Earth at an altitude of approximately 22,000 km.

How GPS Works. GPS satellites transmit coded information to users at band frequencies (1.575 GHz) that allows user equipment to calculate a range to each satellite. GPS is a timing system - ranges are calculated by timing how long it takes for the GPS signal to reach the user's GPS antenna. The GPS receiver calculates the range by multiplying the time of transit of the signal by the speed of light.

To calculate a geographic position, the GPS receiver uses a complex algorithm incorporating satellite coordinates and ranges to each satellite. Reception of any four or more of these signals allows a GPS receiver to compute 3D coordinates. Tracking of only three satellites reduces the position fix to 2D coordinates (horizontal with fixed vertical). The GPS receiver calculates its position with respect to the phase center of the GPS antenna.

GPS Services. The positioning accuracy offered by GPS varies depending upon the type of service and equipment available. For security reasons, two GPS services exist: the Standard Positioning Service (SPS) and the Precise Positioning Service (PPS). The US DoD reserves the PPS for use by its personnel and authorized partners. The SPS is provided free of charge, worldwide, to all civilian users.

In order to maintain a strategic advantage the US DoD has in the past artificially degraded the performance of the SPS so that the positioning accuracy is limited to 100 meters 95% of the time. This intentional degradation is called Selective Availability (SA). On May 1, 2000, SA was reduced to zero, effectively turning off the degradation. The intention of this change was to stimulate the development of applications that utilize GPS technology, together with the related social and economic benefits.

With SA effectively turned off, autonomous GPS is able to achieve a horizontal accuracy on the order of 10 to 15 meters (95% confidence).

Differential GPS

The purpose of differential GPS (DGPS) is to remove the effects of atmospheric errors, timing errors, and satellite orbit errors, while enhancing system integrity. Prior to May 1, 2000, DGPS also reduced the impact of SA.

How it Works. DGPS involves setting up a reference GPS receiver system at a point of known coordinates. This receiver makes distance measurements, in real-time, to each of the GPS satellites, which include any errors present in the system. The base station receiver calculates what the true range should be, without errors, knowing its own coordinates and those of each satellite. The difference between the known and measured range to each satellite is the range error. This error is the amount that must to be removed from each satellite distance measurement in order to correct for errors present in the system.

Real-Time DGPS. To correct for system errors in real-time, the GPS base station transmits the range error corrections to remote receivers using wireless communications. The remote receiver corrects its satellite range measurements using these differential corrections, yielding a more accurate position. This approach is the predominant DGPS strategy used for real-time applications.

Positioning using corrections generated by DGPS radio beacons provides a horizontal accuracy of 1 to 5 meters with 95% confidence. Positioning using corrections generated by Wide Area Augmentation Systems ("WAAS") of other L-Band differential networks provides a horizontal accuracy of 1 meter or better with 95% confidence. CSI's SLX2 technology is capable of centimeter level accuracy with short range (1 to 10 km) base station and radio link.

Differential GPS Services

The Company currently offers receiver equipment that is compatible with three main correction services: beacon DGPS, L-band satellite DGPS, and Space Based Augmentation Systems ("SBAS").

Beacon DGPS. Many marine authorities around the world have installed networks of medium frequency (283.5 to 325 kHz) beacons that broadcast free GPS correction information to users. When in range of a beacon, these signals may be used to differentially correct a GPS position. The achievable accuracy depends on the sophistication of the GPS receiver used, however, it will range from 1 to 5 meter accuracy.

An advantage of this free of charge service over satellite-based services is that beacon signals are able to provide excellent coverage around obstacles, similar to how AM radio signals are able to penetrate tree canopy or diffract around obstacles such as buildings and other structures. The disadvantages include its susceptibility to noise interference by man-made equipment and the decreasing applicability of correction information as users move away from the base station.

L-Band DGPS. Currently, two private organizations provide differential corrections to the positioning industry by transmitting correction data via an L-band communication satellite. These two services are the OmniSTAR (OmniSTAR, Inc.) and Racal Landstar (Racal Electronics Plc) systems. Both services are subscriber-based, however, their advantage is that they provide signal coverage to the majority of the world.

As networks of reference stations are used to provide correction information throughout the coverage regions, the correction data is optimized so that it does not degrade as readily as a single reference station services, such as beacon DGPS. The value of this feature is improved consistency of performance as compared to conventional services, improving confidence of system users. Although the performance of L-band systems is more consistent than single base station systems, the overall accuracy provided is similar.

As these services broadcast in the L-band, similar to GPS, they are line of sight signals. The satellite must be in view of the antenna at all times, or acquisition may be lost.

Space Based Augmentation Systems. Space Based Augmentation Systems ("SBAS") usually refer to the wide area DGPS systems being constructed for aviation use. The most notable network currently under construction is the US Federal Aviation Administration's ("FAA") Wide Area Augmentation System ("WAAS"). This network is similar to that of OmniSTAR in that it uses satellite transponders to relay correction information back to Earth.

These free of charge systems have been developed primarily for aviation navigation. They use a different methodology for correcting GPS errors than beacon or L-band services. Instead of attempting to solve for the sum of errors as observed by measurements to each satellite, this system attempts to solve for each error separately. The advantage of this approach is that if the errors, including satellite orbit, clock, and ionospheric errors can be determined separately, a more consistent level of accuracy can be achieved in comparison to range measurement methods. Even though the elegance of this correction technique will likely improve the consistency of accuracy further over L-band services, it will provide a similar level of overall accuracy to beacon and L-Band services.

Another benefit of WAAS, and other compatible SBASs, is that their signal is broadcast at the same frequency as GPS, allowing suitably designed GPS receiver systems to track both GPS and WAAS. This saves overall system cost as compared to requiring a separate differential receiver for beacon or L-band. However, a drawback of transmitting data at the GPS frequency is that the signal is line of sight, increasing the potential for loss of the signal.

As these systems are being developed for regional coverage, the FAA's WAAS provides excellent coverage to the majority of the United States and parts of Canada and Mexico. Coverage over other regions of the world are the responsibilities of respective authorities. The overall goal of SBAS is to develop an interoperable GPS augmentation system covering the majority of air traffic routes. It is likely that this will ultimately provide coverage to the majority of the world.

In addition to WAAS, SBASs are currently under construction in other regions of the world. The European Space Agency is deploying the European Geostationary Overlay System ("EGNOS"). The Japan Civil Aviation Bureau ("JCAB") is developing the MTSAT Satellite-based Augmentation System ("MSAS"). Efforts to begin the construction of similar and compatible GPS augmentation systems by other aviation authorities around the world will likely occur in the next few years.

The CSI Wireless Solution

CSI Wireless has been a leader in the design and manufacture of competitive, high accuracy GPS positioning devices since 1990. The following characteristics describe the competitive advantages associated with the Company's products.

Technology. The Company's technology portfolio has been expanded beyond DGPS technology through strategic acquisitions. The GPS Engineering team has brought two generations of GPS, beacon, L-band and SBAS DGPS technologies to market and has become known in the industry for innovation and creativity as a result of achievements such as:

- CSI Wireless was the first company to successfully bring a combination GPS/ beacon receiver module to market able to offer a competitive price-point and a compact form-factor.
- CSI developed and has a patent pending on the AVL-1, an AM/FM beacon antenna coupler that uses the existing AM/FM vehicle antenna for supply of the beacon signal to the beacon receiver.
- The Company developed a high quality beacon receiver design that provides superior immunity to man-made noise, resulting in high performance under noisy conditions.
- The new SLX-2 module provides sub-20 cm accuracy positioning for advanced applications by incorporating Real-Time Kinematics ("RTK") technology.
- Cost reductions have been continually achieved through initiatives such as the combination of GPS and differential receivers in one module to share common resources and the design of integrated antennas.

Range of Options. The Company's DGPS products are compatible with all three primary sources of differential corrections currently available: beacon, L-Band and SBAS. This provides customers with the option of selecting the technology that is most compatible with the application considering several factors including the required precision and cost. To date, none of the DGPS correction sources has proven itself as an industry standard as each service has advantages and disadvantages when compared to the others.

Price. The GPS Unit has distinguished itself as a low-cost provider of GPS positioning devices while maintaining a high level of performance, features and quality. The Company continues to pursue means of reducing the cost of its products in order to maintain its competitive advantage. For example, the Company recently created a higher degree of silicon integration between the GPS and DGPS components for certain of its products, thereby giving rise to significant cost savings.

Reliability. The Company's products are designed to meet very high standards with respect to reliability in a wide range of applications and environments. For example, the Company is currently implementing a high agricultural standard, EP455, against which to evaluate its products. This will ensure that its products are able to withstand the harshest environments.

Quality. CSI Wireless achieved ISO 9002 certification at its Calgary manufacturing location in December 1998 and has selected external manufacturers that meet very high standards for quality.

Ease of Use. The Company's products are designed for simple integration with its customers' applications and/or products. In addition, a significant investment is made in customer support to ensure that customers have the resources that they need to get full benefit from the products. For example, the Company adds and modifies software, as required, to permit tailored integration of its products with customer applications.

Business Strategy

Expand Technology Portfolio. The GPS Unit's success in the past has been driven by the ability of the research and development team to develop new positioning technology, respond to environmental and market changes, and apply creativity and innovation in the development of new products that meet the evolving demands of its customers. The Company will continue to focus on technology leadership and innovation.

Optimize Product Cost. The Company will continue to aggressively pursue opportunities to reduce or optimize the cost of its products by balancing functionality, performance and quality with customer need and through design and manufacturing improvements.

Expand and Develop Strategic Relationships. Management believes that strategic relationships with suppliers, OEMs and other customers enable it to realize value from the Company's technology while avoiding or reducing the dedication of resources to many areas. For example, the Company's partnership with RHS Corporation to design and build the Outback S guidance product has increased the Company's share of the ground agricultural market significantly.

Enhance Manufacturing Quality and Capacity. The Company has focused on the maintenance of high quality standards for manufacturing. Through this focus, the Calgary manufacturing facility has been certified as ISO 9002 compliant. To further its pursuit of quality, CSI Wireless is embarking on ISO 9001 certification, which encompasses the product development and design process. Time and resource investments in quality development, design and manufacturing processes will ensure that the Company's products will continue to meet the needs of its customers for functionality, performance and quality.

Pursue Focused Acquisitions. Where appropriate, the Company will supplement internal growth and technology development with acquisitions where this will accelerate the achievement of the Company's business strategy.

Invest in the Company's Intellectual Capital. CSI Wireless believes that the people in all levels of the organization have been, and will continue to be the key factor in the achievement of its objectives. As such, the GPS Unit will continue to place a high priority on its intellectual capital. CSI Wireless now has five patent applications underway which will provide us with critical intellectual property rights to develop.

Products

The GPS Unit produces OEM Modules, Integrated Units, Antennas and Precision Guidance Systems.

OEM Modules

SBX-3A. The SBX-3A OEM beacon card is a significant component of the Company's core DGPS technology. This product is a dual channel, DSP-based design with state of the art filtering - all packaged within a module smaller than a credit card. This core beacon receiver is embedded in all of the Company's receivers that use beacon DGPS technology.

Evolution. The Evolution is a low-cost combination GPS and beacon receiver. It incorporates the SiRF Technology Inc. SiRFstar IIe GPS chip-set and the Company's SBX-3A beacon receiver technology. The complete integration of both GPS and beacon receiver technology simplifies customer integration, decreases design risk and reduces cost.

SLX-2. The Company also manufactures the high-performance SLX-2 OEM engine. The SLX-2 provides support for GPS, beacon DGPS, L-band satellite DGPS, extended differential modes, and SBAS DGPS. It offers high accuracy positioning (1 meter 95% confidence horizontally) for precise knowledge of system location. Available with this product is an option for high-accuracy Real-Time Kinematic ("RTK") positioning that delivers sub-20 cm horizontal accuracy for advanced applications.

Integrated Positioning Units

ABX-3, MBX-3, and SBA-1. CSI Wireless produces three differential beacon receivers using the SBX-3A: the ABX-3, the MBX-3, and the SBA-1. Each receiver offers a different level of integration. The ABX-3 is an integrated receiver system with power and lock indicators. The MBX-3 is also an integrated configuration, however, it includes a complete menu system for configuration and operation of the receiver. For applications requiring a lower price-point, the SBA-1 offers complete integration of both the beacon receiver and antenna in a single weather-tight enclosure.

GBX. The Company designs and manufactures two models of combined GPS / beacon receivers that incorporate the SBX-3A: the GBX-12R and the GBX-PRO. The GBX-12R is a low-cost design that provides 2 to 3 meter horizontal accuracy while the GBX-PRO is a higher-grade product offering improved performance. Both models include a convenient menu system for control of receiver operation and monitoring status.

DGPS MAX. The new DGPS MAX is the next generation of combination GPS / WAAS / L-band / beacon receiver. The heart of this integrated receiver is the SLX-2 engine, which offers support for WAAS and other compatible SBAS. In addition to offering the features and benefits of the SLX-2, this receiver offers a full menu system for user configuration, operation, and monitoring of status information.

Precision Guidance Products

CSI Wireless' line of precision guidance products is marketed under the name of its subsidiary, Satloc.

Airstar 99.5. The Airstar 99.5 is the mainstay of the Company's aerial precision guidance systems. It integrates a processor with logging capability to compute steering guidance, which is conveyed to the operator via a lightbar. The lightbar has an array of LED's, yellow in the center (meaning you are on-course) and red and green on either side indicating the direction and magnitude of heading and off-track errors. The operator needs only steer according to the LED's to remain in the pre-planned swathing pattern. The Airstar 99.5 includes options for correction data from beacon, L-band, or WAAS differential services.

M3 Airstar. The M3 Airstar is an aerial guidance system that uses a rugged high-brite Video Graphics Array ("VGA") liquid crystal display with a Pentium-class, 200 MHz processor for data processing and logging. This system incorporates the SLX-2 receiver and a lightbar to provide a complete guidance system and provides for correction data from beacon, L-band, or WAAS differential services.

M3 Swathstar. The M3 Swathstar is a ground-based guidance system that provides a touch-screen VGA liquid crystal display, a lightbar and a Pentium-class, 200 MHz processor to calculate both straight-line and curved guidance. Within the Swathstar is the SLX-2 receiver providing for the option of beacon, L-band or WAAS DGPS.

SLXg3. The SLXg3 is a combination GPS / WAAS / L-band receiver similar to the DGPS MAX. This unit is available in two options, one with an internal beacon receiver and one without. As guidance systems often have sophisticated display capabilities, the SLXg3 is an 'integrated solution without menu system.

LiteStar. For customers seeking a lower price point, the Company offers the LiteStar. The processor in this product has been embedded within the lightbar and provides computations for straight-line guidance. Using a DGPS receiver, such SLXg3, and a switch panel results in a complete low-end guidance system for both aerial and ground applications. By reducing the number of enclosures and cables, the Company has reduced the cost and complexity of this product resulting in an increased market for precision guidance systems. The product is currently undergoing an improvement program to add the vehicle interface standard (CAN) and further reduce the cost.

Outback S. The Outback S, was developed for a specific customer, but to which CSI retains all intellectual property rights. This product integrates the SLX2 receiver card, a guidance processor, and a display suitable for the operator to steer by. The patent pending steering display is a unique design that enables the novice guidance user to be able to use the system with very minimal training.

The Company also manufactures precision guidance products for OEMs who target products to markets not served by CSI's product line.

Antennas

The Company manufactures a number of antenna products to support its GPS and DGPS products.

ABL-1. This beacon DGPS antenna is designed for aircraft installation and incorporates a low-profile design to minimize drag.

MBA-3. This cost-effective beacon DGPS antenna is designed primarily for marine applications and provides excellent reception of signals at long range. A ground connection is required for optimum reception.

MBL-3. This compact beacon DGPS antenna is designed with portability in mind as it does not require a ground connection.

MGL-3. The MGL-3 combines a GPS antenna with the MBL-3, and is targeted at Precision Agriculture and GIS applications.

AVL-1. This coupler interfaces between a vehicle's AM/FM antenna and provides a high quality signal to both the SBX beacon receiver and the vehicle's AM/FM radio.

MGW-1. This compact, cost-effective combination GPS / beacon antenna targets the Marine industry. For optimum reception, this antenna requires a ground connection.

CDA-2. The compact CDA-2 combined antenna provides reception of GPS, L-band, and beacon services. This antenna is ideal for portable applications such as GIS and Precision Agriculture.

Research and Product Development

The focus of the GPS Unit’s research and development team is on expanding the Company's core GPS positioning and guidance technologies and the development of new products. Management of the Corporation believes that research and product development is the primary factor contributing to success and the primary barrier to entry into the GPS industry. Accordingly, CSI Wireless will continue to invest significant resources in research and product development activities.

OEM Modules. A new family of low-cost GPS modules is currently under development that incorporate the new Mitel chip-set. This will reduce costs and improve margins on products using the SLX2 design. Management of the Corporation considers that this opportunity will increase reliability and the cost of certain of its products.

Integrated Positioning Units. The recent introduction of the DGPS MAX receiver is considered by the Company as a significant improvement in its product offering in the market as this product should have competitive advantages over the competition through its support for Real-Time Kinematic ("RTK") positioning and the CAN bus vehicle interface standard.

Precision Guidance Systems. The new M3 Swathstar and M3 Airstar guidance systems build upon the success of their predecessor guidance systems. A great deal of focus has been placed on cost reduction, ergonomics, ease of use and overall system functionality.

The Company recently completed the design and began delivery of an OEM precision guidance package that incorporates steering information and crosstrack error displays in the same package as its DGPS receiver.

The Agriculture industry is experiencing increasing interest in vehicle automation, such as auto steering. By coupling intelligent control systems with DGPS positioning, it's possible to provide 'hands-free' guidance to farmers and custom applicators which will reduce driver fatigue and allow them to focus more attention on the application process.

Antennas. The Company is currently investigating methods of reducing build cost of antenna designs in addition to simplifying manufacturing processes. It is anticipated that this process will provide a considerable savings in overall system cost and result in improved efficiencies.

Patents. The Company has patent applications for:

- vehicle antenna splitter
- filter and receiver architecture developed in the SBX3A
- novel guidance techniques
- RTK performance using WAAS
- differential approach eliminates the need for a differential signal to be broadcast
- guidance used in precision farming products

As future technology is developed, the Company intends to secure patent protection wherever suitable.

