



PCS
WIRELESS, INC.

\$10,810,000
4,600,000 Common Shares
and
2,300,000 Common Share Purchase Warrants

This Prospectus relates to the distribution of 4,600,000 common shares (the "Shares") and 2,300,000 common share purchase warrants (the "Warrants") of PCS Wireless, Inc. ("PCS Wireless") of Suite 95 - 200 Granville Street, Vancouver, British Columbia, V6C 1S4, telephone No. (604) 689-7722. These securities are to be issued without additional payment upon the exercise or deemed exercise of 4,600,000 special warrants (the "Special Warrants") previously distributed by PCS Wireless pursuant to prospectus exemptions. The Special Warrants were sold to investors on April 5, 1995 pursuant to a guaranteed agency agreement dated April 4, 1995 between PCS Wireless and Canaccord Capital Corporation of Suite 2200 - 609 Granville Street, Vancouver, British Columbia, V7Y 1H2, telephone No. (604) 643-7400, and Sprott Securities Limited of Suite 1560 - 200 Burrard Street, Vancouver, British Columbia, V6C 3L6, telephone No. (604) 681-7344, (together, the "Agents") at the price of \$2.35 per Special Warrant. The Special Warrants were issued under a Special Warrant Indenture dated April 5, 1995 between PCS Wireless and Montreal Trust Company of Canada (the "Trustee"). The Warrants will be issued under a Warrant Indenture dated April 5, 1995 between PCS Wireless and the Trustee. Each whole Warrant will entitle the holder thereof to acquire one common share of PCS Wireless at the price of \$3.05 at any time from the date of issue of such Warrant until 4:30 p.m. (Vancouver time) on December 31, 1996.

This Prospectus is being filed to qualify the distribution of the Shares and the Warrants which will be issued on the exercise or deemed exercise of the Special Warrants. The offering price of the Special Warrants was determined by negotiation between the Company and the Agents. The gross proceeds to PCS Wireless from the sale of the Special Warrants were \$10,810,000 of which \$8,107,500 is being held by the Trustee in escrow and will be released to PCS Wireless, provided that the date on which a (final) receipt is issued for this Prospectus by the last of the securities commissions to do so in the Provinces of Ontario, British Columbia, and Alberta (the "Clearance Date") occurs on or before December 1, 1995 or such later date as PCS Wireless and the Agents may agree (the "Qualification Deadline") and that the Agents have not delivered a due diligence notice to the Trustee at any time on or before 4:30 p.m. (Vancouver time) on the earlier of (i) April 5, 1996 and (ii) the fifth business day after the Clearance Date. PCS Wireless agreed to pay the Agents a fee of \$756,700 (\$0.1645 per Special Warrant) in connection with the sale of the Special Warrants. PCS Wireless paid one-half of this fee to the Agents on April 5, 1995 and will pay the remainder of the fee to the Agents on the fifth business day after the earlier of the Clearance Date and the Qualification Deadline. In connection with the sale of the Special Warrants, PCS Wireless has also granted to the Agents non-transferable common share purchase warrants to purchase up to 690,000 common shares of PCS Wireless at a price of \$2.35 per share during the period commencing on the fifth business day after the earlier of the Clearance Date and the Qualification Deadline and ending at 4:00 p.m. (Vancouver time) on December 31, 1996. No additional commission or fee will be paid to the Agents in connection with the issuance of the Shares and the Warrants on the exercise or deemed exercise of the Special Warrants. The expenses of this transaction, estimated to be \$275,000, including the cost of preparation of this Prospectus, will be paid out of the proceeds of the sale of Special Warrants. See "PLAN OF DISTRIBUTION".

INVESTMENT IN THE SECURITIES OFFERED HEREBY INVOLVES A HIGH DEGREE OF RISK AND SHOULD BE REGARDED AS SPECULATIVE DUE TO THE NATURE OF THE COMPANY'S BUSINESS AND ITS PRESENT STAGE OF DEVELOPMENT. THE COMPANY HAS NO HISTORY OF OPERATING PROFITS. See "RISK FACTORS". The issue price of \$2.35 allocated to each Share exceeds the net tangible book value per common share as at February 28, 1995, after giving effect to the issue of 3,070,555 common shares after February 28, 1995, the redemption of Class B shares on June 30, 1995, and the issue of the 4,600,000 Shares, by \$1.89 per common share, representing dilution of 80%. See "DILUTION".

