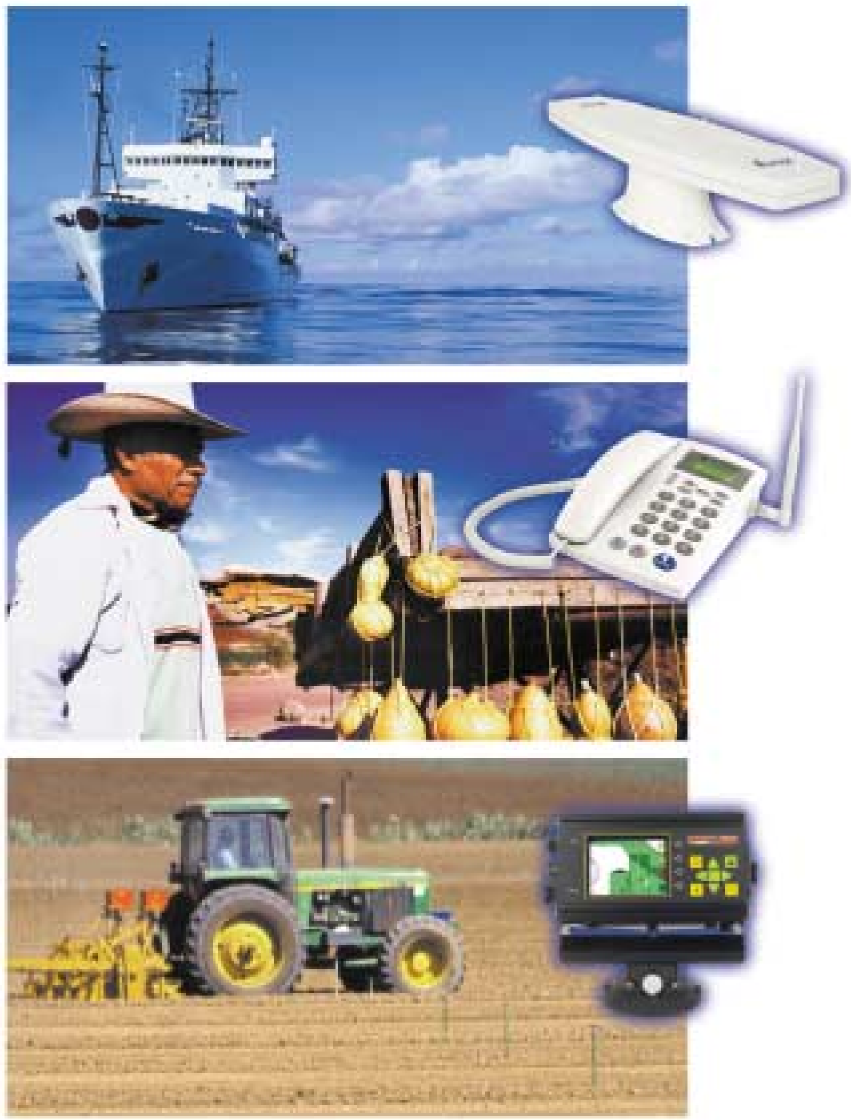
csi wireless™



Interim Report • Q2 • June 30, 2003

MESSAGE TO SHAREHOLDERS
Q2 – June 30, 2003

Second Quarter Highlights

For the second quarter ended June 30, 2003, CSI Wireless reported substantial revenue growth and increased earnings, meeting it's objective of a profitable first half of 2003. For the three-month period ended June 30, 2003 consolidated revenues doubled to $21,895,000 as compared with consolidated revenues of $10,761,000 for the second quarter of 2002. The increase was driven by strong sales of the Company's Motorola-branded FX800t fixed wireless telephone, increased telematics revenues, and strong sales of GPS products.

Improvement in bottom-line performance resulted in consolidated net earnings of $505,000, or $0.02 per share for the second quarter, a turnaround from a net loss of $578,000, or ($0.03) per share, for the same quarter in 2002.