Sales, Marketing, and Distribution

CSI Wireless is focused on providing low cost precision technology and products to growing commercial and consumer GPS markets. CSI Wireless does not typically sell these products directly to end-user customers. The CSI Wireless strategy for distribution of its GPS positioning products continues to be through large OEMs and dealer networks with established channels for worldwide distribution. This strategy eliminates the need for the Company to devote significant resources to developing these distribution channels on its own. As part of its distribution strategy, CSI Wireless has developed strategic relationships with suppliers, OEMs and distributors that enables the Corporation to participate in a broader range of high growth commercial and consumer GPS-enabled markets.

The GPS Unit serves global markets. Approximately 57% of its sales in the fiscal year ending 2000 (49% in 1999) occurred in the United States. Approximately 20% of its 2000 sales (23% in 1999) occurred in Europe. Approximately 7% of its 2000 sales (6% in 1999) occurred in Canada. Approximately 16% of its 2000 sales (22% in 1999) occurred in other areas of the world.

CSI Wireless' GPS positioning products currently serve the marine, geographic information systems, precision farming, automatic vehicle location, hydrographic surveying, commercial fishing, recreational and other OEM markets. The Company's DGPS products are focused on markets where an accuracy level of five meters or less is required. CSI is targeting the automotive, harbor management and asset tracking markets as new growth areas for its DGPS technology.

The Company's precision guidance products provide solutions for precision agriculture and GIS mapping applications including ground based chemical applicators, yield monitoring, soil sampling, crop scouting and other precision farming applications. New markets are being developed for the RTK precise positioning system, including planting, irrigation and water drainage.

From a customer's perspective, the primary benefits provided by DGPS and GPS are more accurate navigation, improvements in productivity and safety, and savings in costs and time. For example, in marine applications CSI Wireless' commercial customers typically use the Company's products for accurate navigation and positioning as well as for determining a vessel's precise speed, which, in turn, keeps trailing nets at a desired depth.

Another example of the benefits provided by DGPS and GPS is in precision farming applications. CSI Wireless' products can be used in conjunction with a device that monitors the grain yield on harvesting equipment. This yield monitor constantly records the harvest yield and in conjunction with a DGPS system, allows yield-by-field location maps which can be used in subsequent years to increase or decrease the type and amount of fertilizers and other additives used. Significant cost savings can be achieved by using these types of precision farming techniques.

Competition

CSI Wireless encounters competitors in each of its target markets and expects competition to intensify as acceptance and awareness of GPS technology increases. One of the Company's main competitors is Trimble Navigation Limited ("Trimble"), believed to be the GPS industry leader. Trimble's GPS products currently address the survey and mapping, tracking and communications, navigation, precision agriculture and military systems markets. Other competitors offering products similar to those of the CSI Wireless include Starlink Incorporated and Phillips Communication Systems Inc. In addition, the Company expects to face competition from new market entrants over time.

Management is of the view that the principal competitive factors in the markets the Corporation serves include: ease of use, physical characteristics, power consumption, product features (including DGPS), product reliability, price, size of installed base, vendor reputation and financial stability of the vendor. Management of the Corporation believes its products compete favorably with competitors' products on the majority of the foregoing factors. The Corporation recognizes it may be at a competitive disadvantage against companies with greater financial, marketing, service and support and technological resources.

The Corporation also faces competition from various low-end, analog-based (as opposed to digital-based) manufacturers of DGPS receivers. Management believes the Corporation's primary advantage to be that CSI's digital-based products are viewed as being more reliable for every day operation and CSI products have a coverage range that is approximately 100% larger than the analog-based products.

Manufacturing

Final assembly and quality assurance testing of the Company's OEM modules, integrated positioning units, and antennas occurs in-house at the Calgary facility. The Company's precision guidance products are manufactured by an external manufacturer and are assembled in the Scottsdale facility as well as the Calgary facility. In addition some products are now being transitioned to be assembled and tested by the external manufacturer for direct delivery to the customer, to reduce manufacturing time and improve operating efficiency.

The Operations department provides production engineering to ensure that CSI Wireless' products are manufacturable, technical production problems are corrected and averted, and alternative production methodologies are introduced to remain competitive. In addition, vendor and subcontractor qualifications are reviewed by the engineering group and test engineering is provided to guide the department in achieving specifications and ensuring product integrity. The Company sources its assembly materials and components from a variety of suppliers. All of the Corporation's suppliers are at arm's length. Alternate supply sources for all components is a desired goal for CSI Wireless, but currently is not available in all cases.

The Corporation is determined to maintain its position as a low-cost producer and to ensure that production processes are responsive, smooth and flexible to serve the needs of its customers.

Effective December, 1998 the Corporation received ISO 9002 certification. The standards for ISO 9002 registration are set forth by the International Organization for Standardization ("ISO"), a worldwide federation of national standards bodies. The ISO 9000 series of standards specify quality system requirements for product and service suppliers. ISO 9002 registration designates conformance to specified requirements by the supplier during production, installation and servicing. Management of the Corporation believes that the ISO certification enhances the Corporation's ability to partner with larger OEM customers who desire full ISO certification.

Facilities

The GPS Business Unit conducts its operations from two Calgary, Alberta and one Scottsdale, Arizona facilities with combined area of 35,000 square feet to manufacture and assemble its products, carry out its research and development, sales and marketing and finance and administration activities. The facilities are being leased by CSI and are anticipated to be adequate to support annual GPS unit sales of up to $30 million dollars.

Personnel

The GPS Unit currently has 95 employees in total with 15 in Research and Development, 24 in Sales and Marketing, 42 in Manufacturing Operations and 14 in Administration.

USE OF PROCEEDS

The net proceeds to the Corporation from the sale of the Special Warrants were approximately $9,356,310 after deducting fees in the amount of $768,755 to be paid by the Corporation to the Special Warrant Agents and offering expenses of approximately $125,000. The net proceeds are intended to be utilized as follows:

Research and Product Development	$3,556,310
Sales and Marketing	700,000
Other Working Capital Uses	2,100,000
Debt Reduction	3,000,000
	$9,356,310

The net proceeds are intended to be used in the amounts set forth above for research and development projects and sales and marketing activities for the Wireless Unit. In particular, proceeds will be used to complete research and development activities relating to: (i) TDMA Cellular Handset; (ii) TDMA Wireless Terminal, (iii) AssetLink, (iv) GSM technology development and (v) GAIT technology development. See "Business of the Corporation - Wireless Business Unit". Use of proceeds for sales and marketing activities will include identification and pursuit of opportunities in each of the fixed telemetry, telematics, fleet and asset management, wireless local loop and mobile computing target markets. The use of proceeds for debt reduction will be primarily used to eliminate the subordinated debt payable to Xyron Inc. of Scottsdale Arizona, which formed part of the consideration paid in conjunction with the 1999 acquisition by the Corporation of certain assets of Satloc, Inc. See "Acquisitions". As at December 31, 2000 the amount outstanding to Xyron Inc. was $2,790,704.

Under certain circumstances, the Corporation may find it necessary or advisable to exercise its discretion and reallocate some of the proceeds for other purposes.

PLAN OF DISTRIBUTION

On February 23, 2001, the Corporation completed a private placement of an aggregate of 3,153,866 Special Warrants at a price of $3.25 per Special Warrant pursuant to prospectus exemptions under applicable securities legislation, in accordance with the Agency Agreement between CSI and the Agents. Pursuant to the Agency Agreement, the Agents agreed to act as, and the Corporation appointed the Agents as, exclusive agent of the Corporation to offer the Special Warrants for sale on a private placement basis, at a price of $3.25 per Special Warrant. Pursuant to the Agency Agreement, the Corporation agreed to pay the Agents a fee of $0.24375 per Special Warrant sold directly by the Agents for an aggregate fee of $768,755. In addition, the Corporation created and issued to the Agents 236,540 non-transferable compensation warrants (the "Agents' Warrants"), each of which Agents' Warrants are exercisable, at no additional cost, into a compensation option (an "Agents' Option") entitling the holder thereof to purchase, subject to adjustment, one Common Share and 0.5 of one Warrant at a price of $3.26 per Agents' Option exercisable before 4:30 p.m. (Calgary time) on June 19, 2002, provided that the Agents' Options are only exercisable by those Agents who institute research coverage concerning the Corporation and publish a standalone research report in respect of the Corporation on or before that date (the "Research Deadline") which is 60 days from the date upon which a receipt is issued for this prospectus from the last of the Securities Commissions in the Selling Jurisdictions (the "Research Coverage Condition"). If no Agents satisfy the Research Coverage Condition on or before the Research Deadline, all Agents' Options shall be deemed to be cancelled and of no further force and effect. In addition, the Corporation agreed to extend to Acumen Capital Finance Partners Limited a minimum 25% participation interest for a period of 12 months following the Closing Date on subsequent Canadian public equity offerings. The Agents will receive no additional fees in connection with the distribution of Common Shares and Warrants on exercise of the Special Warrants.

The Special Warrants were issued pursuant to the Special Warrant Indenture dated as of February 23, 2001 between the Corporation and the Trustee. Since the date of issuance, no Special Warrants have been exercised. Each Special Warrant entitles the holder thereof to acquire, at no additional cost to the holder, one (1) Common Share and one half of one (½) Warrant at any time until the Expiry Time. The Corporation has allocated a price of $3.25 for each Common Share and nil for each Warrant issuable on exercise of each Special Warrant.

In the event that a receipt for this prospectus has not been obtained on or prior to 4:30 p.m. (Calgary time) on May 24, 2001 (the "Clearance Deadline") from the securities commissions in each of the Selling Jurisdictions, each holder of Special Warrants resident in a Selling Jurisdiction in which such receipt has not been obtained shall thereafter be entitled to receive, upon the exercise or deemed exercise of the Special Warrants, 1.1 Common Shares and 0.55 Warrants (in lieu of one Common Share and one-half of one Warrant otherwise receivable) at no additional cost.

For the purposes of the *Income Tax Act* (Canada) (the "Act"), the purchase price of each Special Warrant must be allocated on a reasonable basis, between the Common Share and the Warrant in order to determine their respective costs to the investor. Revenue Canada's administrative position is that the allocations made by the Corporation and the purchasers of the Special Warrants must be the same. The Corporation believes that it is reasonable to allocate $3.25 to the purchase price of the Common Share and nil to the purchase price of the Warrant. However, this allocation is not binding upon Revenue Canada or the purchaser of a Special Warrant. The adjusted cost base of Common Shares and Warrants to a particular holder will be their respective average cost to him.

Accordingly, an aggregate of 3,153,866 Common Shares and 1,576,933 Warrants are issuable on the exercise of the Special Warrants. The Warrants will be issued pursuant to the Warrant Indenture which provides, among other things, that each whole Warrant will entitle the holder thereof to purchase one Common Share at a price of $3.25 per Common Share until June 19, 2002.

The Warrant Indenture contains provisions to the effect that in the event of (i) any subdivision, redivision, change, reduction, combination, consolidation or stock dividend of the Common Shares, (ii) any other type of reclassification of the Common Shares or capital reorganization of the Corporation, (iii) the consolidation, amalgamation, arrangement or merger of the Corporation with another entity, or (iv) the sale of substantially all of the assets of the Corporation to another entity, a proportionate adjustment or change will be made in the number and kind of securities issuable on the exercise of the Warrants.

The Warrant Indenture also provides that the exercise price per Common Share is subject to adjustment in certain events including:

a. the subdivision, redivision, change, reduction, combination, consolidation or stock dividend of the Common Shares or the issue of Common Shares to the holders of all or substantially all of the Common Shares by way of a stock dividend (other than an issue of Common Shares to such holders who exercise an option to receive equivalent dividends in Common Shares in lieu of "Dividends Paid in the Ordinary Course");

b. the issue of rights or warrants to all or substantially all of the holders of Common Shares entitling them within a period of no longer than 45 days after the record date set for such issuance to acquire Common Shares (or securities convertible or exchangeable into Common Shares) at a price per share less than 95% of the "Current Market Price" (as defined in the Warrant Indenture) of the Common Shares on such record date; and

c. the distribution to all or substantially all of the holders of Common Shares of (i) shares of any class, whether of the Corporation or any other corporation (other than Common Shares and other than shares distributed to holders of Common Shares pursuant to their exercise of options to receive dividends in the form of share dividends in lieu of "Dividends Paid in the Ordinary Course" (as defined in the Warrant Indenture) on the Common Shares), (ii) rights, options, or warrants to subscribe for or purchase Common Shares (or other securities convertible into or exchangeable for Common Shares) for a period expiring not more than 45 days after the record date set for such distribution at a price per share (or having a conversion or exercise price per share) of not less than 95% of the Current Market Price on such record date, (iii) evidences of its indebtedness, or (iv) assets (excluding "Dividends Paid in the Ordinary Course").

No adjustment in the exercise price of the Purchase Warrants will be required to be made unless the cumulative effect of such adjustments would change the exercise price of the Purchase Warrants by at least one (1%) percent.

"Current Market Price" is defined in the Warrant Indenture to mean at any date the simple average of the closing trading price per Common Share for such Common Shares for the 20 consecutive Trading Days (as defined in the Warrant Indenture) immediately preceding such date on the TSE or, if on such date the Common Shares are not listed on the TSE, on such stock exchange upon which such Common Shares are listed and as selected by the directors (provided that if on any day in such 20 Trading Day period no closing price per Common Share is reported by such exchange, the average of the reported closing bid and ask prices on such exchange shall be deemed to be the closing price per Common Share for such day), or, if such Common Shares are not listed on any stock exchange, then on such over-the-counter market as may be selected for such purpose by the directors.

The Corporation shall not be required, upon the exercise of any Warrants, to issue fractions of Common Shares.

Reference is made to the Warrant Indenture for the full extent of the attributes of the Warrants. A copy of the Warrant Indenture will be available for examination at the head office of the Corporation during the period of distribution and for a period of 30 days thereafter.

This prospectus is being filed in the Provinces of Alberta and Ontario to qualify the distribution of the Common Shares and Warrants to be issued upon the exercise of the Special Warrants and in the Province of Alberta to qualify the distribution of all of the Agents' Options issuable on exercise of the Agents' Warrants and in the Province of Ontario to qualify the distribution of 157,693 of the Agents' Options issuable on exercise of 157,693 of the Agents' Warrants.

Any Special Warrants not exercised prior to the Expiry Time shall, by their terms, be deemed to have been exercised immediately prior to the Expiry Time without any further action on the part of the holder.

Holders of Special Warrants who wish to exercise the Special Warrants held by them and acquire Common Shares and Warrants thereunder should complete the exercise forms on the Special Warrant certificates and deliver the certificates and the executed exercise forms to the Trustee at its principal office in Calgary, Alberta.

Common Shares and Warrants obtained on the exercise of Special Warrants prior to the issuance of a receipt for this prospectus will be subject to applicable hold periods under applicable securities legislation.

DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Corporation consists of an unlimited number of Common Shares of which 15,215,572 are issued and outstanding as at February 28, 2001 and an unlimited number of First Preferred Shares and Second Preferred Shares, both of which are issuable in series. The Corporation has authorized the first series of First Preferred Shares, being the Series 1 Shares, of which 1,550,000 have been authorized for issuance and 661,000 have been issued as of February 28, 2001.

Common Shares

The holders of Common Shares are entitled to receive notice of all shareholders meetings (other than meetings of a class or series of shares of the Corporation other than the Common Shares) and to one (1) vote thereat for each share held. The holders of the Common Shares are entitled to receive such dividends as are declared by the board of directors of the Corporation on the Common Shares as a class, subject to prior satisfaction of all preferential rights to dividends attached to all shares of the Corporation ranking in priority to the Common Shares, and in respect of return of capital, the holders of Common Shares are entitled to share pro rata together with the holders of any other classes of shares ranking equally with the Common Shares in such assets of the Corporation as are available for distribution.

First Preferred Shares

The First Preferred Shares may be issued from time to time in one or more series, each series consisting of such number of First Preferred Shares as determined by the board of directors of the Corporation who may also fix the designations, rights, privileges, restrictions and conditions attached to the shares of each series of First Preferred Shares. The First Preferred Shares of each series shall, with respect to payment of dividends and distributions of assets in the event of liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, rank on a parity with the First Preferred Shares of every other series and shall be entitled to preference over the Common Shares, the Second Preferred Shares and the shares of any other class ranking junior to the First Preferred Shares.

Series 1 Shares Preferred Shares

The first series of first preferred shares created by the Corporation are the Series 1 Shares. The Series 1 Shares are entitled to receive dividends, rateably with the holders of Common Shares on the same basis as if the Series 1 Shares had been converted into Common Shares at the date the dividend was declared. The Series 1 Shares are not convertible before April 1, 2004 except in the event of a change of control of CSI. The conversion price is the greater of $1.00 (U.S.) or the 30 day average trading price prior to April 1, 2004 (the "Conversion Date"). The conversion price is subject to anti-dilution provisions and adjustments for currency fluctuation until the Conversion Date at which time the conversion price will be fixed. In no event will more than 5,000,000 Common Shares be issued to satisfy conversion rights of the Series 1 Shares. The Series 1 Shares are redeemable at the request of the holders on or after April 1, 2004, and by CSI after April 1, 2007.

Second Preferred Shares

The Second Preferred Shares may be issued from time to time in one or more series, each series consisting of such number of Second Preferred Shares as determined by the board of directors of the Corporation who may also fix the designations, rights, privileges, restrictions and conditions attached to the shares of each series of Second Preferred Shares. As at the date of this prospectus, there are no Second Preferred Shares issued and outstanding. The Second Preferred Shares of each series shall, with respect to payment of dividends and distributions of assets in the event of liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, rank subsequent to the First Preferred Shares and on a parity with the Second Preferred Shares of every other series and shall be entitled to preference over the Common Shares and the shares of any other class ranking junior to the Second Preferred Shares.