There is no market for the Special Warrants or Warrants and none is expected to develop. The common shares of PCS Wireless are listed and posted for trading on the Vancouver Stock Exchange. The closing price of the common shares on the Vancouver Stock Exchange on March 17, 1995, being the last day the common shares traded before announcement of the offering of Special Warrants, was \$2.67 and on April 4, 1995, being the day immediately preceding the date on which the Special Warrants were sold to investors, was \$2.75.

Definitive certificates for the Shares and Warrants will be available for delivery upon the exercise or deemed exercise of the Special Warrants.

Certain legal matters relating to the securities offered hereby will be passed upon by De Witt Sedun of Vancouver, British Columbia, on behalf of PCS Wireless and by Ladner Downs on behalf of the Agents.

Effective Date: July 14, 1995

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PROSPECTUS SUMMARY

This is a summary only and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and consolidated financial statements appearing elsewhere in this Prospectus. Unless the context otherwise requires, all references in this Prospectus to the "Company" include PCS Wireless, Inc. ("PCS Wireless") and its subsidiaries.

Business of the Company

PCS NETWORKS:

The Company designs, manufactures and markets distributed antenna array ("DAA") products for use in the wireless personal communications services ("PCS") industry. PCS networks are similar to existing cellular telephone networks in that they provide personal, portable communications capabilities. However, PCS networks are substantially different from cellular systems in that they operate within smaller microcells rather than large macrocells. Further, PCS systems are fully digital, offer greater privacy protection, and permit expanded voice and data transmission from existing cellular systems.

PCS networks will be built by telecommunications network operators to provide service to the mass consumer market in contrast to the business user target market of the existing cellular technology. PCS networks will therefore be concerned with affordability and high user capacity. Because PCS networks will be deployed with the latest advances in computer, battery, fibre optic, and radio technologies, they are expected to be more affordable than current cellular networks that have been designed around technology developed in the 1970's. By allocating 2.4 times as much spectrum to PCS as it did to cellular, the US government has indicated its intention to provide PCS with the necessary radio frequency ("RF") spectrum capacity to service the mass market.

Since the microcells in a PCS network are small and the power output of the handsets is low, the RF spectrum can be utilized more efficiently. As a result, the carrying capacity or number of users of a PCS network within a given area is many times greater than with a conventional cellular network. In addition, the lower power required for the smaller cells means that PCS handsets can be smaller, lighter, less expensive and have a longer battery life. PCS systems can also provide continuous coverage between existing coverage zones, thereby eliminating the necessity for users of conventional cellular systems to "sign on" to a new coverage zone. See "BUSINESS OF THE COMPANY - General".

THE EMERGING PCS SYSTEMS:

In March 1995, the United States federal government completed an open auction of the right to operate PCS wireless telecommunications networks in the major U.S. cities. Telecommunication network operators paid an aggregate of US\$7.7 billion for these licences. As a result, these operators now have an economic incentive to reconfigure and build new and hybrid PCS telecommunications networks on a timely basis. On June 15, 1995, the Canadian government issued a call for applications for 1.9 Ghz RF licences with the stated intent to issue licences in early 1996. The Company's strategy is to position its products for delivery into the initial roll-out of the PCS networks in North America and to become an integral part of that industry. See "BUSINESS OF THE COMPANY - The Wireless Telecommunications Industry."

THE COMPANY'S DAA PRODUCTS:

The Company's DAA products are designed to improve the performance of wireless communications networks and to reduce the costs of deployment and operation of current cellular networks and next-generation PCS networks. The Company's DAA products provide enhanced wireless telephone and personal communicator coverage zones, flexible system capacity handling and uninterrupted cell-to-cell transmission for all types of personal communications services.