Telematics Products

In the second quarter of 2003, the Company realized record revenues and margins from its Telematics products. This product line has shown steady quarterly growth since the release of the Asset-Link product family in 2002. These products are being accepted in our targeted markets as the leading devices as demonstrated by several contracts announced this year including those with Directed Electronics and Fleetboss. The Company expects continued revenue growth from this product line as well as even stronger margins as a result of cost reduction activities that will be completed in the third quarter.

In May of 2003, the Company introduced its new FLT-Link™ product, which is a tracking and reporting device for remotely managing tractor-trailers and other mobile assets and cargo. FLT-Link™, which is an extension of the Asset-Link™ family of products, can function using a truck's internal power system or by using solar power. This enables untethered or unpowered trailers to continue reporting their status for up to 60 days without any external electrical source. The Company is currently working with an initial launch customer, and plans to announce the details of this relationship later this year.

Other previously announced supply contracts with Directed Electronics, Datacom Wireless, and AirIQ, all continue to progress and gain momentum. Currently Directed Electronics has placed initial units with many of their small dealers, who in turn are starting to promote the product at the retail level. Directed plans to introduce the product to its large volume dealers in the third and fourth quarters of 2003.

Fixed Wireless Products

During the first half of 2003, the Company can largely attribute its dramatic growth to sales of its Motorola-branded FX800t fixed wireless telephones. This product has been receiving excellent reviews from customers and end-users, and continues to deliver outstanding reliability and performance. It is noted that in less than one year since the initial deliveries of the FX800t began, CSI has become the primary supplier of TDMA fixed wireless telephones in Latin and South America.

Over the first year of commercial shipments of the FX800t, Brightstar has met the purchase levels they committed to as outlined in the agreement with them. The Company is expecting purchases by Brightstar to be lower during the last half of 2003, compared to those in the first half of the year, due to seasonality and purchasing patterns. The Company has, however, recently been given indications that demand for the phones in 2004 could significantly exceed that of 2003.

Together with Brightstar, other market opportunities for the fixed wireless telephones are being pursued and producing encouraging results. Some of these other opportunities are larger than initially anticipated, but still in the negotiation phases. It is also noted; any new fixed wireless contracts entered into, will utilize the re-engineered product, which generates improved margins for the Company.

Precision GPS Agriculture Products

Precision agriculture is the dominant source of revenue for the GPS Business Unit and the outlook remains strong for this year and next for the GPS precision guidance products. This outlook is supported by Kansas-based RHS Inc., which is the largest source of revenue for CSI's GPS Business Unit. Demand from RHS continues to show solid growth. As previously noted, in order to assist CSI in managing its production flows, the Company has arranged to level load RHS deliveries across all of the quarters of 2003, as compared to 2002, where RHS took about 90% of its volumes in the first half of the year. This has reduced GPS Business Unit sales in the first half of 2003, and consequently, we expect sustained sales through the third and fourth quarters of 2003.

During the first two quarters of 2003, CSI's GSP Business Unit released the Outback Hitch™, another leading edge GPS product for RHS Inc., a low-cost guidance system that features a highly accurate Differential GPS and Wide Area Augmentation System (WAAS) receiver, guidance system and Steering Guide™. CSI Wireless now manufactures the Outback Hitch, Outback S and Outback 360™ all exclusively for RHS, which has global distribution rights for the entire Outback™ product line. In June 2003, CSI announced the receipt of an $11 million dollar purchase order from RHS for these products covering deliveries beginning in fourth quarter 2003 through to the fourth quarter 2004.

In April of 2003, CSI reached an agreement to supply after-market agricultural GPS-based guidance systems to AGCO Corporation, one of the world's largest manufacturers and distributors of agricultural equipment. Under the agreement, CSI and its Satloc subsidiary will supply AGCO-branded versions of the LiteStar II lightbar system and AgIQ Differential GPS receiver to AGCO, making the technology leading products available to growers and producers across North America. This agreement formalizes a supply relationship between the companies that dates back to 2001.

GPS Marine Products

The Company's GPS Business Unit has also received significant interest in its new high-performance Vector line of GPS heading sensors during the first half of 2003. The Vector enables users in marine, heavy equipment and machine control markets to maintain very accurate headings at substantially less than the cost of traditional gyrocompasses or of competing GPS systems.