SELECTED CONSOLIDATED FINANCIAL INFORMATION
(in thousands except for share and per share information)

Selected Annual Information

	Years Ended December 31,		
	2000[9]	1999[10]	1998
	(audited)	(audited)	(audited)
Revenues	$26,591	$16,360	$8,350
Gross Margin	7,706	6,919	3,607
Net Earnings (loss)	(6,874)	568	424
Working Capital	871	2,637	2,309
Total Assets	36,980	11,409	4,635
Long-term Debt	8,773	3,651	-
Shareholders Equity	17,870	4,037	3,525
Research and Development Costs	4,116	1,261	510
EPS-Basic[1][2]	(0.64)	0.09	0.07
EPS-Fully Diluted[1][3]	-	0.09	0.07
Outstanding Common Shares[4]			
Weighted Average	10,821,018	6,393,988	6,450,600
At Period End	14,813,712	6,362,375	6,425,600
Options Outstanding[5]	2,806,943	482,750	976,750
Warrants Outstanding[6]	940,541	-	-
Prior Agent's Options Outstanding[7]	84,595	-	-
Bankers Warrants Outstanding[8]	250,000	-	-

Notes:

(1) "EPS" means earnings per share.
(2) EPS-Basic is calculated using the weighted average number of outstanding shares for the applicable period.
(3) EPS-Fully Diluted is calculated to include all Common Shares which would be outstanding if all outstanding options and warrants were exercised at the beginning of the applicable period.
(4) Includes an aggregate of 1,000,000 Incentive Shares issuable pursuant to the Wireless Link Incentive Share Administration Plan. (See "Executive Compensation - Wireless Link Incentive Share Administration Plan").
(5) Options outstanding include options granted pursuant to the Corporation's Share Option Plan and Wireless Link Acquisition Share Option Plan (see "Executive Compensation - Share Option Plans").
(6) The warrants are exercisable at a price of $2.90 per share and expire on December 12, 2001.
(7) Each Prior Agent's Option allows the Prior Agent to purchase one common share and one warrant at a price of $2.90 per option until December 12, 2001. Each Warrant is exercisable at a price of $2.90 per share until December 12, 2001.
(8) The Bankers Warrants are exercisable at a price of $3.10 per share and expire on September 30, 2005.
(9) Includes the business and assets of Wireless Link for the period from July 1, 2000 to December 31, 2000. See "History of the Corporation" and "Acquisitions."
(10) Includes the business and assets of Satloc for the period from April 4, 1999 to December 31, 1999. See "History of the Corporation" and "Acquisitions".

Selected Quarterly Information (3 months ended)

	December 31, 2000	September 30, 2000	June 30, 2000	March 31, 2000	December 31, 1999	September 30, 1999	June 30, 1999	March 31, 1999
Revenue ($)	9,441,394	6,986,610	5,082,166	5,080,381	4,367,483	4,769,271	4,977,282	2,245,773
Income (loss) for the quarter ($)	(3,316,073)	(3,067,374)	(721,086)	230,940	115,577	147,791	199,427	105,396
EPS - Basic	(0.31)	(0.31)	(0.09)	0.03	0.02	0.02	0.03	0.02
EPS - Fully Diluted	-	-	-	0.03	0.02	0.02	0.03	0.02

CAPITALIZATION

The following table sets forth the capitalization of the Corporation as at December 31, 2000 and February 28, 2001 both before and after giving effect to the exercise of the Special Warrants:

Security	Authorized	Outstanding December 31, 2000	Outstanding February 28, 2001 before giving effect to the exercise of Special Warrants	Outstanding February 28, 2001 after giving effect to the exercise of Special Warrants
		(audited)	(unaudited)	(unaudited)
Debt:				
Bank Indebtedness and Long Term Debt(1)	N/A	$7,408,657	$8,945,819	$8,945,819
Share Capital:(2)				
Common Shares(3)(4)(5)	Unlimited	$26,788,140 (14,813,712 shares)	$27,951,647 (15,215,572 shares)	$37,307,957 (18,369,438 shares)
Series 1 Shares	1,550,000	$507,500 (350,000 shares)	$973,658 (661,000 shares)	$973,658 (661,000 shares)
Special Warrants	3,153,866	Nil	$9,356,310 (3,153,866 Special Warrants)	Nil

Notes:

(1) The Corporation has a credit facility with a Canadian chartered bank for a $7,000,000 operating line of credit at the bank's prime lending rate plus between 0.75% and 1.25% depending on CSI's debt/equity ratio, and demand installment loans of $1,982,738 and $4,000,000, bearing interest at prime plus 1.75% and prime plus 3.5% respectively. The credit facilities are secured by, among other things, a general security agreement over all present and future personal property of the Corporation. The Corporation also has subordinated debt, which arose in connection with the acquisition of certain of the assets of Satloc, Inc., of $2,790,704 as at December 31, 2000, bearing interest at 15%.

(2) The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of First Preferred Shares and Second Preferred Shares, both of which are issuable in series. As at the dates referred to in the table above, there were no First Preferred Shares or Second Preferred Shares outstanding except for the Series 1 Shares, as indicated.

(3) Includes an aggregate of 1,000,000 Incentive Shares issuable pursuant to the Wireless Link Incentive Share Administration Plan (See "Executive Compensation - Wireless Link Incentive Share Administration Plan").

(4) As at February 28, 2001, the Corporation has reserved an aggregate of (i) 2,789,112 Common Shares issuable to directors, officers, employees and key consultants pursuant to stock options which are exercisable at a prices ranging from $0.73 to $6.95 per Common Share (See "Executive Compensation - Share Option Plans"); (ii) 445,946 Common Shares issuable upon exercise of 445,946 common share purchase warrants which warrants are exercisable at a price of $2.90 until December 12, 2001 and which are governed by a warrant indenture dated June 12, 2000 between CSI and Montreal Trust Company of Canada; (iii) 179,190 Common Shares issuable upon exercise of 94,595 Prior Agent's Options which options are exercisable at a price of $2.90 per option and entitle the Prior Agent to receive one Common Share and one common share purchase warrant at a price of $2.90 until December 12, 2001; and (iv) 250,000 Bankers Warrants which entitle the holder to acquire 250,000 Common Shares until September 30, 2005 at an exercise price of $3.10 per share.

(5) After deducting the estimated costs of the issue of the offering of $125,000 and the Agents' fee of $768,755.

(6) As at December 31, 2000, the Corporation had a deficit of $9,425,396.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

Revenues of $26,591,000 for 2000 reflect a 63% increase over revenues of $16,360,000 for 1999. In 2000 net earnings decreased by $7,442,000 to a loss of $6,874,000 or $(0.64) per share, compared with earnings of $568,000, or $0.09 per share in 1999. CSI's increase in revenue was due to several factors including the acquisition of Wireless Link at the end of the second quarter 2000, reporting a full year of operations from the acquisition of certain parts of the business of Satloc Inc. in 1999, and an increase in demand in OEM markets. For management reporting purposes, the Corporation prepares segmented financial information for each of its operational business units, being the Wireless Unit and the GPS Unit. See Note 11 to the consolidated financial statements of CSI contained herein.

Acquisition

On June 30, 2000, CSI acquired all of the outstanding shares of Wireless Link, a company in the business of developing, manufacturing, licensing and selling technology and products associated with Wireless data communications applications. Total consideration paid was $16,145,000, which included acquisition costs of $754,606 and the issuance of 5,400,000 shares of CSI to Wireless Link shareholders and employees.

For 2000, revenue from sales by Wireless Link (representing the Wireless Unit) accounted for 27% of total revenue, and the net loss of Wireless Link accounted for 59% of the total net loss. This was due to both the low margins on the initial contracts for first generation products and research and development costs for forthcoming products. During the year, CSI integrated the operations of Wireless Link with those of Satloc and CSI, into two business units to reduce operating costs and increase revenues.

Revenues

Revenues for the year ended December 31, 2000 were $26,591,000 as compared with revenues of $16,360,000 for 1999 and $8,350,000 for 1998. This is the third consecutive year CSI has reported revenue increases of over 60%. In, 2000, 19% of revenue growth was due to internal growth, and 81% of the revenue growth was due to the addition of Wireless Link. 61% of 2000 revenue was generated on sales within the United States, 14% on sales within Europe, 13% on sales within Canada, with the remaining 12% of sales occurring throughout other parts of the world. Revenue is recognized upon shipment of the product.

Gross Margins

Gross margins increased 11% from 1999, to $7,706,000. Margins represent 29 % of sales for 2000, compared to 42% in 1999. The decrease in margins is due to the investment in Wireless Link, which entered into initial low margin contracts to establish a market presence for new products. Gross margins to be realized on recently announced contracts for next generation products are expected to improve.

Research and Development

CSI's research and development activities focused on both the next generation of core technologies for wireless applications, receivers and antennas, and combining the strengths of new technologies acquired from Wireless Link with existing technologies.

CSI invested $4,416,000 in research and development in 2000, compared to $1,572,000 in 1999. Of these amounts, $301,000 and $311,000 respectively, were recorded as deferred development costs and included on the balance sheet.

The Corporation applies for scientific research experimental development investment tax credits ("ITC") as part of it's Canadian corporate tax return, but as CSI is listed publicly, the ITC's can only be used against future taxes payable, therefore, there is no adjustment to the research and development expenses reflected.

Goodwill

2000 earnings reflected the amortization of $1,230,000 of goodwill as compared to $232,000 in 1999. The increase results from goodwill amortization relating to the 2000 acquisition of Wireless Link. The goodwill that arose on the purchase of Wireless Link represents about 105% of the purchase price (due to a working capital deficiency) and reflects the imputed value of the wireless data technology that Wireless Link possessed at the time of the acquisition.

Selling and General and Administration Expense

Selling and general and administration ("SG&A") expense increased 87% over 1999, from $4,128,000 in 1999, to $7,735,000 in 2000. These costs consist mainly of salaries, commissions, professional fees, travel expenses and general administration, all of which increased with the acquisition of Wireless Link. These costs will continue to increase as we develop and bring to market new products.

Depreciation and amortization increased significantly over 1999, from $478,000 to $829,000. This increase is due to the increase in the value of capital assets depreciated resulting from the acquisition of Wireless Link, and a full year of depreciation taken on the Satloc assets that were acquired in 1999. In addition amortization of newly capitalized deferred development costs continued and included a full year of Satloc deferred cost amortization.

Interest

Prior to the acquisition of certain parts of the business and assets of Satloc, Inc. CSI did not have any long-term debt and therefore no interest expense. To purchase the assets and business of Satloc, Inc. CSI issued subordinated debt to the vendor in the amount of US$1,500,000 with an annual interest rate of 15%. In conjunction with the acquisition of Wireless Link, CSI established a line of credit and senior long-term debt with its bank bearing interest at rates between prime plus 0.75% and 3.5% in order to fund the working capital requirements of Wireless Link until product sales generated sufficient cash flow (See "Liquidity and Capital Resources" for details).

Net earnings

Overall net earnings (loss) for 2000 were $(6,874,000), or $(0.64) per share, representing a decrease from 1999 earnings of $568,000 or $0.09 per share. The loss largely reflects the cost associated with the Wireless Link acquisition. The current year loss is not unexpected as it resulted from a combination of: (1) some legacy low margin wireless customer contracts in Wireless Link, (2) a $2,855,000 increased investment in research and development, (3) a one-time inventory write-off in connection with a pre-acquisition customer dispute, and (4) depreciation and amortization expense tripling due to the amortization of goodwill that arose on the Wireless Link acquisition.

Year Ended December 31, 1999 Compared to Year Ended December 31, 1998

Revenues of $16,360,000 for 1999 reflect a 96% increase over revenues of $8,350,000 for 1998. 1999 net earnings increased 34% to $568,000, or $0.09 per share, compared with earnings of $424,000, or $0.07 per share in 1998. CSI's increase in revenue was due to several factors including the acquisition of certain parts of the business and assets of Satloc, Inc. in the second quarter, increase in demand in OEM markets, and overall GPS industry growth.

Acquisition

Effective April 4, 1999, CSI acquired certain parts of the business and assets of Satloc, Inc., a supplier of precision DGPS guidance systems, based in Scottsdale, Arizona. Total consideration paid was $6,070,000, consisting of subordinated debt of $2,220,000 and cash of $3,850,000.

For 1999, revenue from sales by Satloc accounted for 40% of total revenue, but net earnings only account for 2% of total net earnings. During the year, CSI integrated the operations of Satloc with CSI, where possible, to reduce operating costs and increase revenues.

Revenues

Revenues for the year ended December 31, 1999 were $16,360,000 for 1999 as compared with $8,350,000 for 1998 and $4,405,000 for 1997. This was the second consecutive year CSI had reported revenue increases of over 90%. For 1999, 18% of revenue growth was due to internal growth, and 82% of the revenue growth was due to the addition of the Satloc division. The marine and agricultural markets represent 80% of sales for 1999. Due to the mix of Satloc revenues, North American sales increased from 51% in 1998, to 55% in 1999.

Gross Margins

Gross margins increased 92% from 1998, to $6,919,000. Margins represent 42.3% of sales for 1999, compared to 43.2% in 1998. The slight decrease in margins is due to market pressure to reduce selling prices, as the GPS industry awaited the release of CSI's next generation of technology.

Research and Development

During 1999, CSI's research and development activities focused on both the next generation of core technologies for receivers and antennas, and combining the strengths of new technologies acquired from Satloc, Inc. with existing technologies.

CSI invested $1,572,000 in research and development in 1999, compared to $660,000 in 1998. Of these amounts, $311,000 and $150,000 respectively, were recorded as deferred development costs and included on the balance sheet.

The Corporation applies for scientific research experimental development investment tax credits ("ITC") as part of it's Canadian corporate tax return, but as CSI is listed publicly, the ITC's can only be used against future taxes payable; therefore, there is no adjustment to the research and development expenses reflected.

Goodwill

1999 earnings reflected amortization of $232,000 of goodwill as compared to $7,000 in 1998. The increase resulted from goodwill amortization relating to the 1999 acquisition of certain parts of the business and assets of Satloc, Inc.

Selling and General and Administration Expense

Selling and general and administration ("SG&A") expense increased 73% over 1998, from $2,380,000 in 1998, to $4,128,000 in 1999. Of the 1999 amount, $2,028,000 is from Satloc operations, which if excluded, would have resulted in a 12% decrease in overall SG&A expenditures.

Depreciation and amortization increased significantly in 1999 over 1998, from $287,000 to $478,000. This increase was due to the acquisition of assets of Satloc, Inc., amortization of deferred development costs from prior years, and an increase in the value of capital assets depreciated.

Interest

Prior to the acquisition of certain parts of the business and assets of Satloc, Inc. CSI did not have any long-term debt and therefore no interest expense. To purchase the assets and business of Satloc, Inc. CSI entered into a subordinated debt with the vendor in the amount of US$1,500,000 with an annual interest rate of 15%. As well, CSI's banker provided a senior loan of $1,499,190. Interest paid or accrued on these loans during 1999 was $251,279.

Net earnings

Overall net earnings for 1999 were $568,000, or $0.09 per share, an increase in earnings of 34% over 1998 earnings of $424,000 or $0.07 per share. As at the year ended December 31, 1999 CSI had reported profitable earnings for eight consecutive quarters.

Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

For the year, revenues increased 90% to $8,350,000, compared with $4,405,000 for 1997. Earnings for the year were $424,000, or $0.07 per share compared with a loss of $3,920,000, or ($0.65) per share in 1997.

CSI's improved financial performance in 1998 was due to several factors, including: (i) the new generation SBX-2 core technology with its enhanced features and lower price; (ii) other new products released during 1998; (iii) increased demand from new markets, such as the Geographical Information Systems (GIS) market which grew over 300% during 1998; and (iv) continued expansion in the worldwide network of beacon reference stations.

Revenues

Revenues for the year ended December 31, 1998, were $8,350,000 as compared with $4,405,000 for the prior year. Fourth quarter revenues were up to $2,367,000 - four times the 1997 fourth quarter revenues of $579,000. Export sales accounted for 91% of total sales during 1998 as compared with 92% in the prior year.

Gross Margins

The dollar amount of gross margins increased 12 times to $3,607,000 for 1998, as compared with $303,000 for 1997. The percentage rate for the 1998 gross margins improved substantially to 43% from 7% in 1997. Margins in 1997 were particularly low due to extensive product development delays and related low sales volume. With the successful introduction of CSI's new SBX-2 technology in January 1998, sales volumes reached record levels and margins returned to anticipated levels.

Selling and General and Administration Expense

Total expenses for the year decreased 25% as part of an expense reduction program initiated during the second half of 1997.

Selling expenses for the year ended December 31, 1998 were $1,214,000 as compared with $1,460,000 in the year ended December 31, 1997, a decrease of 17%. General and administrative expenses were $1,165,000 as compared with $1,269,000 in the prior year, a decrease of 8%. Depreciation and amortization charges for 1998 were $294,000 as compared with $491,000 for 1997.

Research and Development

The 1998 research and development expenditures were $666,000, which compares with $1,042,000 for 1997. The higher expenditures in 1997 were required for the research and development involved with the new generation development of the SBX-2.

The Corporation recorded net earnings of $424,000, representing $0.07 per share for the year ended December 31, 1998, as compared to a loss of $3,920,000, ($0.65) per share, for the prior year.

Liquidity and Capital Resources

CSI had negative cash flows from operations of $4,650,000 in 2000 and positive cash flows of $1,185,000 for the full year of 1999. The overall cash position of the Company net of bank indebtedness decreased from $63,000 at December 31, 1999 to $(1,426,000) at December 31, 2000 primarily as a result of increased spending on research and development projects, and funding Wireless Link working capital requirements.

CSI's working capital ratio decreased to 1.06 at December 31, 2000 from 1.66 at December 31, 1999. Working capital decreased to $871,000 from $2,637,000.

CSI has funded its operations through an initial public offering of equity securities, private sales of equity securities, senior long-term debt, subordinated debt, and through an operating line of credit from the Company's banker.

CSI has an established line of credit to a maximum of $7,000,000 at June 6, 2000 from 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%. CSI has also obtained senior long-term debt from its bank in the amounts of $2,125,965 and $4,000,000. Loans under this arrangement incur interest at prime plus 1.75% and 3.5%, respectively. These demand loans are to be repaid in equal monthly installments of principal of $47,709 and $111,111, respectively, with payments on the $4,000,000 loan commencing on October 1, 2001. The Corporation has entered into a general security agreement with its bank to secure such indebtedness.

Inventory levels have increased from $4,009,000 at December 31, 1999 to $5,415,000 at December 31, 2000. Inventory levels have been increasing as a result of longer lead times on purchases in the electronics industry and higher inventory levels required for the wider range of products manufactured by the Company.

Shareholders' equity at December 31, 2000 was $17,870,000 compared to $4,037,000 at December 31, 1999, the increase relating to the rights offering, issuance and exercise of special warrants, the exercise of stock options, and the shares issued for the acquisition of Wireless Link.