The Company's DAA products can be utilized with each of the cable television, coaxial and fibre optic components of the anticipated PCS infrastructure, and with the coaxial and fibre components of the existing cellular infrastructure. The Company's remote antenna driver ("RAD") and remote antenna signal processor ("RASP") products have been designed to operate on cable television networks. These RAD and RASP products use the cable lines' 60 volt alternating current system and the RAD hangs off the existing cable lines thereby eliminating the need for site acquisition. The Company's microcell extender ("MEX") and base station extender ("BEX") products have been designed to operate on dedicated coaxial PCS networks.

The Company's DAA products enable existing high-cost, high-performance microcell base stations with limited RF coverage to expand their coverage to ranges approaching the coverage of the lower-cost but lower-performance macrocell-based networks currently used by existing cellular network operators. The Company's products do this by acting as bi-directional RF signal processors between the end user and a base station. This allows operators to develop PCS systems with less infrastructure at less cost. The Company's DAA products expand the capabilities of existing microcell networks to deliver voice and data transmissions to a full range of end users. Management believes that extending the coverage of existing base stations through use of the Company's DAA products will result in significant cost savings to the PCS industry. See "BUSINESS OF THE COMPANY - General; The Company's Products".

FIELD TESTING:

The Company's DAA products have undergone several years of field testing with many of the major suppliers of telecommunication networks in the United States, including Ericsson, Motorola, AT&T and Northern Telecom, and with other suppliers internationally, including Hutchison Paging of Hong Kong, France Telecom, Singapore Telecom and Australia Telecom. To the best of the Company's knowledge, no other cable television DAAs have been developed to the point where extensive field testing has commenced. As a result, the Company's RAD and RASP products currently enjoy a time-to-market competitive advantage of not less than 12 months. The Company's products must be approved by the FCC before they can be used in commercial quantities in the United States. See "BUSINESS OF THE COMPANY - General; Manufacturing and Facilities".

COMMERCIAL ORDERS:

Commercial orders for the Company's RAD and RASP products totalling US\$7,990,000 have been received from Motorola and Ericsson for deliveries commencing in late 1995. This amount less cash deposits totalling US \$1,460,500 is expected to be received by the Company in early 1996. The Company's MEX and BEX products are currently being used to provide enhanced communications coverage through older technology, wireless/cellular base station/handset CT2 and CT-2+ systems in Canada, France, Hong Kong, China, Australia, Singapore, Malaysia and Vietnam. See "BUSINESS OF THE COMPANY - Markets for The Company's Products".

The Offering

DISTRIBUTION:

4,600,000 Shares and 2,300,000 Warrants to be issued on the exercise or deemed exercise of 4,600,000 Special Warrants issued on April 5, 1995.

SPECIAL WARRANTS:

4,600,000 Special Warrants were issued by PCS Wireless at a price of \$2.35 per Special Warrant on April 5, 1995 pursuant to a Special Warrant Indenture dated April 5, 1995 between PCS Wireless and the Trustee. Each Special Warrant may be exercised, without the payment of any additional consideration, into one Share and one-half Warrant at any time on or before 4:30 p.m. (Vancouver time) (the "Expiry Time") on the earlier of (i) April 5, 1996 and (ii) the fifth business day after the day on which a (final) receipt is issued for this Prospectus by the last of the securities commissions to do so in the Provinces of Ontario, British Columbia and Alberta (the "Clearance Date"). If the Clearance Date has not occurred on or before August 3, 1995 or such later date as PCS Wireless and the Agents may agree (the "Increase Date"), each Special Warrant exercised or deemed exercised after the Increase Date shall entitle the holder thereof to receive 1.1 Shares (instead of one Share) and 0.55 Warrants (instead of 0.5 Warrants).