On June 24, 2003 CSI announced that it had received its first major purchase order for the Vector from Marport ehf, a global manufacturer and supplier of marine sensor technology, which will market private label versions of the Vector for distribution through its dealer network. Known as CompassPoint™, this product will be sold primarily in the commercial marine market. The initial purchase order is valued at $2 million.

Subsequent to the end of the second quarter 2003, CSI announced that the Vector product had helped NBC News to broadcast images of the war in Iraq that featured greater clarity and immediacy than what competing networks achieved using more conventional methods. The Vector Sensor, in conjunction with a video transmission system developed by Maritime Telecommunications Network, enabled an NBC satellite dish to achieve extremely accurate headings – and transmit crystal clear video images – while the transmission truck was moving with the US troops. This Vector application demonstrates another potential market for this product.

GIS (Geographic Information Systems) Products

During the second quarter of 2003, the Company announced a $3-million purchase order from 3-D Marketing LLC, a U.S. based company, for MBX-3S differential (DGPS) beacon receivers. 3-D Marketing uses the MBX-3S as the differential source of its Configuration I DGPS System that is currently being sold to the United States Department of Agriculture (USDA) and other federal agencies under a multi-year USDA contract.

This development is significant from more than a dollar perspective, as the market potential with the U.S. Government for both GPS technology and other safety and security devices is quite large. The Company hopes to further capitalize on these opportunities in the coming quarters.

Summary

CSI Wireless is pleased to be able to report very strong progress in improving the Company's fundamental performance during the first half of 2003. The concentration of resources and efforts in building the fundamentals of the Company will continue to demonstrate their value through strong future results. The Company believes that its results are beginning to speak for themselves and intends to continue to focus on future profitable quarters.

Stephen Verhoeff
President
August 27, 2003

Interim Management Discussion and Analysis

The following discussion and analysis should be read in conjunction with the June 30, 2003 financial statements and notes as contained herein. Further, the disclosures both within the interim management discussion and analysis, and the attached financial statements, are incremental to those included within the annual financial statements.

	For the Quarter Ended							
	Sep 30 2001	Dec 31 2001	Mar 31 2002	Jun 30 2002	Sep 30 2002	Dec 31 2002	Mar 31 2003	Jun 30 2003
Revenue	$ 6,761	$ 10,027	$ 13,958	$ 10,761	$ 8,784	$ 20,633	$ 24,070	$ 21,895
Cost of Sales	5,040	7,847	8,464	6,028	6,515	17,230	18,930	16,668
	1,721	2,180	5,494	4,733	2,269	3,403	5,140	5,227
Expenses:								
Research & Development	2,370	2,029	1,912	2,187	2,207	1,743	1,898	1,795
Selling	1,046	967	1,007	1,049	1,150	1,138	1,001	1,057
General & Administrative	1,335	994	1,044	1,364	1,255	1,213	1,348	1,476
Interest on long-term debt	229	453	313	229	163	312	198	171
Depreciation & Amortization	327	299	284	272	294	301	334	235
Amortization of Goodwill	532	590	-	-	-	-	-	-
Foreign Exchange (gain) loss	(374)	(16)	(116)	210	(84)	(13)	211	(86)
Premium on Pref. Shares	-	-	-	-	-	322	46	74
	5,465	5,316	4,444	5,311	4,985	5,016	5,036	4,722
Net income (loss) for the period	$ (3,744)	$ (3,136)	$ 1,050	$ (578)	$ (2,716)	$ (1,613)	$ 104	$ 505
Net income (loss) per share	$ (0.18)	$ (0.15)	$ 0.06	$ (0.03)	$ (0.14)	$ (0.08)	$ 0.01	$ 0.02

Results of Operations

Revenue

Consolidated second quarter revenues of $21.9 million represents an increase of 104% over the second quarter of 2002. This increase was a result of strong sales of the Company's Wireless Business Unit, which saw an increase in year over year second quarter revenues of $12.2M. Conversely the GPS Business Unit saw a year over year decrease in revenue of $1.0M, due primarily to the evenly spread sales to RHS as previously outlined in the first quarter report.