As at December 31, 2000, CSI had loss carry forwards of $2,226,000, and additional tax deductions of $4,713,000 for a total amount of $6,939,000 which may be used to reduce taxable income in future years. CSI also has accumulated investment tax credits in the amount of $634,000 that can be used to reduce taxes otherwise payable in future years. Wireless Link as a legal entity has loss carry forwards of $13,862,000, and additional tax deductions of $1,382,000 for a total amount of $15,244,000 which may be used to reduce taxable income in future years. Satloc as a legal entity has loss carry forwards of $600,000, and additional tax deductions of $3,916,000 for a total amount of $4,516,000 which may be used to reduce taxable income in future years.

The Corporation invested $588,000 in capital assets in 2000 (excluding the acquisition of Wireless Link assets), versus $180,000 in 1999. Capital investments were made primarily for computing technology equipment and leasehold improvements.

ACQUISITIONS

Wireless Link Corporation

On June 30, 2000 CSI completed the acquisition of all the issued and outstanding shares of Wireless Link (the "Wireless Shares"). In consideration for the acquisition of the Wireless Shares, the Corporation issued an aggregate of 4,400,000 Common Shares to the shareholders of Wireless Link (the "Wireless Link Shareholders") based upon their respective shareholdings in Wireless Link. The Corporation also agreed to issue an additional 1,000,000 Common Shares as incentive shares (the "Incentive Shares"). The Incentive Shares are issuable in equal monthly instalments over a three-year period. The Incentive Shares are for the benefit of management and employees of Wireless Link with a view to ensuring such individual's continued involvement with the operations and affairs of CSI. See "Executive Compensation - Wireless Link Incentive Share Administration Plan". The Corporation also granted to employees of Wireless Link an aggregate of 950,000 options to purchase Common Shares. See "Executive Compensation - Share Option Plans".

Mr. Hamid Najafi, a director and officer of CSI, was the majority shareholder in Wireless Link prior to CSI's acquisition of the Wireless Shares. Mr. Najafi received an aggregate of 2,000,000 Common Shares of CSI in exchange for his Wireless Shares. In addition, Mr. Najafi received an aggregate of 200,000 options to purchase Common Shares of CSI at an exercise price of $3.90 per share.

The consideration for the acquisition of the Wireless Shares was based upon arm's length negotiations between the Corporation and representatives of Wireless Link. In negotiating the consideration to be paid in respect of such acquisition, management of the Corporation considered a number of factors, including but not limited to, the market value of similar wireless companies, anticipated gains from combining technologies and other corporate synergies, cash flows from operations and forecasted market and revenue growth. The acquisition of Wireless Link resulted in Wireless Link Shareholders owning, at the time of closing of the acquisition, approximately 32% of the outstanding Common Shares on a non-diluted basis and 34% on an fully-diluted basis.

As a result of the Wireless Link acquisition, consolidated revenues at December 31, 2000 increased 63% when compared to December 31, 1999. Share capital has increased to $27,296,000 at December 31, 2000 from

$6,620,000 at December 31, 1999, primarily resulting from the Common Shares that were issued to former Wireless Link shareholders and employees as part of the acquisition. While current assets and liabilities have both increased as a result of the acquisition, the working capital ratio has decreased to 1.06 at December 31, 2000 from 1.66 at December 31, 1999. This is due in large part to the lower working capital of Wireless Link. The acquisition of Wireless Link is also partially responsible for the decrease in the Corporation's gross margins, as the margins for wireless products have in the past been lower than those of precision guidance systems.

Satloc (1999) Inc.

On June 24, 1999 CSI acquired certain portions of the business and assets of Satloc, Inc. with an effective date of April 4, 1999. Total consideration paid for the Satloc, Inc. assets was $6,069,627, consisting of subordinated debt of $2,220,000 and cash of $3,849,627. Contingent consideration of up to $1,550,000 (USD) (approximately $2,300,000 CDN) of Series 1 Shares is payable over a five year period subject to the future performance of the "Satloc" business. As at the date hereof, 661,000 Series 1 Shares have been issued and are outstanding. The Series 1 Shares are not convertible before April 1, 2004, except in the event of a change in control of CSI. The conversion price is the greater of $1.00 (CDN) or the 30-day average trading price prior to April 1, 2004 (the "Conversion Date"). The conversion price is subject to anti-dilution provisions and adjustments for currency fluctuation until the Conversion Date at which time the conversion price will be fixed. In no event will more than 5,000,000 Common Shares be issued to satisfy conversion rights of the Series 1 Shares. The Series 1 Shares are redeemable at the request of Satloc on or after April 1, 2004, and by CSI after April 1, 2007.

DIRECTORS AND OFFICERS

The names, municipalities of residence, positions with CSI and the principal occupations of the directors and officers of CSI are set out below:

Name and Municipality of Residence	Office Held	Period as Director	Principal Occupation
Stephen A. Verhoeff Calgary, Alberta	President, Chairman, Chief Executive Officer and a Director	1990 - Present	President, Chief Executive Officer of the Corporation
Brian J. Hamilton(1) Calgary, Alberta	Executive Vice-President, Chief Financial Officer and a Director	1996 - Present	Executive Vice-President, Chief Financial Officer of the Corporation
Hamid Najafi Los Altos Hills, California	Chief Technology Officer and a Director	June, 2000 - Present	Chief Technology Officer of the Corporation
Michael W. Brower Felton, California	Senior Vice-President and a Director	June, 2000 - Present	Senior Vice-President of the Corporation and founder of Fall Creek Consultants.
Michael J. Lang(1)(2) Calgary, Alberta	Director	1996 - Present	Chairman, StoneBridge Merchant Capital Corp. (a private investment company) and former Vice-Chairman of Beau Canada Exploration Ltd.
Howard W. Yenke(2) Medford, Massachusetts	Director	1996 - Present	President of The Yenke Group
Paul L. Camwell(1) Calgary, Alberta	Director	1998 - Present	Chief Technology Officer for Passband Downhole Communications Inc. and former Vice-President of Research and Development, Ryan Energy Technologies Inc.
David Kinley Menlo Park, California	Vice-President, Manufacturing Operations & Quality Control	N/A	Vice-President, Manufacturing Operations & Quality Control
Walter J. Feller Airdrie, Alberta	Vice-President, Engineering and Research	N/A	Vice-President, Engineering and Research and Development of the Corporation

Name and Municipality of Residence	Office Held	Period as Director	Principal Occupation
	and Development		
Arthur James Burge Scottsdale, Arizona	Vice-President, Sales and Marketing	N/A	Vice-President, Sales and Marketing of the Corporation
Theresa J. Lea Calgary, Alberta	Vice-President, Finance and Administration	N/A	Vice-President, Finance and Administration of the Corporation
Cameron B Olson Calgary, Alberta	Vice-President, Financial Strategies	N/A	Vice-President, Financial Strategies of the Corporation

Notes:

(1) Members of the Corporation's audit committee.
(2) Members of the Corporation's Compensation Committee.
(3) The Corporation does not have an executive committee.

All of the persons above have been engaged for more than five years in their present principal occupations or executive positions with the same or associated companies, other than as described under "Management".

As at February 28, 2001, the directors and officers of the Corporation, as a group, beneficially owned, directly or indirectly, 3,734,452 Common Shares or approximately 20% of the issued and outstanding Common Shares after giving effect to the exercise of the Special Warrants. See "Principal Shareholders". Additionally, 1,344,265 Common Shares have been reserved for issuance to the directors and officers of the Corporation in respect of the granting of stock options. See "Executive Compensation - Share Option Plans".

MANAGEMENT

Stephen A. Verhoeff, Calgary, Alberta
Chairman, Chief Executive Officer and a Director

Mr. Verhoeff is the Chairman, Chief Executive Officer and founder of CSI and has been involved with the Corporation since its incorporation in 1990. Mr. Verhoeff's responsibilities at CSI entail overseeing all aspects of corporate operations including marketing, financial reporting, manufacturing and administration. Mr. Verhoeff received his Bachelor of Commerce from the University of Calgary in 1985 and a certificate in telecommunication management from Mount Royal College in 1990. Prior to founding the Corporation, Mr. Verhoeff was also President of Network Innovations Inc., a private corporation engaged in the sales of data communications equipment to the Western Canadian market.

Brian J. Hamilton, CFA, CA, Calgary, Alberta
Executive Vice-President, Chief Financial Officer and a Director

Mr. Hamilton has been with CSI since November 1995 and has been the Corporation's Chief Financial Officer since April 1, 1996. His responsibilities at CSI include providing financial and general management leadership. From 1992 to 1995, Mr. Hamilton was the President, Chief Executive Officer and founder of Easy Street Adventures Inc., a public company which operated family entertainment parks. From 1987 to 1992 Mr. Hamilton was exclusively devoted to identifying emerging companies on behalf of two venture capital companies that employed him during this period (Merbanco Inc. and Harvest Fund Inc.). Mr. Hamilton was also employed as a senior financial officer of various financial institutions, including Paramount Life Insurance Company, ParaCorp Inc. and Canadian Commercial Bank, from 1979 to 1986. Mr. Hamilton received his Bachelor of Commerce (Honors) from the University of Manitoba in 1976 and a Chartered Accountant (C.A.) designation in 1979. Mr. Hamilton received a Chartered Financial Analyst (C.F.A.) designation in 1988.

Hamid Najafi, Ph.D., Los Altos Hills, California
Chief Technology Officer and a Director

Dr. Najafi founded Wireless Link in 1987 and served as the President and CEO from 1987 until the present. He has been in the business of developing telecommunications products for over ten years. Prior to 1987, Dr. Najafi was co-founder and Vice President of Engineering at TransTech International Corporation, a communications research and development company that developed products including cellular phones, pages, long-range spread spectrum cordless phones, high speed modems, cellular data products, satellite modems and voice response systems. Prior to this, he held engineering development positions at Advanced Micro Devices and PMC - Sierra Inc.

Dr. Najafi received his Ph.D. in Electrical Engineering from Stanford University in 1984, and has taught courses at the University of Berkley Extension on ISDN modem design, and digital telephony.

David Kinley, Menlo Park, California
Vice-President, Manufacturing Operations & Quality Control

Mr. Kinley joined Wireless Link in January of 2000, as Vice President of Operations. He has over thirty years experience in manufacturing, materials, quality, engineering, plant management, and sales and marketing, in the telecommunications industry. Mr. Kinley has held senior management positions with Western Electric, Ericsson, and Solectron, which have included responsibilities for the management of international operations. Mr. Kinley's education includes a degree in Mechanical Engineering from the University of Washington and an MBA via the Bell System.

Michael W. Brower, Felton, California
Senior Vice-President and a Director

Mr. Brower joined Wireless Link as Vice-President, Marketing and Business Development in January 2000 and was appointed Senior Vice-President and a Director of CSI on completion of the acquisition of Wireless Link in June 2000. In 1997, Mr. Brower founded Fall Creek Consultants ("Fall Creek"), and has provided business strategy consulting services to many large companies in the wireless location industry. Fall Creek also prepares and distributes an e-newsletter titled Wireless Location News. Prior to founding Fall Creek, Mr. Brower held positions involving wireless telemetry and location-centric applications with Globalstar Mobil Satellite System, Differential Corrections Incorporated and Magellan Systems Corporation.

Walter J. Feller, Airdrie, Alberta
Vice-President, Engineering and Research and Development

Mr. Feller has been in his current capacity since June 30, 1999. Prior to that time Mr. Feller was consulting for Satloc, Inc. and had worked with Satloc, Inc. since December 1995. During that time he designed two L-band receivers and a wideband antenna. From 1992 to 1995 Mr. Feller worked at Computing Devices Canada Inc. where he was assigned to the U.K. for technology transfer of a military frequency-hopping encrypted radio for the Canadian Armed Forces. From 1990 to 1992 Mr. Feller worked at NovAtel Communications Inc. designing antennas for the GPS and cellular industry. During this period he was awarded a patent on a novel GPS antenna design.

Arthur James Burge, Scottsdale, Arizona
Vice-President, Sales and Marketing

Mr. Burge joined CSI in 1997 as Vice President Sales and Marketing. In February 2000 Mr. Burge agreed to add to his CSI responsibilities the management of the sales and marketing function for the Satloc operation. Prior to joining CSI Mr. Burge held several senior sales and management positions in the computer and data industry.

Chris Carver, Seattle, Washington
Vice-President, Marketing, Mobile Computing and Automotive Telematics, Wireless Link Corporation

Mr. Carver joined Wireless Link in October, 2000 as Vice-President, Marketing, Mobile Computing and Automatic Telematics. Mr. Carver brings to CSI significant product management, wireless and marketing experience with fifteen years of successful consumer product development work with companies such as Magellan Systems, Orbital Sciences and BAE Systems. Prior to joining Wireless Link, Mr. Carver was President of Motal Networks, the first company to deliver e-mail and internet to passengers aboard corporate jets. Prior to working with Motal Networks, Mr. Carver led the product marketing efforts at Infomove, one of the first companies to bring the internet to users in automotives. Mr. Carver obtained a masters degree in Engineering from Cornell University and an MBA from the University of Pittsburgh, with a concentration in the telecommunications area.

Theresa J. Lea, CMA, Calgary, Alberta
Vice-President, Finance and Administration

Ms. Lea joined CSI in 1997 as controller and was promoted to her current position in 1999. She is responsible for all financial and management reporting, human resources, information systems and administration for CSI and its subsidiaries. Ms. Lea completed her education and obtained her CMA designation while employed at KPMG from 1984 to 1988. Prior to joining CSI, Ms. Lea held controller and senior financial positions in private and public companies in steel fabricating, food processing and automotive industries.

Cameron B. Olson, C.A., Calgary, Alberta
Vice-President, Financial Strategies

Mr. Olson joined CSI in May 2000 as the Vice-President Financial Strategies. His responsibilities at CSI include cash management, budgeting and forecasting, planning and the development and implementation of financial strategies relating to the Corporation. Prior to joining CSI, Mr. Olson was Director, Marketing Financial Services with PanCanadian Petroleum Limited where he was employed for five years. Prior to that time, Mr. Olson was a Senior Manager with Price Waterhouse specializing in corporate income tax. Mr. Olson obtained a Bachelor of Commerce in Finance from The University of Calgary in 1985 and a Chartered Accountant designation in 1988.

EXECUTIVE COMPENSATION

Cash and Other Compensation

The information provided below relates to remuneration paid to the Corporation's Chief Executive Officer and each of the Corporation's four most highly compensated executive officers during the financial years ended December 31, 2000, December 31, 1999 and December 31, 1998 (the "Named Executive Officers"). All figures are in Canadian dollars unless indicated otherwise.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation			
					Awards		Payouts	
Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)**	**Other Annual Compensation**	**Securities Under Options/SARs Granted (#)**	**Restricted Shares or Restricted Share Units ($)**	**LTIP Payouts ($)**	**All Other Compensation ($)**
Stephen A. Verhoeff Chairman and Chief Executive Officer	2000 1999 1998	209,973 155,402 83,922	71,977(2) 21,025(3) 23,000	Nil Nil Nil	375,000(9) Nil Nil	Nil Nil Nil	Nil Nil Nil	9,000(1) 6,750(1) 9,000(1)
Brian J. Hamilton Executive Vice-President & Chief Financial Officer	2000 1999 1998	121,362 120,925 102,150	59,900(2) 14,500(3) 22,000	Nil 20,000(5) 26,500(5)	324,000(10) Nil 25,000	Nil Nil Nil	Nil Nil Nil	12,996(1) 12,996(1) 13,000(1)
Hamid Najafi Chief Technology Officer	2000	98,459(4)	Nil	Nil	200,000(6)	Nil	Nil	$8,241(11)
Michael W. Brower Senior Vice-President	2000	56,667(7)	14,300(7)	Nil	39,969(6)	Nil	Nil	$57,684(11)
David Kinley Vice-President, Manufacturing Operations & Quality Control	2000	60,000(8)	35,000(8)	Nil	76,646(6)	Nil	Nil	$16,483(11)

Notes:

(1) Messrs Verhoeff and Hamilton receive a car allowance of $750 per month and Mr. Hamilton also receives a computer allowance of $333 per month.
(2) This amount represents bonus earned and paid in 2000 except for $4,000 paid to Mr. Verhoeff in 2001.
(3) This amount represents bonus earned in 1999 and paid in 2000.
(4) Represents salary paid in USD to Mr. Najafi since he joined the Corporation on June 30, 2000. Mr Najafi currently has a base annual salary of (USD) $208,500.
(5) This amount represents the imputed interest benefit and forgiveness of debt from a loan provided to Mr. Hamilton by CSI in connection with the exercise of options held by him. See "Indebtedness of Directors and Officers".
(6) Stock options granted pursuant to the Wireless Link Acquisition Share Option Plan. See "Executive Compensation - Share Option Plans".
(7) Represents salary paid in USD to Mr. Brower since he joined the Corporation on June 30, 2000. For the fiscal year 2000, Mr. Brower had a base annual salary of (USD) $120,000. Mr. Brower currently has a base annual salary of (USD) $36,000. Mr. Brower's bonus for 2000 is in USD.
(8) Represents salary paid in USD to Mr. Kinley since he joined the Corporation on June 30, 2000. Mr. Kinley currently has a base annual salary of (USD) $150,000. Mr. Kinley's bonus for 2000 is in USD.
(9) Does not include 75,000 options granted and cancelled in the fiscal year 2000.
(10) Does not include 100,000 options granted and cancelled in the fiscal year 2000.
(11) Represents market value attributed to Incentive Shares issued to these individuals in the fiscal year 2000 pursuant to the Incentive Share Administration Plan. See "Executive Compensation - Wireless Link Incentive Share Administration Plan."
(12) During 2000, there were nine executive officers of the Corporation. In respect of the financial year ended December 31, 2000, the nine executive officers received, in the aggregate, cash remuneration of $1,058,610.

Option Grants

The Corporation has from time to time, issued options to Directors, officers, key employees and others who are in a position to contribute to the future success and growth of the Corporation. Pursuant to the Corporation's share option plan (the "Plan"), options may be granted to purchase Common Shares of the Corporation up to a number not exceeding 2,500,000 Common Shares. The exercise price of such options cannot be less than the market price of the Common Shares on the stock exchange on which such shares are then traded at the time the Corporation determines to grant such options.

The following table details the grants of options to purchase Common Shares of the Corporation to the Named Executive Officers during the financial year ended December 31, 2000.