The gross proceeds from the sale of 25% of the Special Warrants was paid to PCS Wireless on April 5, 1995 and was available for the immediate use of the Company. The remaining 75% of the gross proceeds from the sale of the Special Warrants is being held in escrow by the Trustee pursuant to the terms of the Special Warrant Indenture and will, together with all interest accrued thereon, be released to PCS Wireless on the fifth business day after the Clearance Date, provided that the Clearance Date has occurred on or before December 1, 1995 or such later date as PCS Wireless and the Agents may agree (the "Qualification Deadline") and that the Agents have not delivered a Due Diligence Notice to the Trustee prior to the Expiry Time.

If the Clearance Date has not occurred on or before the Qualification Deadline, each holder of Special Warrants (a "Special Warrantholder") may elect, prior to 4:30 p.m. (Vancouver time) on the seventh business day after the Qualification Deadline (the "Qualification Election Deadline"), either to surrender up to 75% of the Special Warrants held by it to the Trustee for retraction and cancellation in exchange for the subscription price paid for such Special Warrants surrendered and the interest earned on such subscription price or not to exercise such right. If a Special Warrantholder has not notified the Trustee of its election prior to the Qualification Election Deadline, that Special Warrantholder shall be deemed to have surrendered 75% of its Special Warrants to the Trustee for retraction and cancellation and shall receive from the Trustee the subscription price paid for the Special Warrants deemed surrendered and the interest earned on such subscription price in the hands of the Trustee.

In addition, if the Agents deliver a Due Diligence Notice (as defined below) to the Trustee prior to the Expiry Time, each Special Warrantholder may elect, prior to 4:30 p.m. (Vancouver time) on the seventh business day after the Agents deliver a Due Diligence Notice to the Trustee (the "Notice Election Deadline"), either to exercise a similar retraction right in respect of 75% of the Special Warrants held by it or not to exercise such right. If a Special Warrantholder has not notified the Trustee of its election prior to the Notice Election Deadline, that Special Warrantholder shall be deemed to have surrendered 75% of its Special Warrants to the Trustee for retraction and cancellation and shall receive from the Trustee the subscription price paid for the Special Warrants deemed surrendered and the interest earned on such subscription price in the hands of the Trustee.

"Due Diligence Notice" means a notice delivered by the Agents to the Trustee pursuant to the Special Warrant Indenture to the effect that, as a result of their due diligence investigations and examinations of PCS Wireless, the Agents, acting in good faith, reasonably believe that the condition of the business, operations, prospects, assets, liabilities, ownership or capital of PCS Wireless or its subsidiaries on a consolidated basis is materially less favourable than publicly disclosed on the date of the Agency Agreement.

Notwithstanding the above, no Special Warrantholder may retract more than 75% of its Special Warrants in total, even if both the Qualification Election Deadline and the Notice Election Deadline pass.

Any Special Warrants not exercised or cancelled prior to the Expiry Time will be exercised by the Trustee, for and on behalf of the Special Warrantholder, immediately prior to the Expiry Time without any further action on the part of the Special Warrantholder or PCS Wireless. **Shares and Warrants issued to Special Warrantholders, upon the exercise or deemed exercise thereof, in any Province in which a (final) receipt for this Prospectus has not been issued, may be subject to resale restrictions contained in applicable securities legislation and the policies of the Vancouver Stock Exchange.** See "PLAN OF DISTRIBUTION".

WARRANTS: Each whole Warrant will entitle the holder thereof to purchase one common share in the capital of the Company at a price of \$3.05 until 4:30 p.m. (Vancouver Time) on December 31, 1996. See "PLAN OF DISTRIBUTION".

USE OF PROCEEDS: The net proceeds to PCS Wireless from the sale of the Special Warrants amount to \$10,053,300, after deducting the Agents' full cash commission of \$756,700. These net proceeds will be used by the Company as follows: as to \$275,000, to pay the estimated expenses of this issue (including the preparation of this Prospectus); as to \$3,500,000, to finance further DAA research and product development; as to \$1,500,000, to acquire test equipment and other capital assets; as to \$1,800,000, to fund operating losses and the \$2,978,300 balance of the proceeds will be used for working capital. See "USE OF PROCEEDS".