Relative to the first quarter of 2003, second quarter consolidated revenues declined by 9% from $24.1 million. This decline is almost entirely related to the impact of the strengthening Canadian dollar on revenues, which are almost entirely denominated in US$. Based on quarterly averages, the Canadian dollar strengthened by 8% in the second quarter relative to the first quarter, thus reducing the Company's reported revenues.

Gross Margins

Gross margins for the second quarter of 2003 had decreased to 24% compared to margins of 44% achieved in the second quarter of 2002. This decrease is a direct result of the FX800t sales in 2003, which is a lower margin product compared to other CSI products, but which provides a significant dollar impact to the gross margin due to the high volume of product sold.

Gross margins improved in the second quarter to 24% from 21.4% in the first quarter of 2003. This increase relates to cost reductions on existing products and to improved margins realized on CSI's latest generation of wireless products which are replacing legacy wireless products that were sold for lower margins. The Company's cost-reduction efforts resulted in margin improvements of almost 2% on its fixed wireless telephone and 7% on its telematics products relative to the first quarter. The Company has also been able to maintain strong margins on the GPS products, despite the strengthening Canadian dollar that negatively impacts GPS margins due to Canadian dollar denominated manufacturing and assembly costs.

Research and Development

Investment in research and development in the second quarter decreased 19% to $1,795,000 from $2,187,000 for the second quarter of 2002 as a result of cost reduction initiatives put in place during 2002 and early 2003. The Company's investment in research and development is focused on next-generation products that will generate revenue and cash flow for CSI Wireless in future periods and enable the Company to maintain a leadership position in its markets.

Selling, General and Administrative

Total selling and general and administrative ("G&A") expenses, before foreign exchange loss and finance charges, for the second quarter of 2003 were $2,532,000, as compared with $2,414,000 for the same period of 2002. While selling expenses remained relatively unchanged, the $118,000 increase relates almost entirely to G&A expenses.

Included in G&A expense are significant non-recurring legal expenses that CSI has incurred during the first half of 2003 related to a legal arbitration claim that the Company initiated against a previous customer for breach of a wireless product development and supply agreement in 2000. These costs total approximately $292,000 in the second quarter of 2003, and $460,000 for the first half of 2003. With this arbitration the Company hopes to recoup losses previously incurred due to this customer's alleged breach. The arbitration hearing took place during the third quarter and the Company does not expect these costs to continue after the third quarter.

Recurring operating expenses have been reduced by 12% relative to the second quarter of 2002. These operating expense reductions have been achieved during a period when revenues have increased by over 100%. As a percentage of revenues, operating expenses have fallen from 45% of revenues in the second quarter of 2002, to 21% of revenues for the second quarter of 2003.

Foreign Exchange

The Company recorded a foreign exchange gain of $86,000 in the second quarter of 2003 related to the translation of US dollar denominated balance sheet components. During the second quarter, a foreign exchange loss of $198,000 was realized on the net US dollar working capital, due to the strengthening Canadian dollar. This loss was offset by a gain of $284,000 arising from the translation of the preferred shares that are denominated in US dollars, and which are treated as a liability under generally accepted accounting principles.

The overall impact of the strengthening Canadian dollar on the year to date financial results has been a reduction in net income of about $900,000 when compared to the results that would have been reported if the foreign exchange rate had not changed from that realized in the first half of 2002. This illustrates the fundamental underlying improvements that have been achieved in the Company over the last year but are not necessarily apparent from the financial results.

EBITDA and Net Earnings

CSI achieved net income in the second quarter of $505,000 relative to net income of $104,000 in the first quarter of 2003 and a loss of $578,000 in the second quarter of 2002. CSI's return to profitability has been achieved by a combination of revenue solidification, strengthening gross margins and strong control of operating expenses.

A milestone for the Company was achieved in the second quarter of 2003, as the Wireless Business Unit achieved bottom line profitability, after covering its share of corporate costs, for the first time since its acquisition in June 2000. Strong revenue growth and margin improvements in the fixed wireless and telematics product lines, together with the streamlining of operating expenses, have both contributed to this significant achievement for the Company.