Name	Options Granted in 2000	% of Total Options Granted to Employees(1)	Exercise Price ($/share)	Market Value of Common Share on the Date of Grant(2) ($/share)	Expiry Date
Stephen A. Verhoeff	75,000(3) 75,000 140,000 160,000	2.7% 2.7% 5.0% 5.7%	6.95 4.20 2.40 4.15	N/A 4.20 2.40 4.15	Cancelled April 18, 2005 July 27, 2005 Sept. 7, 2005
Brian J. Hamilton	100,000(3) 75,000 140,000 109,000	3.6% 2.7% 5.0% 3.9%	6.95 4.20 2.40 4.15	N/A 4.20 2.40 4.15	Cancelled April 18, 2005 July 27, 2005 Sept. 7, 2005
Hamid Najafi	200,000(4)	7.1%	3.90	3.90	April 17, 2005
Michael W. Brower	39,969(4)	1.4%	1.66	3.90	April 17, 2005
David Kinley	26,646(4) 50,000(4)	0.9% 1.8%	1.66 2.40	3.90 3.90	April 17, 2005 April 17, 2005

Notes:

(1) During the financial year ended December 31, 2000 a total of 2,806,943 options to purchase Common Shares were granted under both the CSI share option plan and the Wireless Link acquisition share option plan, 1,551,428 of which were granted to employees of the Corporation and 1,255,515 of which were granted to senior officers (See "Executive Compensation - Share Option Plans"). A total of 248,386 options expired, unexercised or were canceled during such financial year. As at February 28, 2001 there are options to purchase 2,789,112 Common Shares of the Corporation issued and outstanding.
(2) Based on the closing price of the Common Shares on the TSE on the date of grant.
(3) Options granted and subsequently cancelled in 2000.
(4) Options granted pursuant to the Wireless Link Acquisition Share Option Plan. See "Executive Compensation - Share Option Plans."

Option Exercises

The following table sets forth information with respect to options exercised by the Named Executive Officers during 2000 and their respective option positions as at December 31, 2000.

Name	Options Exercised (#)	Aggregate Value Realized ($)	Unexercised Options at Financial Year End Exercisable/ Unexercisable (#)	Value of Unexercised in-the-money Options at Financial Year End Exercisable/ Unexercisable(1) ($)
Stephen A. Verhoeff	25,000	62,750	74,167 / 300,833	25,084 / 95,316
Brian J. Hamilton	25,000	62,750	67,792 / 256,208	25,084 / 95,316
Hamid Najafi	Nil	Nil	66,667 / 133,333	Nil / Nil
Michael W. Brower	Nil	Nil	13,323 / 26,646	21,317 / 42,634
David Kinley	Nil	Nil	17,032 / 59,614	19,029 / 65,005

Notes:

(1) Based upon a closing price of $3.26 on December 29, 2000, the last date the Corporation's Common Shares traded on the TSE before December 31, 2000, less the exercise price.

Employment Contracts and Termination of Employment

During the financial year ended December 31, 2000, the Corporation had employment agreements with each of Stephen A. Verhoeff, Brian J. Hamilton, A. James Burge, Theresa J. Lea, Walter J. Feller and Cameron B. Olson. The aggregate annual salary payable to CSI's executive officers under such employment agreements totaled approximately $788,000. Such annual salaries are subject to annual review and approval by the Compensation Committee. In addition, during 2000 all of CSI's executive officers were entitled to participate in a bonus plan established for senior officers of CSI (see "Bonus Plan"). Certain of the executive officers are also entitled to monthly car allowances and Mr. Hamilton receives a monthly computer equipment allowance. Each of the employees are also entitled to participate in the Corporation's share option plan as described under "Share Option Plans".

If Messrs. Verhoeff, Hamilton, Burge, Lea, Feller or Olson's employment is terminated for any reason except for cause, including a change of control of the Corporation, the employment agreements provide for termination payments ranging from $1,000 to $2,000 per month of service up to a maximum of one year's salary.

Share Option Plans

The Corporation has adopted a Share Option Plan which was amended effective June 15, 2000 (the "Plan") for officers, directors and employees of, and key consultants to, the Corporation which permits the granting of options to purchase up to 2,500,000 Common Shares. Since the adoption of the Plan in April, 1996 approximately 400,000 options have been exercised under the Plan, leaving options to purchase approximately 2,100,000 Common Shares or approximately 14.2% of the currently issued and outstanding number of Common Shares available for issuance under the Plan. This number of available options is consistent with management’s internal policy that options to purchase no greater than 15% of the issued and outstanding number of Common Shares be available for exercise pursuant to currently outstanding options under the Plan. As at February 28, 2001 there were options to purchase 1,867,375 Common Shares outstanding and available for exercise under the Plan or approximately 12% of the Common Shares outstanding as at such date. The Plan also provides that:

1. any options granted pursuant to the Plan shall expire not later than ten years after the date of grant;

2. any options granted pursuant to the Plan shall be non-assignable;

3. the exercise price of any options granted pursuant to the Plan shall not be lower than the market price of the Common Shares on the date of the grant, where the "market price" is defined as the closing trading price of the Common Shares on the TSE (as reported by such exchange) on the day immediately prior to the date of the grant;

4. the number of Common Shares issuable pursuant to the Plan to any one person shall not exceed 5% of the outstanding Common Shares;

5. the number of Common Shares reserved for issuance, or issuable within one year, pursuant to the Plan and all other established or proposed share compensation arrangements of the Corporation, to insiders shall not exceed 10% of the outstanding Common Shares and the number of Common Shares issuable within one year, pursuant to the Plan and all other established or proposed share compensation arrangements of the Corporation, to any one insider and such insider's associates shall not exceed 5% of the outstanding Common Shares; and

6. an acceleration of one-half of all unvested options in the event of a takeover bid (to allow an optionee to tender into such takeover bid) or in the event of termination of employment of an optionee following a "change of control" of the Corporation. Alternatively, in the event of a takeover bid, the Corporation may be permitted, at its option, to satisfy any obligations to any optionees in respect of any options not exercised by

paying the optionee, in cash, the difference between the exercise price of all unexercised options granted and the fair market value of the securities to which the optionee would be entitled upon exercise of all unexercised options on such date and, upon such payment, the option agreement would terminate, such that the optionee would cease to have any rights thereunder.

In connection with its acquisition of Wireless Link, the Corporation also adopted the Wireless Link Acquisition Share Option Plan (the "Wireless Plan") and reserved 950,000 options to purchase Common Shares for granting to certain directors, officers and employees of Wireless Link in conjunction with such acquisition. The terms of the Wireless Plan are substantially similar to those set forth in the Plan. As at February 28, 2001 there were options to purchase 921,737 Common Shares outstanding and available for exercise under the Wireless Plan or approximately 6% of the Common Shares outstanding as at such date. The Plan and the Wireless Plan are hereinafter sometimes referred to as the "Plans".

As at February 28, 2001 there were 2,789,112 stock options issued and outstanding under the Plans as follows:

Group (number of persons)	Number of Shares Under Option	Date of Grant	Date of Expiry	Exercise Price per Share	Trading Price at Date of Grant[(2)]
Officers (9)	2,000[(1)]	1/30/97	1/30/02	$0.73	N/A[(1)]
	10,000	12/5/97	12/5/02	$0.73	$0.75
	25,000	12/31/97	12/31/03	$0.75	$0.53
	20,400	6/17/99	6/17/04	$1.00	$1.06
	30,000	2/1/00	2/1/05	$2.35	$1.85
	50,000[(3)]	4/17/00	4/17/05	$2.40	$4.20
	66,615[(3)]	4/17/00	4/17/05	$1.66	$4.20
	200,000[(3)]	4/17/00	4/17/05	$3.90	$4.20
	217,500	4/18/00	4/18/05	$4.20	$5.90
	305,000	7/27/00	7/27/05	$2.40	$3.35
	289,000	9/7/00	9/7/05	$4.15	$4.15
Non-Executive Directors (3)	3,750	6/15/98	6/15/03	$0.80	$0.66
	25,000	3/13/00	3/13/05	$6.95	$7.85
	100,000	7/27/00	7/27/05	$2.40	$3.35
Consultants (3)	10,000	2/1/00	2/1/05	$2.35	$1.85
	50,000	3/13/00	3/13/05	$6.95	$7.85
	75,000	4/11/00	4/11/05	$4.15	$5.95
	75,000	4/18/00	4/18/05	$4.20	$5.90
	25,000	7/27/00	7/27/05	$2.40	$3.35
	5,000	9/7/00	9/7/05	$2.70	$4.15
Employees (122)	1,000[(1)]	4/1/96	4/1/01	$0.73	N/A[(1)]
	15,400	9/30/97	11/30/02	$0.73	$1.09
	3,375	12/31/97	12/31/02	$0.75	$0.53
	20,000	6/17/99	6/17/04	$1.00	$1.06
	143,200	2/1/00	2/1/05	$2.35	$1.85
	11,600	3/13/00	3/13/05	$2.40	$7.85
	10,658[(3)]	4/17/00	4/17/05	$1.10	$4.20
	88,330[(3)]	4/17/00	4/17/05	$1.66	$4.20
	506,134[(3)]	4/17/00	4/17/05	$2.40	$4.20
	145,150	4/18/00	4/18/05	$2.40	$5.90
	10,000	5/3/00	5/3/05	$2.40	$4.80
	12,500	5/29/00	5/29/05	$2.40	$2.85
	10,000	8/31/00	8/31/05	$3.10	$3.10
	163,500	9/7/00	9/7/05	$2.70	$4.15
	16,000	9/29/00	9/29/05	$2.70	$4.05
	13,500	11/1/00	11/1/00	$2.86	$3.55
	34,500	12/1/00	12/1/00	$2.86	$3.10
Total	2,789,112				

Notes:

(1) These share options were granted at a time when the Common Shares were not listed on a stock exchange.
(2) Based on the closing price of the Common Shares on the TSE on the date of the grant, as reported by the applicable exchange.
(3) These share options were granted to certain directors, officers and employees of Wireless Link in connection with the acquisition of Wireless Link under the Wireless Link Acquisition Share Option Plan.
(4) As at February 28, 2001 there were 1,867,375 options outstanding under the Plan and 921,737 options outstanding under the Wireless Plan.

Wireless Link Incentive Share Administration Plan

In connection with its acquisition of Wireless Link, the Corporation adopted the Wireless Link Incentive Share Administration Plan (the "Incentive Share Administration Plan"). An aggregate of 1,000,000 Common Shares were originally reserved for issuance pursuant to the Incentive Share Administration Plan (the "Incentive Shares"). The Incentive Shares were granted for the benefit of management and employees of Wireless Link with a view to ensuring their continued involvement with the operations and affairs of the Corporation. The Incentive Shares are to be issued under the Incentive Share Administration Plan for no additional consideration in equal monthly installments over three (3) years commencing July 1, 2000 and ending June 1, 2003. Any Incentive Shares issued in the period July 1, 2000 to June 1, 2001 are to be held in escrow pursuant to the Escrow Agreement made as of June 22, 2000 between the Corporation and Montreal Trust Company of Canada (See "Escrowed Shares"). As at February 28, 2001 and aggregate of 144,174 Incentive Shares had been issued and there were 855,826 Incentive Shares reserved for issuance under the Incentive Share Administration Plan.

Bonus Plan

The Corporation has established an annual bonus plan for its executive officers based and dependent upon the financial performance of the Corporation for the applicable financial year. Bonus details are reviewed annually by the Compensation Committee of the Corporation. Bonuses are also paid out to certain executive officers upon the completion of certain significant events, such as the Wireless Link acquisition, as approved by the Compensation Committee of the Corporation. Remuneration from the bonus plan in the aggregate of $131,877 was earned by the executive officers during the financial year ended December 31, 2000, of which $127,877 was paid in 2000, and $4,000 was paid during 2001.

Directors

Directors who are also executive officers of CSI do not receive compensation for acting in their capacities as directors. Directors of the Corporation who are not executive officers may receive compensation for serving in their capacity as such or such other compensation as determined by the Compensation Committee. During the last completed financial year, Messrs. Yenke and Camwell each received annual compensation of $10,000 for serving as directors of CSI and Ms. Jones received $5,000. All directors of the Corporation are reimbursed for out-of-pocket expenses incurred in connection with the performance of their duties as directors. A total of $25,000 was paid to directors (who are not executive officers) for services in that capacity during the financial year ended December 31, 2000.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

The aggregate indebtedness to the Corporation of all senior officers and directors of the Corporation was US$500,000 as at February 28, 2001. Details with respect to the outstanding indebtedness are set forth below:

Name and Principal Occupation	Involvement of the Corporation	Largest Amount Outstanding from January 1, 2000 to December 31, 2000 ($)	Amount Outstanding at February 28, 2001 ($)	Financially Assisted Securities Purchases from January 1, 2000 to December 31, 2000 (#)	Security for Indebtedness
Brian J. Hamilton, Executive Vice-President and Chief Financial Officer	Lender	$20,000[(1)(2)]	Nil	Nil	Security on the Common Shares issued and bonus payments
Michael J. Lang, Director	Lender	$12,000[(1)(3)]	Nil	Nil	Security on the Common Shares issued and bonus payments
Hamid Najafi, Chief Technology Officer	Lender	US $500,000	US $500,000[(4)]	Nil	Security on 200,000 Common Shares

Notes:

(1) These amounts represent limited recourse loans that were advanced as an incentive for the exercise of options to purchase Common Shares. The Corporation's only recourse in respect of such loans is to realize upon the security interests granted by the borrowers (i) on the Common Shares issued upon exercise of the options; and (ii) on the bonus payments to be made to the borrowers.
(2) $20,000 of this amount was forgiven on January 5, 2000 (rather than Mr. Hamilton receiving a bonus to repay such amount).
(3) $12,000 of such amount was forgiven on January 5, 2000 (rather than Mr. Lang receiving a bonus to repay such amount). The amount was non-interest bearing.
(4) The loan was made by Wireless Link in connection with the terms of CSI's acquisition of Wireless Link. The loan is non-interest bearing and must be repaid on or before August 25, 2005.

Except as set forth above, no director, executive officer or other senior officer of the Corporation, or any associate of any such director or officer, is, or has been at any time since the beginning of the most recently completed financial year of the Corporation, indebted to the Corporation or any of its subsidiaries nor is, or at any time since the beginning of the most recently completed financial year of the Corporation has, any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

PRINCIPAL SHAREHOLDERS

As at the date hereof, there are no persons who beneficially own, directly or indirectly, or exercise control or direction over, more than 10% of the outstanding Common Shares, other than as follows:

Name and Address	**Type of Ownership**	**Number of Common Shares Owned, Controlled or Directed Before Giving Effect to the Exercise of Special Warrants**	**Percentage of Outstanding Common Shares Before Giving Effect to the Exercise of Special Warrants**	**Number of Common Shares Owned, Controlled or Directed After Giving Effect to the Exercise of Special Warrants**	**Percentage of Outstanding Common Shares After Giving Effect to the Exercise of Special Warrants**
Dr. Hamid Najafi Los Altos Hills, California	Direct	1,993,334	13.1%	1,993,334	10.9%

As at February 28, 2001, the directors and officers of the Corporation, as a group, beneficially owned, directly or indirectly, 3,734,452 Common Shares or approximately 20% of the issued and outstanding Common Shares after giving effect to the exercise of the Special Warrants.

ESCROWED SHARES

Designation of Class	Number of securities held in escrow	Percentage of Class
Common Shares	627,052(1)	4.1%
Common Shares	2,052,087(2)	13%

(1) Pursuant to an agreement (the "Escrow Agreement") dated March 12, 1997 among the Corporation, the Montreal Trust Company of Canada (as "Trustee") and certain shareholders of the Corporation, such shareholders deposited with the Trustee an aggregate of 2,408,205 Common Shares (the "Escrowed Shares"). The Escrow Agreement provides, among other things, that one quarter of the Escrowed Shares are releasable on each of the first, second, third, and fourth anniversaries of the listing of the Common Shares on the TSE. There are currently 627,052 Escrowed Shares being held in escrow pursuant to the Escrow Agreement, which shares are releasable on March 12, 2001. The Escrowed Shares may not otherwise be sold, assigned, hypothecated, alienated, released from escrow, transferred within escrow or otherwise dealt with, without the express written consent of The Toronto Stock Exchange.

(2) Pursuant to an agreement (the "Acquisition Escrow Agreement") dated as of June 22, 2000 among the Corporation, Montreal Trust Company of Canada (the "Trustee") and the previous shareholders of Wireless Link, such shareholders deposited with the Trustee an aggregate of 3,960,000 Common Shares (the "Acquisition Escrowed Shares"). Pursuant to the terms of the Acquisition Escrow Agreement one half of the Acquisition Escrowed Shares were released on December 20, 2000 and the balance of the 1,980,000 Common Shares currently held in escrow are releasable on June 20, 2001. Those Acquisition Escrowed Shares which remain in escrow may not otherwise be sold, assigned, hypothecated, alienated, released from escrow, transferred within escrow or otherwise dealt with, without the express written consent of the Corporation. In addition, certain shares issued in accordance with the Incentive Share Administration Plan are held in escrow in accordance with the Acquisition Escrow Agreement. 72,087 shares are currently held in escrow in relation to this Plan.

DIVIDEND RECORD AND POLICY

The Corporation has not paid any dividends on the Common Shares during the last five financial years. The future payment of dividends will be determined by the board of directors of the Corporation and will be dependent on the financial needs of the Corporation to fund future growth, the general financial condition of the Corporation and other relevant factors. The Corporation does not intend to pay dividends on its Common Shares in the foreseeable future.