RISK FACTORS: Ownership of the Shares and Warrants involves a high degree of risk and must be regarded as highly speculative due to the nature of the Company's business and the present stage of its development. The Company has no history of profits and the success of the Company's business is subject to a number of factors including: limited experience in producing and manufacturing DAA systems; rapid technological change and strong competition in the wireless communications market; the ability of the Company to protect its proprietary technology; concentration of the Company's sales with a relatively small number of customers; the Company's reliance on third parties to manufacture its products; risks associated with the expansion of operations; declining average selling prices and gross margins; uncertainty respecting the continued growth of wireless telecommunications services; the risk of delay in the establishment of PCS networks; currency risk; risks inherent in international business activities; extensive regulation by Canadian, United States and foreign laws and international treaties; uncertainty respecting the Company's ability to obtain additional financing for future research and development of new products; and the Company's dependence on certain management personnel for the successful operation of its business. See "RISK FACTORS".

DILUTION: The issue price of \$2.35 allocated to each Share exceeds the net tangible book value per common share as at February 28, 1995, after giving effect to the issue of 3,070,555 common shares after February 28, 1995, the redemption of Class B shares on June 30, 1995, and the issue of the 4,600,000 Shares, by \$1.89 per common share, representing dilution of 80%. See "DILUTION".

CURRENCY AND EXCHANGE RATES

In this Prospectus, all funds are quoted in Canadian dollars unless otherwise stated. The exchange rates of the Canadian dollar to the U.S. dollar at the end of the fiscal years February 28, 1994 and 1995 and the four-month period ended June 30, 1995, and the high, the low and the average exchange rates for each of such periods were as follows:

	<u>Period Ended June 30, 1995</u>	<u>Years ended February 28</u>	
		<u>1995</u>	<u>1994</u>
High	\$1.4210	\$1.4072	\$1.3500
Low	\$1.3511	\$1.3435	\$1.2585
Average Rate for Period End of Period	\$1.3803 \$1.3725	\$1.3797 \$1.3898	\$1.3066 \$1.3500

The above rates, expressed in Canadian dollars, are the noon buying rates for U.S. dollars reported by the Bank of Canada. The exchange rate on June 30, 1995 for the Canadian dollar to the U.S. dollar was \$1.3725.

GLOSSARY OF TECHNICAL TERMS

In this Prospectus, the following terms have the meanings set forth herein:

<i>analog</i>	is the traditional method of telecommunications that uses physical quantities, such as volts, to represent sounds or data.
<i>base station</i>	is an equipment component that processes voice and data signals into high frequency radio signals, and vice versa.
<i>base station extender ("BEX")</i>	the component of the Company's in-building, dedicated line PCS system that interfaces between a base station and a MEX.
<i>"CATV"</i>	means cable television.
<i>"CT2"</i>	is a second generation cordless telephone system for public networks that allows users to send but not to receive telephone calls.
<i>"CT2+"</i>	is a CT2 system with enhanced mobility management.
<i>"cell"</i>	is a physical area in which RF coverage is provided by a base station or a DAA.
<i>coaxial</i>	describes a wire pair designed to carry high bandwidth RF signals.
<i>code division multiple access ("CDMA")</i>	is one type of wireless protocol used so that more voice and data can be transmitted on the same frequency.
<i>distributed antenna array ("DAA")</i>	is a series of bi-directional RF signal processors and antennae that interface between a base station and the wireless user.
<i>digital</i>	is the numeric representation of analog information.
<i>"FCC"</i>	means the Federal Communications Commission, the United States government agency responsible for regulation of the telecommunications industry.
<i>group speciale mobile ("GSM")</i>	is one type of wireless protocol used so that more voice and data can be transmitted on the same frequency.
<i>Gigahertz ("Ghz")</i>	is a billion hertz in the frequency spectrum for RF communications.
<i>macrocell</i>	describes a physically large communications coverage area (5 - 20 km in diameter).
<i>Megahertz ("Mhz")</i>	is a million hertz in the frequency spectrum for RF communications.
<i>microcell</i>	describes a physically midsize communications coverage area (0.5 - 5 km in diameter).
<i>microcell extender ("MEX")</i>	is the DAA component of the Company's in-building, dedicated line PCS system that interfaces between the BEX and the wireless user.
<i>"PBX"</i>	means a private branch exchange.
<i>"PCS"</i>	means personal communications services.
<i>picocell</i>	describes a physically small communications coverage area (less than 0.5 km in diameter).
<i>"RF"</i>	means radio frequency.
<i>remote antenna driver ("RAD")</i>	is the DAA component of the Company's CATV PCS system that interfaces between the RASP and the wireless user.
<i>remote antenna signal processor ("RASP")</i>	is the component of the Company's CATV PCS system that interfaces between a base station and a RAD.
<i>time division multiple access ("TDMA")</i>	is one type of wireless protocol used so that more voice and data can be transmitted on the same frequency.