The GPS unit also showed a solid profit for the second quarter of 2003, supported by demand for precision agriculture products and from previously announced GIS product sales to 3-D Marketing, and new Vector sales to Marport ehf.

EBITDA for the second quarter of 2003 was $986,000, just over a $1.0 million increase from the $78,000 EBITDA loss incurred during the same period of 2002.

Liquidity and Capital Resources

At June 30th 2003, the Company had utilized $5.1 million of its available operating line of credit of $6.0 million. During the second quarter of 2003, CSI was able to reduce the amount outstanding on the operating line by $400,000 from the March 31st 2003 level of $5.5 million through the generation of cash from operations, net of debt and lease principal payments of $802,000 and capital expenditures of $276,000.

Accounts receivables and accounts payables both decreased approximately $4.2 million and $6.7 million respectively. These decreases related primarily to the fixed wireless telephone product line and are due to a change in the payment structure resulting in quicker payments and also due to lower fixed wireless volumes in the month of June, relative to the month of March.

As disclosed in the 2002 year-end financial statements, the preferred shares have terms that allow the holder to demand retraction in the form of either common shares, or cash, at anytime after April 1, 2004. As such, commencing in the second quarter of 2003, the shares are treated as a current liability. In January of 2004, the final 150,000 preferred shares will be issued, satisfying the Company's obligation to issue such shares. No further preferred shares will then be issued.

Subsequent to the quarter end, the Company determined that it was appropriate to strengthen its balance sheet by undertaking a private placement for gross proceeds of $5.3 million that closed on August 8th. The offering consisted of 3,305,750 units issued at a price of $1.60 per unit. Each unit is comprised of one CSI common share and one warrant to purchase a CSI common share at a price of $2.00 per share until August 8, 2005. The financing was done to provide working capital in response to the dramatic growth in revenues, to reduce interest expense and some principal obligations, and to provide greater operating flexibility to deal with the opportunities and risks in the business.

The above disclosure contains certain forward-looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond CSI Wireless' control, including: the impact of general economic conditions, industry conditions, increased competition, the lack of availability of qualified personnel or management, fluctuations in foreign exchange or interest rates, stock market volatility and market valuations of companies with respect to the announced transactions and the final valuations thereof, and obtaining required approvals of regulatory authorities. CSI Wireless' actual results, performance or achievement could differ materially from those expressed in, or implied by these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds, CSI Wireless will derive therefrom.

CSI WIRELESS INC.

Consolidated Balance Sheets

June 30, 2003 and December 31, 2002

	2003	2002
	Unaudited	*Audited*
Assets		
Current assets:		
Accounts receivable	$ 11,427,883	$ 9,568,102
Inventories	7,351,686	9,251,148
Prepaid expenses and deposits	358,307	335,942
	19,137,876	19,155,192
Capital assets	4,435,812	3,510,208
Goodwill	18,624,676	18,071,676
	$ 42,198,364	$ 40,737,076
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	$ 5,101,268	$ 4,031,400
Accounts payable and accrued liabilities	10,267,749	10,107,646
Current portion of capital leases	150,685	-
Current portion of senior long-term debt	1,905,852	1,905,852
Current portion of other long-term debt	628,491	701,260
Preferred shares (note 4)	2,244,402	-
	20,298,447	16,746,158
Capital lease obligations	457,270	-
Senior long-term debt	1,217,482	2,170,408
Other long-term debt	54,891	438,208
Preferred shares (note 4)	-	1,855,244
Shareholders' equity:		
Share capital (note 3)	41,690,417	41,812,078
Contributed surplus	156,049	-
Deficit	(21,676,192)	(22,285,020)
	20,170,274	19,527,058
	$ 42,198,364	$ 40,737,076

See accompanying notes to consolidated financial statements.

CSI WIRELESS INC.