PRIOR SALES

In the twelve months prior to the date hereof, the only Common Shares issued by CSI were as follows:

Date of Issuance	Number of Common Shares Issued	Issue Price Per Share
January 21, 2000	1,000	$0.73
January 21, 2000	750	$0.75
January 27, 2000	2,200	$0.73
February 7, 2000	2,800	$0.73
February 7, 2000	1,800	$0.76
February 9, 2000	10,000	$0.73
February 9, 2000	500	$0.75
February 9, 2000	100,000	$0.80
February 9, 2000	1,900	$1.00
February 11, 2000	25,375	$0.75
February 11, 2000	43,475	$0.73
February 11, 2000	26,250	$0.80
February 11, 2000	3,800	$1.00
February 14, 2000	750	$0.75
February 14, 2000	10,500	$0.73
February 15, 2000	1,000	$0.75
February 15, 2000	9,100	$0.73
February 16, 2000	50,000	$0.75
February 18, 2000	59,000	$0.80
March 14, 2000	1,635,221 (1)	$1.60
March 16, 2000	110	$0.76
May 5, 2000	900	$0.73
May 5, 2000	600	$2.35
June 16, 2000	1,000	$0.80
June 19, 2000	60	$2.34
June 22, 2000	4,097,340 (2)	$2.85
June 30, 2000	302,660 (2)	$2.85
August 4, 2000	2,750	$1.00
August 22, 2000	945,946 (3)	$2.50
September 1, 2000	3,900	$1.00
September 11, 2000	5,000 (4)	$2.90
September 19, 2000	40,000 (4)	$2.90
October 3, 2000	600	$0.73
October 10, 2000	5,000(4)	$2.90
November 8, 2000	60,000(4)	$2.90
December 14, 2000	50	$2.40
December 19, 2000	144,174(2)	$2.85
January 19, 2001	560	$0.73
January 19, 2001	440	$2.35
January 19, 2001	360	$2.40
January 22, 2001	500	$2.40
February 12, 2001	400,000(4)	$2.90
March 1, 2001	1,000	$0.73
March 1, 2001	1,000	$0.73

Note:

(1) Common Shares issued pursuant to a rights offering.
(2) Common Shares issued pursuant to the acquisition of Wireless Link.
(3) Common Shares issued upon the exercise of previously outstanding Special Warrants.
(4) Common Shares issued on exercise of previously outstanding Warrants.
(5) Other than the shares issued on March 14, 2000, June 22, 2000, June 30, 2000, August 22, 2000, September 11, 2000, September 19, 2000, October 3, 2000, October 10, 2000, November 8, 2000, December 19, 2000 and February 12, 2001, all of the common shares were issued on exercise of options.

PRICE RANGE AND TRADING VOLUME OF COMMON SHARES

The Common Shares have been listed and posted for trading on The Toronto Stock Exchange under the symbol "CSY" since March 12, 1997. The following table sets out the high and low price for board lot trades and the volume of trading of the Common Shares (for the periods indicated).

	Price Range ($)		
	High	Low	Trading Volume
1999			
First Quarter	1.16	0.59	1,113,200
Second Quarter	1.15	0.72	736,897
Third Quarter	1.59	1.05	912,072
Fourth Quarter	1.57	1.17	336,650
2000			
First Quarter	11.50	1.25	7,709,147
Second Quarter	6.65	2.55	2,721,211
July	3.40	2.30	552,616
August	3.40	2.70	773,326
September	5.70	3.10	1,731,008
October	4.15	3.10	682,565
November	3.75	2.50	564,279
December	3.40	2.70	432,258
2001			
January	4.25	2.81	1,169,974
February	3.60	2.75	998,779
March (1 - 6)	3.00	2.50	147,865

The closing price of the Common Shares on the TSE on February 5, 2001, the last trading day prior to the date on which the issue of the Special Warrants was initially announced, as reported by such exchange, was $3.47 per share and on March 9, 2001 was $2.75 per share.

RISK FACTORS

Investment in the Common Shares offered hereby involves a significant degree of risk. Prospective investors should carefully review the following factors, together with other information contained in this prospectus.

1. **Dependence on Key Personnel and Consultants.** The success of the Corporation is largely dependent upon the performance its personnel and key consultants. The unexpected loss or departure of any of the Corporation's key officers, employees or consultants could be detrimental to the future operations of the Corporation. The success of the Corporation's business will depend, in part, upon the Corporation's ability to attract and retain qualified personnel as they are needed. The competition for highly skilled technical, research and development, management, and other employees is high for the wireless data communication industry. There can be no assurance that the Corporation will be able to engage the services of such personnel or retain its current personnel.

2. **Financial Results.** It is anticipated that the Corporation will incur a loss for the year ended December 31, 2001 as a result of increased strategic investment in research and product development and sales and marketing and amortization of goodwill arising from the Wireless Link and Satloc acquisitions, among other things.

3. **Competition.** The Corporation is competing in a highly competitive industry that is constantly evolving and changing. The Corporation expects this competition to increase as new competitors enter the market. Many of the Corporation’s competitors have greater financial, technical, sales, production and marketing resources. The Corporation competes with companies that also currently have established customer bases and greater name recognition. This may allow competitors to respond more quickly to the wireless market and better implement technological developments. There is no assurance that the Corporation will be able to compete on the same scale as these companies. Such competition may result in reduced sales, reduced margins or

both. The Corporation also expects that additional competition will develop in the wireless asset tracking market from new entrants trying to capitalize on this growth industry.

4. **Availability of Key Supplies.** The Corporation has based its estimates of marketing and production costs on information which is presently considered by management to be reliable, and has assumed the cost effective availability of materials and supplies. CSI is reliant upon certain key suppliers for raw materials and components and no assurances can be given that CSI will not experience delays or other difficulties in obtaining supplies, as a result of trade disputes or other matters. While no single vendor currently supplies more than 10% of the raw materials used by CSI, the raw materials used in certain operations are available only through a limited number of vendors. Although management of CSI believes that there are alternative suppliers for most of its key requirements, if its current suppliers are unable to provide the necessary raw materials or otherwise fail to timely deliver products in the quantities required, any resulting delays in the manufacture or distribution of existing products could have a material adverse effect on the Corporation's results of operations and its financial condition.

5. **Dependence on Major Customers.** For the year ended December 31, 2000, 27% (1999-22%) of CSI's sales were made to its five largest customers. The loss of any of these customers could have a adverse effect on its business.

6. **Discretion in Application of Proceeds.** Under certain circumstances, the Corporation may find it necessary or advisable to reallocate some of the proceeds for other purposes. Accordingly, the Corporation will have discretion as to the application of such proceeds. See "Use of Proceeds".

7. **Wireless Industry Technology Risk.** CSI's success in the wireless market may depend in part on its ability to develop products that keep pace with the continuing changes in technology, evolving industry standards and changing customer and end user preferences and requirements. CSI products embody complex technology that may not meet those standards, changes and preferences. In addition, wireless communications service providers require that wireless data systems deployed in their networks comply with their own standards, which may differ from the standards of other providers. CSI may be unable to successfully address these developments on a timely basis or at all. CSI's failure to respond quickly and cost effectively to new developments through the development of new products or enhancements to existing products could cause the Corporation to be unable to recover significant research and development expenses and reduce its revenue.

8. **Wireless Data Competition.** The wireless data and communications industry is intensely competitive and subject to rapid technological change. CSI expects competition to intensify. More established and larger companies with greater financial, technical and marketing resources may decide to sell products that compete with the Corporation's. Existing or future competitors may be able to respond more quickly to technological developments and changes or may independently develop and patent technologies and products that are superior to ours or achieve greater acceptance due to factors such as more favorable pricing or more efficient sales channels. If CSI is unable to compete effectively with competitors' pricing strategies, technological advances and other initiatives, its market share and revenues may be reduced.

9. **Third Party Wireless Dependence.** Customers can only use wireless products over wireless data networks operated by third parties. If these network operators cease to offer effective and reliable service, or fail to market their services effectively, sales of CSI products may decline and revenues may decrease.

10. **Future Acquisitions.** The Corporation may seek to expand its business, through the acquisition of compatible products or businesses. There can be no assurance that suitable acquisition candidates can be identified and acquired on terms favorable to the Corporation or that the acquired operations can be profitably operated or integrated into the Corporation. In addition any internally generated growth experienced by the Corporation could place significant demands on the Corporation's management, thereby restricting or limiting its available time and opportunity to identify and evaluate potential acquisitions. To the extent management is successful in identifying suitable companies or products for acquisition, the Corporation may deem it necessary or advisable to finance such acquisitions through the issuance of Common Shares, securities

convertible into Common Shares, or debt financing, or a combination thereof. In such cases, the issuance of Common Shares or preferred shares or convertible securities could result in dilution to the holders of Common Shares at the time of such issuance or conversion. The issuance of debt to finance acquisitions may result, among other things, in the encumbrance of certain of the Corporation's assets, impede the Corporation's ability to obtain bank financing, decrease the Corporation's liquidity and adversely affect the Corporation's ability to declare and pay dividends to its shareholders.

11. **Proprietary Protection.** The Corporation's success will depend, in part, on its ability to obtain patents, maintain trade secrets and unpatented know-how protection and operate without infringing on the proprietary rights of third parties or having third parties circumvent the Corporation's rights. The Corporation relies on a combination of contract, copyright, patent, trademark and trade secret laws, confidentiality procedures and other measures to protect its proprietary information. However, there can be no assurance that the steps taken by the Corporation will prevent misappropriation of its proprietary rights. The Corporation's competitors also could develop technology similar to the Corporation's independently.

    Although the Corporation does not believe that its products or services infringe the proprietary rights of any third parties, there can be no assurance that infringement or invalidity claims (or claims for indemnification resulting from infringement claims) will not be asserted or prosecuted against the Corporation or that any such assertions or prosecutions will not materially adversely affect the Corporation's business, financial condition or results of operations. Irrespective of the validity or the successful assertion of such claims, the Corporation could incur significant costs and diversion of resources with respect to the defence thereof which could have a material adverse effect on the Corporation's business.

12. **Product Liability.** The sale and use of the Corporation's products entail risk of product liability. The Corporation has product liability insurance, however, there is no assurance that such insurance will be sufficient or will continue to be available on reasonable terms.

13. **Dilution.** The effective offering price of $3.25 per Common Share exceeds the net tangible book value per Common Share as at December 31, 2000 after giving effect to the exercise of the Special Warrants by $2.80 which represents a dilution factor of 86% (see "Dilution").

14. **Exchange Rate Fluctuation.** As the Corporation sells the majority of its products outside of Canada, fluctuation in exchange rates may affect the Corporation's profitability.

15. **Dependence on New Products.** The Corporation must continue to make significant investments in research and development in order to continue to develop new products, enhance existing products and achieve market acceptance for such products. However, there can be no assurance that development stage products will be successfully completed or, if developed, will achieve significant customer acceptance. If the Corporation were unable to successfully define, develop and introduce competitive new products, and enhance its existing products, its future results of operations would be adversely affected.

16. **Reliance on GPS Satellite Network.** The Corporation's products rely on signals from satellites that it does not own or operate. Such satellites and their ground support systems are complex electronic systems subject to electronic and mechanical failures and possible sabotage. The satellites have limited design lives and are subject to damage by the hostile space environment in which they operate. If a significant number of satellites were to become inoperable, there could be a substantial delay before they are replaced with new satellites. A reduction in the number of operating satellites would impair the current utility of the GPS system or the growth of current and additional market opportunities, which, in either case, would adversely affect the Corporation's results of operations. In addition, there is no assurance that the U.S. Government will remain committed to the operation and maintenance of GPS satellites over a long period of time, nor that the policies of the U.S. Government for use of GPS, without charge, will remain unchanged.

17. **Selective Availability.** On May 1, 2000, the U.S. Government announced the immediate removal of selective availability - the intentional degradation of GPS signals for non-U.S. Government users. The removal of selective availability increases the accuracy of GPS signals by as much as ten times. As a result of this

change, some customers will no longer require the additional precision provided by CSI's differential GPS products and therefore, there will be a reduction in the Corporation's sales, primarily in the marine markets.

18. **New and Emerging Markets.** Many of the markets for CSI products are new and emerging. The Corporation's success will be significantly affected by the outcome of the development of these new markets.

19. **New Product Development.** The Corporation must continue to make significant investments in research and development in order to continue to develop new products, enhance existing products and achieve market acceptance for its products. However, there can be no assurance that development stage products will be successfully completed or, if developed, will achieve significant customer acceptance.

DILUTION

CSI's net tangible book value as of December 31, 2000 was $(1,248,174) or $(0.08) per Common Share. Net tangible book value represents total assets excluding goodwill less total liabilities as at December 31, 2000 divided by the number of Common Shares outstanding at December 31, 2000. After giving effect to the sale of 3,153,866 Special Warrants offered at the price of $3.25 per Special Warrant and after deducting the estimated agency fees of $768,755 and estimated offering expenses of $125,000 payable by CSI, the net tangible book value as at December 31, 2000 would have been $8,108,136 or $0.45 per share. This value represents an immediate increase in net tangible book value of $0.53 per share to existing shareholders and an immediate dilution in net tangible book value of $2.80 per share to Special Warrant investors. This amount is equal to 86% of the offering price of $3.25 per Special Warrant.

Price per Special Warrant to investors	$3.25
Net tangible book value per share as at December 31, 2000	$(0.08)
Increase attributable to new investors	$0.53
Net tangible book value per share after offering	$0.45
Dilution per share to investors	$2.80

The effective issue price of $3.25 per Common Share exceeds the net tangible book value per Common Share as of December 31, 2000 after giving effect to the exercise of the Special Warrants by $2.80 or 86%.

To the extent that any shares are issued upon exercise of options that were outstanding as at December 31, 2000 or granted after that date or reserved for future issuance under stock option plans, there may be further dilution to new investors.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Management of the Corporation is not aware of any material interest, direct or indirect, of any director or officer of the Corporation or any person owning, directly or indirectly, more than 10% of the Corporation's voting securities, or any associate or affiliate of any such person in any transaction within the last three years or any proposed transaction which in either case has materially affected or will materially affect the Corporation, other than as disclosed elsewhere in this prospectus. See "Acquisitions".

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business the only material contracts entered into by the Corporation in the two years immediately prior to the date hereof which can reasonably be regarded as presently material to the Corporation are the following:

1. the Agency Agreement referred to under "Plan of Distribution";
2. the Special Warrant Indenture referred to under "Plan of Distribution";
3. the Warrant Indenture referred to under "Plan of Distribution";
4. the Warrant Indenture dated June 12, 2000 referred to under "Capitalization";
5. the Escrow Agreement referred to under "Escrowed Shares"; and
6. the Acquisition Escrow Agreement referred to under "Escrowed Shares".

Copies of such agreements will be available for inspection at the head office of the Corporation at 1200 - 58 Avenue S.E., Calgary, Alberta, and at the offices of Goodman, Phillips & Vineberg, Suite 2400, 250 Yonge Street, Toronto, Ontario, during normal business hours while the securities offered by this prospectus are in the course of distribution and for a period of 30 days thereafter and at the offices of the Alberta Securities Commission in Calgary and Edmonton at any time during normal business hours.

PROMOTERS

Stephen A. Verhoeff, Brian Hamilton and Hamid Najafi may be considered to be the promoters of the Corporation in that they either took the initiative in founding and organizing the Corporation or Wireless Link, or they were responsible for the reorganization of Corporation. As of the date hereof, Stephen Verhoeff beneficially owns 797,504 Common Shares or 4.3% of the issued and outstanding Common Shares (after giving effect to the exercise of the Special Warrants) Brian Hamilton beneficially owns 172,271 Common Shares or 0.9% of the issued and outstanding Common Shares (after giving effect to the exercise of the Special Warrants) and Hamid Najafi owns 1,993,334 Common Shares or 10.9% of the issued and outstanding Common Shares (after giving effect to the exercise of the Special Warrants). See "Executive Compensation" and "Indebtedness of Directors and Senior Officers".

AUDITORS, TRANSFER AGENT AND REGISTRAR

KPMG LLP, 1200, 205 - 5th Avenue S.W., Calgary, Alberta, T2P 4B9, are the auditors of the Corporation. The transfer agent and registrar for the Common Shares is Computershare Investor Services at its offices in Calgary, Alberta and Toronto, Ontario.

LEGAL PROCEEDINGS

There are no legal proceedings which the Corporation or any subsidiary of the Corporation is a party or of which any of their property is subject which are material to the Corporation and the Corporation is not aware of any such proceedings that are contemplated or pending.

LEGAL MATTERS

Certain legal matters relating to the issuance of the Common Shares issuable upon exercise thereof will be passed on behalf of the Corporation by Burnet, Duckworth & Palmer LLP of Calgary, Alberta, and on behalf of the Agents by Burstall Winger, LLP of Calgary, Alberta. As at the date hereof, partners and associates of Burnet, Duckworth & Palmer LLP and Burstall Winger, LLP owned less than 1% of the outstanding Common Shares of the Corporation.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in several of the provinces provide purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the applicable province. The purchaser should refer to the securities legislation of the province in which the purchaser resides for the particulars of these rights or consult with a legal advisor.

CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

In the event that a holder of a Special Warrant, who acquires a Common Share upon the exercise of a Special Warrant as provided for in this prospectus, is or becomes entitled under applicable legislation to the remedy of rescission by reason of this prospectus or any amendment thereto containing a misrepresentation, the holder shall be entitled to rescission not only of the holder's exercise of its Special Warrant but also of the private placement transaction pursuant to which the Special Warrant was initially acquired and shall be entitled, in connection with such rescission, to a full refund of all consideration paid to the Corporation on the acquisition of the Special Warrant. In the event the holder is a permitted assignee of the interest of the original Special Warrant subscriber, that permitted assignee shall be entitled to exercise the rights of rescission and refund described herein as if the permitted assignee was the original subscriber. The foregoing is in addition to any other right or remedy available to a holder of a Special Warrant under Section 168 of the *Securities Act* (Alberta) and Section 130 of the *Securities Act* (Ontario), similar sections of other applicable securities legislation or otherwise at law.

AUDITORS' REPORT TO THE DIRECTORS

We have audited the consolidated balance sheets of CSI Wireless Inc. as at December 31, 2000 and 1999 and the consolidated statements of operations and deficit and cash flows for each of the years in the three year period ended December 31, 2000. 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, 2000 and 1999 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2000 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Calgary, Canada
February 23, 2001, except as to note 15
which is as of ■, 2001

CSI WIRELESS INC.

Consolidated Balance Sheets

December 31, 2000 and 1999

	2000	1999
Assets		
Current assets:		
Cash and cash equivalents	$ –	$ 62,776
Accounts receivable	9,281,451	2,221,937
Income taxes recoverable	–	38,967
Inventories	5,415,255	4,008,731
Prepaid expenses and deposits	206,834	317,736
	14,903,540	6,650,147
Capital assets (note 3)	2,501,424	1,524,045
Deferred development costs (note 4)	456,175	405,224
Goodwill	19,118,418	2,829,441
	$36,979,557	$11,408,857
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 6)	$ 1,425,919	$ –
Accounts payable and accrued liabilities	8,909,952	3,720,903
Subordinated debt (note 7)	2,790,704	–
Current portion of senior long-term debt (note 8)	905,841	292,329
	14,032,416	4,013,232
Subordinated debt (note 7)	–	2,335,856
Senior long-term debt (note 8)	5,076,897	1,023,210
Shareholders' equity:		
Share capital (note 9)	27,295,640	6,620,362
Deficit	(9,425,396)	(2,551,803)
	17,870,244	4,068,559
Due from shareholders	–	(32,000)
	17,870,244	4,036,559
Commitments (note 13)		
Subsequent events (note 15)		
	$36,979,557	$11,408,857

See accompanying notes to consolidated financial statements.