PCS WIRELESS, INC.

PCS Wireless, Inc. ("PCS Wireless") was formed on March 1, 1988 under the *Business Corporations Act* (Ontario) (the "Ontario Act") by the amalgamation of Golden Trio Minerals Ltd. and 688489 Ontario Inc. under the name "Golden Trio Minerals Ltd." On October 4, 1993, Golden Trio Minerals Ltd. acquired 2777321 Canada Ltd., which had previously acquired the PCS Microcell Division of Enterprise Technologies Corp. At that time, the Company changed its business from natural resources exploration and development to its current business. See "BUSINESS OF THE COMPANY - Former Business of the Company, Change of Business, Corporate Reorganization and Share Consolidation". The name of "Golden Trio Minerals Ltd." was changed to "PCS Wireless, Inc." effective April 11, 1994. PCS Wireless was continued out of the jurisdiction of the Ontario Act and under the jurisdiction of the *Company Act* (British Columbia) effective July 6, 1995.

The principal and head office of PCS Wireless is located at Suite 95, 200 Granville Street, Vancouver, British Columbia, V6C 1S4. The registered office of PCS Wireless is located at Suite 1404, 141 Adelaide Street West, Toronto, Ontario, M5H 3L5.

PCS Wireless has three wholly-owned subsidiaries. PCS Microcell International Inc. is a Barbados corporation incorporated on October 27, 1993 which holds intellectual property relating to the Company's distributed antenna array products. See "BUSINESS OF THE COMPANY" - The Company's Products". PCS Wireless Communications Inc. (previously known as 2777321 Canada Ltd.) was incorporated under the *Canada Business Corporations Act* on December 2, 1991 and continued under the jurisdiction of the *Company Act* (British Columbia) effective July 5, 1995. PCS Wireless Communications Inc. holds certain furniture, equipment and other fixed assets used by the Company. PCS Wireless (Hong Kong) Limited is a corporation incorporated under the laws of Hong Kong on October 18, 1994 which is presently inactive. Management of PCS Wireless intends to seek shareholder approval at the 1995 annual meeting scheduled to be held on August 23, 1995 to the amalgamation of PCS Wireless with PCS Wireless Communications Inc.

Unless the context otherwise requires, all references in this Prospectus to the "Company" include PCS Wireless and its subsidiaries.

BUSINESS OF THE COMPANY

General

The Company designs, manufactures and markets distributed antenna array ("DAA") products for use in the wireless personal communications services ("PCS") industry. PCS networks are similar to existing cellular telephone networks in that they provide personal, portable communications capabilities. However, PCS networks are substantially different from cellular systems in that they operate within smaller microcells rather than large macrocells. Further, PCS systems are fully digital, offer greater privacy protection, and permit expanded voice and data transmissions from existing cellular systems.

PCS networks will be built by telecommunications network operators to provide service to the mass consumer market in contrast to the business user target market of the existing cellular technology. PCS networks will therefore be concerned with affordability and high user capacity. Because PCS networks will be deployed with the latest advances in computer, battery, fibre optic, and radio technologies, they are expected to be more affordable than current cellular networks that have been designed around technology developed in the 1970's. By allocating 2.4 times as much spectrum to PCS as it did to cellular, the US government has indicated its intention to provide PCS with the necessary radio frequency ("RF") spectrum capacity to service the mass market.