Consolidated Statements of Operations and Deficit

	Three months ended June 30,		Six months ended June 30,	
	2003	2002	2003	2002
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*
Sales	$ 21,894,565	$ 10,761,162	$ 45,964,350	$ 24,719,396
Cost of sales	16,668,279	6,028,034	35,597,752	14,492,542
	5,226,286	4,733,128	10,366,598	10,226,854
Expenses:				
Research and development	1,794,720	2,187,283	3,693,024	4,099,290
Selling	1,057,338	1,049,370	2,058,495	2,056,662
General and administrative	1,474,670	1,364,266	2,822,095	2,408,208
Depreciation and amortization	235,465	271,292	569,766	555,154
	4,562,193	4,872,211	9,143,380	9,119,314
Earnings (loss) before undernoted item	664,093	(139,083)	1,223,218	1,107,540
Redemption premium on preferred shares	74,026	-	120,407	-
Foreign exchange loss (gain)	(86,269)	210,065	124,495	94,211
Interest expense	171,458	228,819	369,488	541,321
Net earnings (loss)	504,878	(577,967)	608,828	472,008
Deficit, beginning of period	(22,181,070)	(17,377,845)	(22,285,020)	(18,427,820)
Deficit, end of period	$ (21,676,192)	$ (17,955,812)	$ (21,676,192)	$ (17,955,812)
Earnings (loss) per common share:				
Basic	$ 0.02	$ (0.03)	$ 0.03	$ 0.03
Diluted	$ 0.02	$ (0.03)	$ 0.03	$ 0.02
Weighted average shares outstanding:				
Basic	21,751,289	18,395,343	21,749,692	18,394,375
Diluted	21,810,524	19,703,318	22,135,686	19,702,350

See accompanying notes to consolidated financial statements.

CSI WIRELESS INC.

Consolidated Statements of Cash Flows

	Three months ended June 30, 2003	Three months ended June 30, 2002	Six months ended June 30, 2003	Six months ended June 30, 2002
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*
Cash flows from (used in) operating activities:				
Net earnings (loss)	$ 504,878	$ (577,967)	$ 608,828	$ 472,008
Items not involving cash:				
Depreciation and amortization	235,465	271,292	569,766	555,154
Redemption premium	74,026	-	120,407	-
Foreign exchange gain	(284,249)	-	(284,249)	-
Options granted to non-employees	2,175	5,126	23,530	44,437
	532,295	(301,549)	1,038,282	1,071,599
Change in non-cash operating working capital:				
Accounts receivable	4,245,548	2,475,304	(1,859,781)	772,038
Inventories	3,370,303	325,135	1,899,462	1,915,132
Prepaid expenses and deposits	(10,653)	23,700	(22,365)	61,901
Accounts payable and accrued liabilities	(6,660,913)	(2,035,720)	160,103	(1,432,963)
	1,476,580	486,870	1,215,701	2,387,707
Cash flows from (used in) financing activities:				
Increase (decrease) in bank indebtedness	(409,529)	(1,263,459)	1,069,868	(3,072,204)
Senior long-term debt	(476,463)	-	(952,926)	-
Other long-term debt	(218,739)	-	(456,086)	-
Capital leases	(106,888)	-	(372,304)	-
Issue of share capital, net of share issue costs	10,577	1,880,807	10,858	1,883,981
	(1,201,042)	617,348	(700,590)	(1,188,223)
Cash flows from (used in) investing activities:				
Purchase of capital assets	(275,538)	(757,408)	(515,111)	(852,674)
Increase (decrease) in cash position	-	346,810	-	346,810
Cash and cash equivalents, beginning of period	-	-	-	-
Cash and cash equivalents, end of period	$ -	$ 346,810	$ -	$ 346,810
Supplemental disclosure:				
Interest paid	$ 204,334	$ 98,451	$ 382,264	$ 165,849

See accompanying notes to consolidated financial statements.

1. Basis of Presentation

The accompanying unaudited consolidated financial statements for CSI Wireless Inc. (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. The financial information included herein is unaudited. These interim financial statements follow the same accounting policies and methods of application as the most recent annual audited financial statements dated December 31, 2002, except where noted below. The disclosures herein are incremental to those included within the annual financial statements. These interim financial statements should be read in conjunction with the annual statements.