Approved by the Board:

Isigned) *"Stephen A. Verhoeff"* Director

(signed) *"Paul L. Camwell"* Director

CSI WIRELESS INC.

Consolidated Statements of Operations and Deficit

Years ended December 31, 2000, 1999 and 1998

	2000	1999	1998
Sales	$26,590,551	$16,359,809	$ 8,349,778
Cost of sales	18,884,087	9,440,730	4,742,816
	7,706,464	6,919,079	3,606,962
Expenses:			
Selling	4,022,253	2,481,788	1,214,442
General and administrative	3,713,152	1,646,185	1,165,235
Interest on long-term debt	669,875	251,279	–
Depreciation and amortization	828,858	478,368	287,124
Amortization of goodwill	1,229,538	232,415	6,660
	10,463,676	5,090,035	2,673,461
Earnings (loss) before undernoted item	(2,757,212)	1,829,044	933,501
Research and development costs	4,116,381	1,260,853	509,827
Earnings (loss) before income taxes	(6,873,593)	568,191	423,674
Income taxes (note 10)	–	–	–
Net earnings (loss)	(6,873,593)	568,191	423,674
Deficit, beginning of year	(2,551,803)	(3,119,994)	(3,543,668)
Deficit, end of year	$(9,425,396)	$(2,551,803)	$(3,119,994)
Earnings (loss) per common share:			
Basic	$ (0.64)	$ 0.09	$ 0.07
Fully diluted	$ –	$ 0.09	$ 0.07

See accompanying notes to consolidated financial statements.

CSI WIRELESS INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2000, 1999 and 1998

	2000	1999	1998
Cash flows from (used in) operating activities:			
Net earnings (loss)	$(6,873,593)	$ 568,191	$ 423,674
Items not involving cash:			
Depreciation and amortization	828,858	478,368	287,124
Amortization of goodwill	1,229,538	232,415	6,660
Foreign exchange loss (gain)	165,109	(93,604)	–
	(4,650,088)	1,185,370	717,458
Change in non-cash operating working capital:			
Accounts receivable	(3,546,817)	1,287,938	(915,509)
Income taxes recoverable	38,967	–	140,388
Inventories	(856,842)	(1,045,988)	606,625
Prepaid expenses and deposits	124,717	(178,948)	3,404
Accounts payable and accrued liabilities	(1,445,992)	501,306	77,026
	(10,336,055)	1,749,678	629,392
Cash flows from (used in) financing activities:			
Increase in bank indebtedness	1,425,919	–	–
Repurchase of common shares	–	(73,077)	(34,433)
Senior long-term debt	4,667,199	1,349,439	–
Subordinated debt	391,848	175,560	–
Issue of share capital, net of share issue costs	4,809,778	16,010	11,000
	11,294,744	1,467,932	(23,433)
Cash flows from (used in) investing activities:			
Purchase of capital assets	(587,514)	(180,241)	(221,345)
Deferred development costs, net of incentives and grants	(301,407)	(310,998)	(150,000)
Decrease in note receivable	–	–	125,000
Acquisitions, net of cash acquired (note 5)	(132,544)	(3,849,627)	–
	(1,021,465)	(4,340,866)	(246,345)
Increase (decrease) in cash position	(62,776)	(1,123,256)	359,614
Cash and cash equivalents, beginning of year	62,776	1,186,032	826,418
Cash and cash equivalents, end of year	$ –	$ 62,776	$ 1,186,032
Supplemental disclosure:			
Interest paid	$ 229,364	$ 139,993	$ 24,161

See accompanying notes to consolidated financial statements.

CSI WIRELESS INC.
Notes to Consolidated Financial Statements

Years ended December 31, 2000, 1999 and 1998

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 position system products and technologies. On June 22, 2000 the Company changed its name from Communications Systems International Inc. to CSI Wireless Inc.

1. 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 at one half of the annual rate in the year 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.

2. Significant accounting policies (continued):

(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, 2000 amounted to $1,229,538 (December 31, 1999 - $232,415; December 31, 1998 - $6,660).

(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. Fully diluted earnings (loss) per share reflects the exercise of stock options and warrants as if issued at the beginning of the period.

(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 9(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.

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2000, 1999 and 1998

1. Significant accounting policies (continued):

(k) Income taxes:

The Company follows the liability method of accounting for income taxes (note 2). 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.

2. Change in accounting policy:

Effective, January 1, 2000 the Company adopted the liability method relating to accounting for income taxes. Previously the Company followed the deferral method. The new policy has been applied retroactively and there has been no change in retained earnings and comparative financial statements.

3. Capital assets:

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

December 31, 1999	Cost	Accumulated depreciation	Net book value
Computer equipment and software	$ 726,903	$ 321,017	$ 405,886
Office and production equipment	1,158,757	444,293	714,464
Leasehold improvements	157,385	48,865	108,520
Licenses and other assets	420,600	125,425	295,175
	$ 2,463,645	$ 939,600	$ 1,524,045

4. Deferred development costs:

	2000	1999
Deferred development costs, net of incentives and grants	$ 1,464,213	$ 1,162,806
Accumulated amortization	(1,008,038)	(757,582)
	$ 456,175	$ 405,224

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2000, 1999 and 1998

5. Acquisitions:

(a) 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

(b) Effective April 4, 1999, the Company acquired certain assets of Satloc Inc., a company in the business of supplying differential global positioning systems in the United States. Total consideration paid was $6,069,627, consisting of subordinated debt of $2,220,000, Senior term loan of $1,499,190 and cash of $2,350,437. Acquisition costs relating to the transaction amounted to $318,824. 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	$ 2,422,140
Capital assets	592,290
Goodwill	3,055,197
	$ 6,069,627

Pursuant to the asset purchase agreement, contingent consideration in the form of a maximum of 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 contingent consideration to be paid is dependent upon sales levels of the Satloc business and will be accounted for as additional goodwill. Additional consideration has been paid since the date of acquisition of 350,000 preferred shares, with an issue price of $507,500. 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.

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2000, 1999 and 1998

6. 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 $1,425,919 at December 31, 2000 (December 31, 1999 - $nil).

7. Subordinated debt:

The subordinated debt which arose on the acquisition of certain of the assets of Satloc Inc. (note 5(b)) is 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. At December 31, 2000, unpaid interest of U.S. $361,090 (December 31, 1999 - U.S.$118,750) is included within the subordinated debt.

8. Senior long-term debt:

	2000	1999
Loan payable, requiring monthly payments commencing on October 1, 2001 of $111,111 plus interest at the bank's prime rate plus 3.5% per annum, due on demand secured by a general security agreement covering all assets of the Company	$ 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	1,982,738	1,315,539
	5,982,738	1,315,539
Less current portion	905,841	292,329
	$ 5,076,897	$ 1,023,210

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

Fiscal year:	
2001	$ 905,841
2002	1,905,840
2003	1,905,840
2004	1,265,217

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2000, 1999 and 1998

9. Share capital:

(a) Authorized:
Unlimited number of common shares
Unlimited number of first preferred shares
Unlimited number of second preferred shares

(b) Issued:

	Number of Shares	Amount
Balance, December 31, 1998	6,425,600	$ 6,708,429
Issued on exercise of stock options	21,875	16,010
Repurchase under normal course issuer bid (note 9(h))	(85,100)	(73,077)
Forgiveness of shareholders loan	–	(31,000)
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 5(a))	5,400,000	15,390,000
Exercise of special warrants (note 9(c))	945,946	2,364,865
Exercise of share purchase warrants (note 9(e))	100,000	290,000
Issued on exercise of broker options (note 9(f))	10,000	29,000
Share issue costs	–	(772,509)
Balance, December 31, 2000	14,813,712	$26,788,140

	Number of Shares	Amount
Preferred shares issued:		
Balance December 31, 1999	–	$ –
Issued per asset purchase agreement (note 5(b))	350,000	507,500
Balance, December 31, 2000	350,000	$ 507,500

(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 entitles 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.

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2000, 1999 and 1998

9. 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 2005.

(ii) Wireless Link Acquisition Share Option Plan:

In connection with the Company's acquisition of Wireless (note 5(a)), the Company adopted the Wireless Link Acquisition Share Option Plan and reserved 950,000 options to purchase common shares of the Company to 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:

	2000	1999
Share Option Plan	1,879,875	482,750
Wireless Link Plan	927,068	–
	2,806,943	482,750

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

	December 31, 2000		December 31, 1999	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Total options outstanding, beginning of year	482,750	$ 0.80	606,750	$ 1.10
Granted	2,932,749	3.27	69,000	0.99
Exercised	(360,170)	0.78	(21,875)	0.74
Cancelled/Expired	(248,386)	5.54	(171,125)	1.94
Stock options outstanding, end of year	2,806,943	$ 2.97	482,750	$ 0.80
Exercisable at year end	657,752	$ 2.91	384,125	$ 0.78

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2000, 1999 and 1998

9. Share capital (continued):

(d) Stock options (continued):

	Options Outstanding			Options Exercisable	
Range of Exercise Prices Outstanding	Number outstanding at December 31, 2000	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 2000	Weighted Average Exercise Price
		(months)			
$ 0.00 to 1.00	101,925	25	$ 0.85	77,050	$ 0.82
1.01 to 2.00	168,934	52	1.62	40,620	1.63
2.01 to 3.00	1,592,584	52	2.44	302,096	2.41
3.01 to 6.95	943,500	51	4.32	237,986	4.42

(e) Share purchase warrants:

There are 845,946 common share purchase warrants outstanding at December 31, 2000, expiring on December 12, 2001, entitling the holder to acquire 845,946 common shares at a price of $2.90 per share.

(f) Brokers options:

There are 84,595 Prior Agents Options outstanding at December 31, 2000 that entitle 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. As at December 31, 2000 10,000 Prior Agents Options have been exercised. Each of the 94,595 warrants is exercisable at a price of $2.90 per share until December 12, 2001.

(g) Bankers warrants:

There are 250,000 Bankers Warrants outstanding as at December 31, 2000 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) Normal course issuer bid:

During 1998, the Company received approval to repurchase up to 300,000 common shares on the open market of the Toronto Stock Exchange. Total repurchases of 135,100 common shares were made between October 30, 1998 and the termination of the issuer bid on October 29, 1999 at prices between $0.80 and $1.00.

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2000, 1999 and 1998

10. Income taxes:

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

	2000	1999	1998
Basic rate of 44.6% applied to earnings (loss) before income tax	$(3,065,623)	$ 253,413	$ 188,959
Increase (decrease) resulting from:			
Utilization of previously unrecognized losses	–	(192,273)	(126,687)
Loss for which tax benefit is not recognized	3,165,280	–	–
Other	(99,657)	(61,140)	(62,272)
Income tax expense	$ –	$ –	$ –

The components of the Company's net future income tax asset at December 31, 2000, 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	$ 859,361	$ 6,210,522	$ 7,069,883
Research and development income tax pools	1,005,516	–	1,005,516
Capital assets	35,215	311,907	347,122
Share issue costs	276,861	–	276,861
Inventory	–	96,399	96,399
Goodwill	–	(55,382)	(55,382)
	$ 2,176,953	$ 6,563,446	$ 8,740,399

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

Canada	Non-capital losses
2004	$ 1,418,827
2006	43,880
2007	763,618

United States	Net operating losses
2013	$ 1,286,312
2014	5,212,303
2015	7,993,406

CSI WIRELESS INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2000, 1999 and 1998

11. 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		
	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998
(in thousand of dollars)												
Sales	$ 19,487	$ 16,359	$ 8,350	$ 7,103	$ –	$ –	$ –	$ –	$ –	$ 26,590	$ 16,359	$ 8,350
Interest expense	–	251	–	–	–	–	670	–	–	670	251	–
Depreciation and amortization	1,044	710	294	1,014	–	–	–	–	–	2,058	710	294
Net earnings (loss)	(696)	568	424	(4,014)	–	–	(2,163)			(6,873)	568	424
Capital assets and goodwill	4,555	4,353	994	17,065	–	–	–	–	–	21,620	4,353	994
Total assets	14,284	11,401	4,635	22,696	–	–	–	–	–	36,980	11,401	4,635
Capital expendi tures excluding acquisition	478	180	221	110	–	–	–	–	–	588	180	221

(b) Sales by geographic segment:

	2000	1999	1998
U.S.A.	$ 16,286,000	$ 7,972,000	$ 3,542,000
Europe	3,850,000	3,820,000	3,420,000
Other	3,357,000	3,514,000	662,000
Canada	3,098,000	1,054,000	726,000

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, 2000, 27% (December 31, 1999 - 22%; December 31, 1998 – 43%) was to five (December 31, 1999 – three; December 31, 1998 – three) customers.

12. Financial instruments:

The carrying values of cash and cash equivalents, accounts receivable, income taxes recoverable, 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.

13. Commitments:

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

2001	$ 813,608
2002	600,739
2003	399,287
2004	337,176
2005	335,279
Thereafter	724,584
	$ 3,210,673

14. Related party transactions:

The Company has advanced amounts to a Wireless officer and director of the Company. The amount owed was $811,769 at December 31, 2000 (December 31, 1999 - $nil) and is included in accounts receivable. 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 August 24, 2005. Shares of CSI Wireless Inc. are held by the Company as security for the loan.

In connection with the acquisition of Wireless, the Company agreed that Wireless would advance interest free loans to certain of its employees to facilitate the exercise of stock options that such employees held in Wireless. The amount owed was $148,076 at December 31, 2000 (December 31, 1999 - $nil) and is included in accounts receivable. The principal is to be repaid in full on or before July 14, 2002. Shares of CSI Wireless Inc. are held by the Company as security for the loans.

The Company advanced amounts to shareholders, prior to the Company's initial public offering, as an incentive for the exercise of options to purchase commons shares. During the year ended December 31, 2000 amounts outstanding of $32,000 (1999 - $31,000) were forgiven.

15. Subsequent events:

(a) On February 12, 2001, 400,000 common shares were issued pursuant to the exercise of share purchase warrants at $2.90 per common share.

(b) On February 23, 2001 the Company issued 3,153,866 special warrants at a price of $3.25 per special warrant. Each special warrant is exercisable for one common share and half of one common share purchase warrant at no additional cost. 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.

(c) Prospectus:

Pursuant to an Agency Agreement dated February 23, 2001, the Company has agreed to file a prospectus to qualify for distribution 3,153,866 common shares of the Company and 1,576,933 common share purchase warrants issuable for no additional consideration, upon the exercise of 3,153,866 special warrants previously issued by the Company on February 23, 2001. In the event that a receipt for this prospectus has not been obtained on or prior to May 24, 2001 from the securities commissions, each holder of special warrants resident in a selling jurisdiction in which such receipt has not been obtained shall thereafter be entitled to receive, upon the exercise or deemed exercise of each special warrant, 1.1 common shares and 0.55 warrants (in lieu of one common share and one half of one warrant), at no additional cost.

COMPILATION REPORT

To the Board of Directors of CSI Wireless Inc.

We have reviewed, as to compilation only, the accompanying unaudited pro forma consolidated statement of operations for the year ended December 31, 2000. The pro forma consolidated statement of operations has been prepared for inclusion in the prospectus dated ■ of CSI Wireless Inc.

In our opinion, the unaudited pro forma consolidated statement of operations has been properly compiled to give effect to the assumptions and adjustments described in the notes thereto.

Chartered Accountants

Calgary, Canada
■

CSI WIRELESS INC.

Pro Forma Consolidated Statement of Operations

Year ended December 31, 2000
(Unaudited)

	Year ended December 31, 2000	Six months ended June 30, 2000		
	CSI Wireless Inc.	Wireless Link Corporation	Adjustments	Pro Forma Consolidated
	(audited)	(unaudited)	(note 2)	(unaudited)
Sales	$26,590,551	$ 9,667,576	$ –	$ 36,258,127
Cost of sales	18,884,087	9,562,541	–	28,446,628
	7,706,464	105,035	–	7,811,499
Expenses:				
Selling	4,022,253	384,558	–	4,406,811
General and administrative	3,713,152	897,740	–	4,610,892
Interest on long-term debt	669,875	–	–	669,875
Depreciation and amortization	828,858	151,825	–	980,683
Amortization of goodwill	1,229,538	–	850,551	2,080,089
	10,463,676	1,434,123	850,551	12,748,350
Loss before undernoted items	(2,757,212)	(1,329,088)	(850,551)	(4,936,851)
Research and development costs	4,116,381	1,413,885	–	5,530,266
Loss for the year	$(6,873,593)	$(2,742,973)	$ (850,551)	$ (10,467,117)
Pro forma loss per share, basic				$ (0.76)

See accompanying notes to pro forma consolidated financial statements.

CSI WIRELESS INC.

Notes to Pro Forma Consolidated Statement of Operations
For the year ended December 31, 2000
(Unaudited)

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1. Basis of presentation:

The accompanying unaudited pro forma consolidated statement of operations has been prepared by management in accordance with Canadian generally accepted accounting principles.

The unaudited pro forma consolidated statement of operations for the year ended December 31, 2000 has been prepared from the audited statement of operations for CSI Wireless Inc. (“CSI”) for the year ended December 31, 2000 and from the unaudited statement of operations for Wireless Link Corporation (“Wireless”), for the six months ended June 30, 2000.

The unaudited pro forma consolidated statement of operations has been prepared on the basis that CSI completed the acquisition of all of the outstanding share capital of Wireless in consideration for the issuance of an aggregate of 5,400,000 common shares of CSI which include 1,000,000 common shares of CSI, to be issued, for no additional consideration as at January 1, 2000.

These pro forma consolidated statements of operations may not be indicative either of results that actually would have occurred if the events reflected herein had been in effect on the dates indicated or of the results which may be obtained in the future.

These pro forma consolidated statement of operations should be read in conjunction with the audited financial statements and notes thereto for CSI for the year ended December 31, 2000 and in conjunction with the unaudited financial statements for Wireless for the six months ended June 30, 2000.

2. Pro forma assumptions and adjustments:

The pro forma consolidated statement of operations gives effect to the acquisition at the beginning of the period commencing January 1, 2000.