Since the microcells in a PCS network are small and the power output of the handsets is low, the RF spectrum can be utilized more efficiently. As a result, the carrying capacity or number of users of a PCS network within a given area is many times greater than with a conventional cellular network. In addition, the lower power required for the smaller cells means that PCS handsets can be smaller, lighter, less expensive and have a longer battery life. PCS systems can also provide continuous coverage between existing coverage zones, thereby eliminating the necessity for users of conventional cellular systems to "sign on" to a new coverage zone.

In March 1995, the United States federal government completed an open auction of the right to operate PCS wireless telecommunications networks in the major U.S. cities. Telecommunication network operators paid an aggregate of US\$7.7 billion for these licences. As a result, these operators now have an economic incentive to reconfigure and build new and hybrid PCS telecommunications networks on a timely basis. On June 15, 1995, the Canadian government issued a call for applications for 1.9 Ghz RF licences with the stated intent to issue licences in early 1996. The Company's strategy is to position its products for delivery into the initial roll out of the PCS network in North America and to become an integral part of the industry.

The Company's DAA products are designed to improve the performance of wireless communications networks and to reduce the costs of deployment and operation of current cellular networks and next-generation PCS networks. The Company's DAA products provide enhanced wireless telephone and personal communicator coverage zones, flexible system capacity handling and uninterrupted cell-to-cell transmission for all types of personal communications services.

The Company's DAA products can be utilized with each of the cable television, coaxial and fibre optic components of the to-be-developed PCS infrastructure, and with the coaxial and fibre components of the existing cellular infrastructure. The Company's remote antenna driver ("RAD") and remote antenna signal processor ("RASP") products have been designed to operate on cable television networks. These RAD and RASP products use the cable lines' 60 volt alternating current system and the RAD hangs off the existing cable lines thereby eliminating the need for site acquisition. The Company's microcell extender ("MEX") and base station extender ("BEX") products have been designed to operate on dedicated coaxial PCS networks.

The Company's DAA products enable existing high-cost, high-performance microcell base stations with limited RF coverage to expand their coverage to ranges approaching the coverage of the lower-cost but lower-performance macrocell-based networks currently used by existing cellular network operators. The Company's products do this by acting as bi-directional RF signal processor between the end user and a base station. This allows operators to develop PCS systems with less infrastructure at less cost. The Company's DAA products expand the capabilities of existing microcell networks to deliver voice and data transmissions to a full range of end users. Management believes that extending the coverage of existing base stations through use of the Company's DAA products will result in significant cost savings to the PCS industry.

The Company's DAA products have undergone several years of field testing with many of the major suppliers of telecommunication networks in the United States, including Ericsson, Motorola, AT&T and Northern Telecom, and with other suppliers internationally, including Hutchison Paging of Hong Kong, France Telecom, Singapore Telecom and Australia Telecom. To the best of the Company's knowledge, no other cable television DAAs have been developed to the point where extensive field testing has commenced. As a result, the Company's RAD and RASP products currently enjoy a time-to-market competitive advantage of not less than 12 months.

Commercial orders for the Company's RAD and RASP products totalling US \$7,990,000 have been received from Motorola and Ericsson, for deliveries commencing in late 1995. The Company's MEX and BEX products are currently being used to provide enhanced communications coverage through older technology, wireless/cellular base station/handset CT2 and CT-2+ systems in Canada, France, Hong Kong, China, Australia, Singapore, Malaysia and Vietnam.