2. Future operations:

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

3. Common Shares:

(a) Issued:

	Number of Shares	Amount
Balance, December 31, 2002	22,448,077	$41,812,078
Loan receivable from director (note 6)	-	1,184,700
Cancelled shares from director (note 6)	(700,000)	(1,340,749)
Issued on exercise of stock options	10,550	10,858
Options granted to non-employees (note 3(c))	-	23,530
Balance, June 30, 2003	21,758,627	$ 41,690,417

(b) At June 30, 2003 the following stock options and share purchase warrants are outstanding.

Share Option Plan	1,859,175
Wireless Link Plan	235,593
Share Purchase Warrants	1,643,655
Agents Warrants	345,168
Bankers Warrants	250,000

(c) The fair value of each option granted to non-employees is estimated on the date of grant using the Black-Sholes option pricing model with the following weighted average assumptions used for grants in 2003: zero dividend yield; expected volatility of 70%; risk-free rates of 5%; and expected lives of 5 years. At June 30, 2003, the Company recorded $23,530 as compensation expense for non-employees who have been granted stock options.

As the Company follows the intrinsic value method of accounting for stock options granted to employees, no compensation cost has been recognized for the six-month period ended June 30, 2003. Had compensation cost for stock options granted to employees been determined based on the fair value method, the Company's pro-forma net earnings would have been reduced by $94,464 to $514,364 and the pro-forma earnings per share would have been $0.02 for the six-month period ended June 30, 2003.

4. Preferred Shares:

	June 30, 2003		December 31, 2002	
	Number of Shares	Amount	Number of Shares	Amount
Preferred shares issued	1,361,000	$ 2,244,402	1,011,000	$ 1,855,244

The terms of the preferred shares allows for the holder of the shares to demand retraction in the form of either shares or cash at any time after April 1, 2004, and accordingly the shares are shown as a current liability as at June 30, 2003.

5. Segmented information:

(a) Operating segments:

The Company's method for determining what information to report about operating segments is based on the way that management organizes the operating segments within the Company for making operating decisions and assessing financial performance. The segments reported are consistent with those reported at December 31, 2002.

Period ended June 30:

	GPS Business Unit		Wireless Business Unit		Corporate		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
Sales	$ 13,464,094	$ 17,556,143	$ 32,500,256	$ 7,163,253	$ -	$ -	$ 45,964,350	$ 24,719,396
Interest expense	-	-	-	-	369,488	541,321	369,488	541,321
Depreciation and amortization	361,093	390,878	208,673	164,276	-	-	569,766	555,154
Net earnings (loss)	2,072,418	5,924,365	813,948	(3,635,447)	(2,277,538)	(1,816,910)	608,828	472,008
Capital assets and goodwill	7,378,462	5,777,397	15,682,026	15,867,933	-	-	23,060,488	21,645,330
Total assets	17,461,564	15,748,402	24,736,800	22,228,410	-	-	42,198,364	37,976,812
Capital expenditures	381,650	470,935	133,461	381,739	-	-	515,111	852,674

(b) Sales by geographic segment:

	2003	2002
United States	$ 40,502,806	$ 19,018,967
Canada	3,079,359	3,807,480
Europe	988,677	540,216
Other	1,393,508	1,352,733

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

(c) Major customers:

Of the Company's sales for the period ended June 30, 2003, 77% (June 30, 2002 – 59%) were to 5 customers. The Wireless Business Unit had sales to one customer totaling $26,640,000, or 58% of revenue. The GPS Business Unit had no customers whose sales exceeded 10% of total sales.

6. Related party transactions:

On March 4, 2003, the Company cancelled 700,000 common shares that were previously held as security for a US$750,000 loan made to an officer and director of the Company. At December 31, 2002 share capital and accounts receivable were reduced by $1,184,700 in anticipation of the cancellation. On March 4, 2003 the shares were cancelled using the average paid up capital value per share, which resulted in contributed surplus of $156,049.

7. Subsequent Event:

On August 8, 2003, the Company successfully closed an offering of 3,305,750 Units. The Units were issued at a price of $1.60 per Unit for gross proceeds of approximately $5.3 million. Each Unit is comprised of one CSI common share and one warrant to purchase a CSI common share. Each warrant entitles the holder to acquire one common share at a price of $2.00 per share until August 8, 2005. The Company intends to use the proceeds to reduce debt and for general working capital purposes.

For more information, please contact

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