Accounting policies used in the preparation of the pro forma consolidated statement of operations are in accordance with those disclosed in CSI’s financial statements at December 31, 2000.

CSI WIRELESS INC.

Pro Forma Consolidated Statement of Operations

Year ended December 31, 2000
(Unaudited)

2. Pro forma assumptions and adjustments (continued):

(a) Translation of Wireless:

The translation of the statement of operations of Wireless from U.S. dollars into Canadian dollars was performed using an average rate of exchange of 1.4668.

(b) Acquisition of Wireless:

The acquisition of Wireless has been accounted for using the purchase method. The cost of the net assets acquired at assigned values consisted of:

Working capital	$ (1,834,676)
Capital assets	968,267
Goodwill	17,011,015
	$ 16,144,606
Consideration paid:	
5,400,000 Common shares of CSI, at an ascribed value of $2.85 per share	$15,390,000
Acquisition costs	754,606
Total consideration	$16,144,606

(c) Amortization of goodwill:

Additional goodwill amortization expense of $850,551 for the period from January 1, 2000 to June 30, 2000 is recorded to reflect a ten year amortization period beginning January 1, 2000.

CSI WIRELESS INC.

Pro Forma Consolidated Statement of Operations

Year ended December 31, 2000
(Unaudited)

2. Pro forma assumptions and adjustments (continued):

(d) Pro forma loss per share:

Pro forma loss per share is calculated using CSI's basic and fully diluted weighted average outstanding common shares as follows:

	December 31, 2000
Basic weighted average common shares outstanding	13,745,789
Fully diluted number of common shares outstanding	17,827,868

These weighted average outstanding common shares have been adjusted by assuming that 5,400,000 common shares were issued as consideration for Wireless.

AUDITORS' REPORT TO THE DIRECTORS

We have audited the balance sheets of Wireless Link Corporation as at December 31, 1999, 1998 and 1997 and the statements of operations and retained earnings (deficit) and cash flows for each of the years in the three year period ended December 31, 1999. These 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 financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999, 1998 and 1997 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 1999 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Calgary, Canada
April 29, 2000

WIRELESS LINK CORPORATION

Balance Sheets

(Expressed in United States dollars)

	June 30, 2000 (unaudited)	December 31, 1999	1998	1997
Assets				
Current assets:				
Cash and term deposits	$ 1,420,197	$ 450,930	$ 889,383	$ 30,485
Accounts receivable	2,319,905	1,060,754	198,805	230,601
Inventories	370,581	875,540	92,459	6,906
Prepaid expenses and deposits	66,781	55,714	10,199	13,508
Short-term investments	–	–	–	70,091
	4,177,464	2,442,938	1,190,846	351,591
Capital assets (note 3)	645,159	657,604	321,219	30,226
Trademark	8,000	8,000	–	–
	$ 4,830,623	$ 3,108,542	$ 1,512,065	$ 381,817
Liabilities and Shareholders' Equity				
Current liabilities:				
Bank indebtedness (note 4)	$ –	$ 80,000	$ 60,317	$ –
Due to CSI Wireless Inc. (note 5)	1,000,000	–	–	–
Accounts payable and accrued liabilities	4,034,917	1,439,213	83,076	250,657
Deferred revenue	378,938	329,460	–	–
	5,413,855	1,848,673	143,393	250,657
Shareholders' equity:				
Share capital (note 6)	5,803,048	5,638,323	2,267,309	27,936
Retained earnings (deficit)	(6,386,280)	(4,378,454)	(898,637)	103,224
	(583,232)	1,259,869	1,368,672	131,160
Future operations (note 1)				
Commitments (note 9)				
	$ 4,830,623	$ 3,108,542	$ 1,512,065	$ 381,817

See accompanying notes to financial statements.

Approved by the Board:

(signed) *Stephen A. Verhoeff"* Director

(signed) *"Brian J. Hamilton"* Director

WIRELESS LINK CORPORATION

Statements of Operations and Retained Earnings (Deficit)

(Expressed in United States dollars)

	Six months ended June 30, 2000	Six months ended June 30, 1999	Years ended December 31, 1999	Years ended December 31, 1998	Years ended December 31, 1997
	(Unaudited)	(Unaudited)			
Revenues:					
Product sales	$ 6,356,626	$ 182,513	$ 1,358,354	$ 893,979	$ 109,545
License and contract	228,775	147,159	510,099	861,614	1,641,204
Royalty and other income	5,529	36,437	65,947	326,659	47,091
	6,590,930	366,109	1,934,400	2,082,252	1,797,840
Cost of product sales	6,519,322	111,884	1,532,829	777,634	257,356
	71,608	254,225	401,571	1,304,618	1,540,484
Expenses:					
Selling	262,175	116,278	247,925	131,931	14,035
General and administrative	749,826	427,157	1,594,174	969,707	1,043,813
Depreciation	103,508	83,445	160,756	65,307	13,487
	1,115,509	626,880	2,002,855	1,166,945	1,071,335
Earnings (loss) before undernoted item	(1,043,901)	(372,655)	(1,601,284)	137,673	469,149
Research and development costs	963,925	982,124	1,878,533	1,139,534	639,628
Net loss	(2,007,826)	(1,354,779)	(3,479,817)	(1,001,861)	(170,479)
Retained earnings (deficit), beginning of period	(4,378,454)	(898,637)	(898,637)	103,224	273,703
Retained earnings (deficit), end of period	$ (6,386,280)	$ (2,253,416)	$ (4,378,454)	$ (898,637)	$ 103,224

See accompanying notes to financial statements.

WIRELESS LINK CORPORATION

Statements of Cash Flows

(Expressed in United States dollars)

	Six months ended June 30, 2000	Six months ended June 30, 1999	Years ended December 31, 1999	Years ended December 31, 1998	Years ended December 31, 1997
	(Unaudited)	(Unaudited)			
Cash flows from (used in) operating activities:					
Net loss	$ (2,007,826)	$ (1,354,779)	$ (3,479,817)	$ (1,001,861)	$ (170,479)
Items not involving cash:					
Depreciation	103,508	83,445	160,756	65,307	13,487
Loss on sale of short-term investments	–	–	–	–	7,342
	(1,904,318)	(1,271,334)	(3,319,061)	(936,554)	(149,650)
Change in non-cash operating working capital:					
Accounts receivable	(1,259,151)	105,663	(861,949)	31,796	148,960
Inventories	504,959	(186,809)	(783,081)	(85,553)	(6,906)
Prepaid expenses and deposits	(11,067)	(133,565)	(45,515)	3,309	(5,534)
Short-term investments	–	–	–	70,091	(70,091)
Accounts payable and accrued liabilities	2,595,704	266,079	1,356,137	(167,581)	204,272
Deferred revenue	49,478	261,990	329,460	–	–
	(24,395)	(957,976)	(3,324,009)	(1,084,492)	121,051
Cash flows from financing activities:					
Issue of share capital, net of share issue costs	164,725	2,000,000	3,371,014	2,239,373	–
Advance from CSI Wireless Inc.	1,000,000	–	–	–	–
	1,164,725	2,000,000	3,371,014	2,239,373	–
Cash flows used in investing activities:					
Purchase of capital assets	(91,063)	(65,795)	(497,141)	(356,300)	(32,659)
Purchase of trademarks	–	(3,140)	(8,000)	–	–
	(91,063)	(68,935)	(505,141)	(356,300)	(32,659)
Increase (decrease) in cash position	1,049,267	973,089	(458,136)	798,581	88,392
Cash position, beginning of period	370,930	829,066	829,066	30,485	(57,907)
Cash position, end of period	$ 1,420,197	$ 1,802,155	$ 370,930	$ 829,066	$ 30,485
Cash	$ 1,420,197	$ 1,802,155	$ 450,930	$ 889,383	$ 30,485
Bank indebtedness	–	–	(80,000)	(60,317)	–
Cash position, end of period	$ 1,420,197	$ 1,802,155	$ 370,930	$ 829,066	$ 30,485

See accompanying notes to financial statements.

WIRELESS LINK CORPORATION

Notes to Financial Statements
(Expressed in United States dollars)

Years ended December 31, 1999, 1998 and 1997 with unaudited financial statements as at June 30, 2000 and for each of the six month periods ended June 30, 2000 and 1999

Wireless Link Corporation (the "Company") was incorporated under the laws of the state of California on July 21, 1987. The Company is engaged in the business of developing, manufacturing, licensing and selling technology and products associated with wireless data communication applications.

1. Future operations:

The Company is in the early stage of the commercialization of its initial products, has a working capital deficiency and has no established history of generating positive cashflow. Having recently completed the development and testing stage of its initial products, the Company has now actively begun the marketing and sales efforts so as to achieve a commercial level of operations. There can be no assurance that the present and longer-term cash requirements of the Company will be satisfied either from revenues from operations or from future financings. If the Company is unable to successfully secure adequate or satisfactory financing as required, there is the possibility that the Company may be unable to continue to realize on its assets and to discharge its liabilities in the normal course of business.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will be able to secure adequate financing as required and realize its assets and discharge its obligations in the normal course of operations. If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, and in the balance sheet classifications used.

2. Significant accounting policies:

(a) Revenue recognition:

Revenue from product sales is recognized when goods are shipped. Revenue from licensing of technology is recognized when the Company has completed or fulfilled the terms of the licensing agreement including delivery, acceptance and any elements that are essential to the functionality of the technology. Contract revenue is recognized following the percentage of completion method using contract milestones as a measure of work accomplished.

(b) Inventories:

Inventories consist of finished goods and component parts and are valued at the lower of cost and market with cost determined on an actual cost basis and market determined at net realizable value for finished goods and replacement cost for component parts.

(c) Short-term investments:

Investments are recorded at the lower of cost or market.

2. Significant accounting policies (continued):

(d) 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%
Automobile	declining balance	30%
Leasehold improvements	straight-line	5 years

Depreciation is charged at one half of the annual rate in the year of acquisition of an asset.

(e) Research and development costs:

Research and development costs are expensed as incurred except if the development costs are recoverable and directly related to the development of new products. To date no development costs have been capitalized.

(f) Measurement uncertainty:

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.

(g) Stock-based compensation plans:

The Company has a stock-based compensation plan, which is described in Note 5(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.

(h) Income taxes:

The Company has adopted 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 balance sheet and its tax basis.

Effective, January 1, 2000 the Company adopted the liability method relating to accounting for income taxes. Previously the Company followed the deferral method. The new policy has been applied retroactively without restatement and there has been no change in opening retained earnings as a result. Comparative financial statements have not been restated.

WIRELESS LINK CORPORATION

Notes to Financial Statements
(Expressed in United States dollars)

Years ended December 31, 1999, 1998 and 1997 with unaudited financial statements as at June 30, 2000 and for each of the six month periods ended June 30, 2000 and 1999

3. Capital assets:

June 30, 2000	Cost	Accumulated depreciation	Net book value
Computer equipment and software	$ 172,346	$ 80,024	$ 92,322
Office and production equipment	695,023	238,131	456,892
Automobile	34,094	27,619	6,475
Leasehold improvements	162,674	73,204	89,470
	$ 1,064,137	$ 418,978	$ 645,159

December 31, 1999	Cost	Accumulated depreciation	Net book value
Computer equipment and software	$ 158,374	$ 72,469	$ 85,905
Office and production equipment	642,794	184,451	458,343
Automobile	34,094	26,476	7,618
Leasehold improvements	162,674	56,936	105,738
	$ 997,936	$ 340,332	$ 657,604

December 31, 1998	Cost	Accumulated depreciation	Net book value
Computer equipment and software	$ 86,721	$ 48,055	$ 38,666
Office and production equipment	217,306	83,908	133,398
Automobile	34,094	23,212	10,882
Leasehold improvements	162,674	24,401	138,273
	$ 500,795	$ 179,576	$ 321,219

December 31, 1997	Cost	Accumulated depreciation	Net book value
Computer equipment and software	$ 47,353	$ 36,968	$ 10,385
Office and production equipment	63,048	58,753	4,295
Automobile	34,094	18,548	15,546
	$ 144,495	$ 114,269	$ 30,226

WIRELESS LINK CORPORATION

Notes to Financial Statements
(Expressed in United States dollars)

Years ended December 31, 1999, 1998 and 1997 with unaudited financial statements as at June 30, 2000 and for each of the six month periods ended June 30, 2000 and 1999

4. Bank indebtedness:

The Company has a revolving note to a maximum amount of $250,000 which bears interest at the bank's prime rate plus 2%. This note is secured by a certificate of deposit in the amount of $250,000. This facility was drawn down $nil at June 30, 2000 (December 31, 1999 - $80,000; December 31, 1998 - $60,317; December 31, 1997 - $nil).

The Company has an operating line of credit to a maximum amount of $250,000 which bears interest at the bank's prime rate plus 1%. This line of credit is secured by a general security agreement covering all assets of the Company. This facility was not drawn at June 30, 2000 or December 31, 1999, 1998 and 1997.

The Company has a second operating line of credit to a maximum amount of $250,000 which bears interest at the bank's prime rate plus 1%. This line of credit is secured by a general security agreement covering all assets of the Company. This facility was not drawn at June 30, 2000 or December 31, 1999, 1998 and 1997.

5. Due to CSI Wireless Inc.:

The amount payable to CSI Wireless Inc. is unsecured, non-interest bearing with no set terms of repayment.

6. Share capital:

(a) Authorized:
25,000,000 common shares
11,000,000 preferred shares issuable in series

(b) Common shares issued:

	Number of Shares	Amount
Balance, December 31, 1999, 1998 and 1997	10,056,250	$ 27,936
Exercise of stock options	1,079,624	164,725
Conversion of preferred shares	7,871,135	5,610,387
Balance, June 30, 2000	19,007,009	$ 5,803,048

WIRELESS LINK CORPORATION

Notes to Financial Statements
(Expressed in United States dollars)

Years ended December 31, 1999, 1998 and 1997 with unaudited financial statements as at June 30, 2000 and for each of the six month periods ended June 30, 2000 and 1999

6. Share capital (continued):

(c) Preferred shares issued:

	Number of shares	Amount
Balance, December 31, 1997	–	$ –
Series A shares issued for cash	3,812,483	2,250,000
Issue costs		(10,627)
Balance, December 31, 1998	3,812,483	2,239,373
Series B shares issued for cash	2,346,041	2,000,000
Series C shares issued for cash	1,712,611	1,459,980
Issue costs	–	(88,966)
Balance, December 31, 1999	7,871,135	5,610,387
Less: converted to common shares	(7,871,135)	(5,610,387)
Balance, June 30, 2000	–	$ –

During the period, all of the issued preferred shares were converted into common shares on a one for one basis for no additional consideration.

(d) Stock options:

The Company has a stock option plan, whereby options to purchase common shares may be issued to directors, officers and employees, of the Company subject to certain terms and conditions. Stock options granted vest over a period of four years and expire at various dates through 2005. At June 30, 2000, there were 645,000 stock options outstanding (December 31,1999 - 1,784,624) with exercise prices of $0.05 to $0.30 per common share.

7. Income taxes:

As at June 30, 2000, the Company has Federal and State net operating losses for income tax purposes of approximately, $6,272,431 and $3,136,216 respectively which may be used to reduce future years' taxable income. These losses begin expiring in 2003. In addition, the Company has assets for which income tax deductions available in future years exceed the recorded net book values by $208,978. These financial statements do not reflect the potential benefit of these future tax assets.

WIRELESS LINK CORPORATION

Notes to Financial Statements
(Expressed in United States dollars)

Years ended December 31, 1999, 1998 and 1997 with unaudited financial statements as at June 30, 2000 and for each of the six month periods ended June 30, 2000 and 1999

8. Financial instruments:

The carrying values of cash and term deposits, accounts receivable, short-term investments, bank indebtedness, accounts payable and accrued liabilities, approximate their fair value due to the relatively short periods to maturity of these instruments.

9. Commitments:

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

2000	$ 159,840
2001	169,200
2002	179,001
2003	45,360

(b) Effective March 24, 2000 the Company committed to pay royalties on certain product sales up to a maximum of $400,000 as follows:

$3 for each unit sold for the first 50,000 units sold
$1 for each unit sold for the next 50,000 units sold
$0.50 for each unit sold thereafter for the next 400,000 units sold

10. Related party transactions:

	Six months ended June 30,		Years ended December 31,		
	2000	1999	1999	1998	1997
	(Unaudited)				
Product revenue (a)	$ –	$ 3,776	$ 605,392	$ –	$ –
Building rent (b)	95,019	90,455	151,470	109,350	–
Cost of product sales (b)	4,115,116	56,404	1,082,935	36,618	–

(a) Relates to products sold by the Company to a significant corporate shareholder. At June 30, 2000, an amount of $195,632 (December 31, 1999, $190,360) was outstanding and included within accounts receivable.

10. Related party transactions (continued):

(b) Relates to manufacturing services provided to the Company by a corporate shareholder. At June 30, 2000, an amount of $3,104,790 (December 31, 1999 - $711,382; December 31, 1998 - $4,579) was outstanding and is included within accounts payable and accrued liabilities.

Effective, April 1, 1998, the Company entered into a sub-lease agreement with this corporate shareholder for the rental of office space. Monthly rental payments are $12,150 for the first year of the agreement rising annually to $15,120 in year five. No amount was outstanding at the period ends.

CERTIFICATES

Certificate of the Corporation

March 12, 2001

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 8 of the *Securities Act* (Alberta) and by Part XV of the *Securities Act* (Ontario) and the respective regulations thereunder.

(signed) "Stephen A. Verhoeff" Chairman and Chief Executive Officer	(signed) "Brian J. Hamilton" Executive Vice-President and Chief Financial Officer

On behalf of the Board of Directors

(signed) "Paul L. Camwell" Director	(signed) "Michael J. Lang" Director

Promoters

(signed) "Stephen A. Verhoeff"	(signed) "Brian J. Hamilton"
(signed) "Hamid Najafi"	

Certificate of the Agents

March 12, 2001

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 8 of the *Securities Act* (Alberta) and by Part XV of the *Securities Act* (Ontario) and the respective regulations thereunder.

ACUMEN CAPITAL FINANCE PARTNERS LIMITED

By: (signed) "Michael F. Hill"

FIRST ASSOCIATES INVESTMENTS INC.

By: (signed) "Rodger Gray"

CANACCORD CAPITAL CORPORATION

By: (signed) "Michael G. Greenwood"

YORKTON SECURITIES INC.

By: (signed) "Alex Wylie"