The Wireless Telecommunications Industry

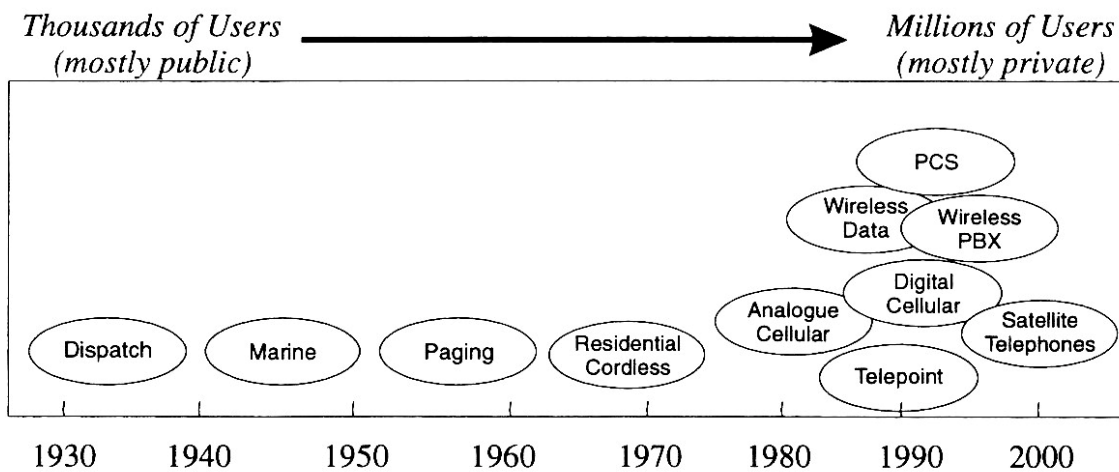
Rapid changes in telecommunications are taking place both in North America and throughout the world as a result of new technologies, deregulation and pro-competition regulation. Customers are demanding increasingly flexible communication services that are capable of transmitting voice, data and video over broad geographic areas at lower prices than are currently available from cellular systems. New technologies are responding to these demands and are breaking down the traditional economic rationale for communications monopolies through the cooperative use of existing and planned infrastructures. Regulators worldwide are responding by allowing competition to play a greater role in determining the services to be offered and the prices to be charged.

The infrastructure equipment supply portion of the cellular industry in North America is currently dominated by five telecommunications equipment manufacturers: AT&T, Ericsson, Motorola, Northern Telecom and Nokia. Internationally, the market is dominated by the same five companies as well as by Siemens. The primary components of the equipment supply business are base stations, controllers, and central switches. The current cellular operators

include local regional bell operating companies and independent cellular operators. The CATV companies do not currently participate in this business.

Management believes that the new PCS industry will emerge in a similar fashion to the current cellular industry with the same telecommunications equipment manufacturers supplying the network infrastructure to both existing cellular operators that are upgrading their networks to PCS, as well as new PCS operators. There may be changes in the relative market share positions of the dominant equipment manufacturers, but more significantly, new PCS technologies such as DAAs and intelligent antenna will create new network designs that impact the base station portion of the networks. PCS telecommunication network operators will include many of the current cellular operators as well as the consortia described below.

The History of Wireless Communication



Source: adapted from Motorola

Source: Adapted from Motorola Inc.

The Emerging PCS System in North America

In March 1995, the United States Federal Communications Commission (the "FCC") accepted auction bids totalling US\$7.7 billion from telecommunications network operators for licenses granting them the right to operate PCS telecommunications networks at 1.9 Ghz RF in each of 51 urban centres in the United States designated as major trading areas ("MTAs"). In order to facilitate competition among operators, two such licenses were issued in each MTA. The most important licences were granted to consortia of regional Bell operating companies, local access carriers, long distance carriers and cable companies. The licensees include:

- Wireless Co. LP ("Wireless Co."), a consortium formed by Sprint, TCI, Cox, Comcast and APC which paid US\$2.11 billion for 29 MTAs, including New York, San Francisco, Detroit, Dallas and Boston. Wireless Co. also holds licenses in respect of the Los Angeles and Washington, D.C. markets, previously secured by Cox and APC through pioneer preference awards.
- AT&T Wireless, which paid US\$1.68 billion for 21 MTAs, including Chicago, Detroit, Charlotte, Boston and Philadelphia.
- PCS Primeco, a consortium formed by Bell Atlantic, Nynex, US West and Airtouch which paid US\$1.11 billion for 11 MTAs, including Chicago, Dallas, Tampa, Houston and Miami.
- Pacific Telesis, which paid US\$696,000,000 for Los Angeles and San Francisco.

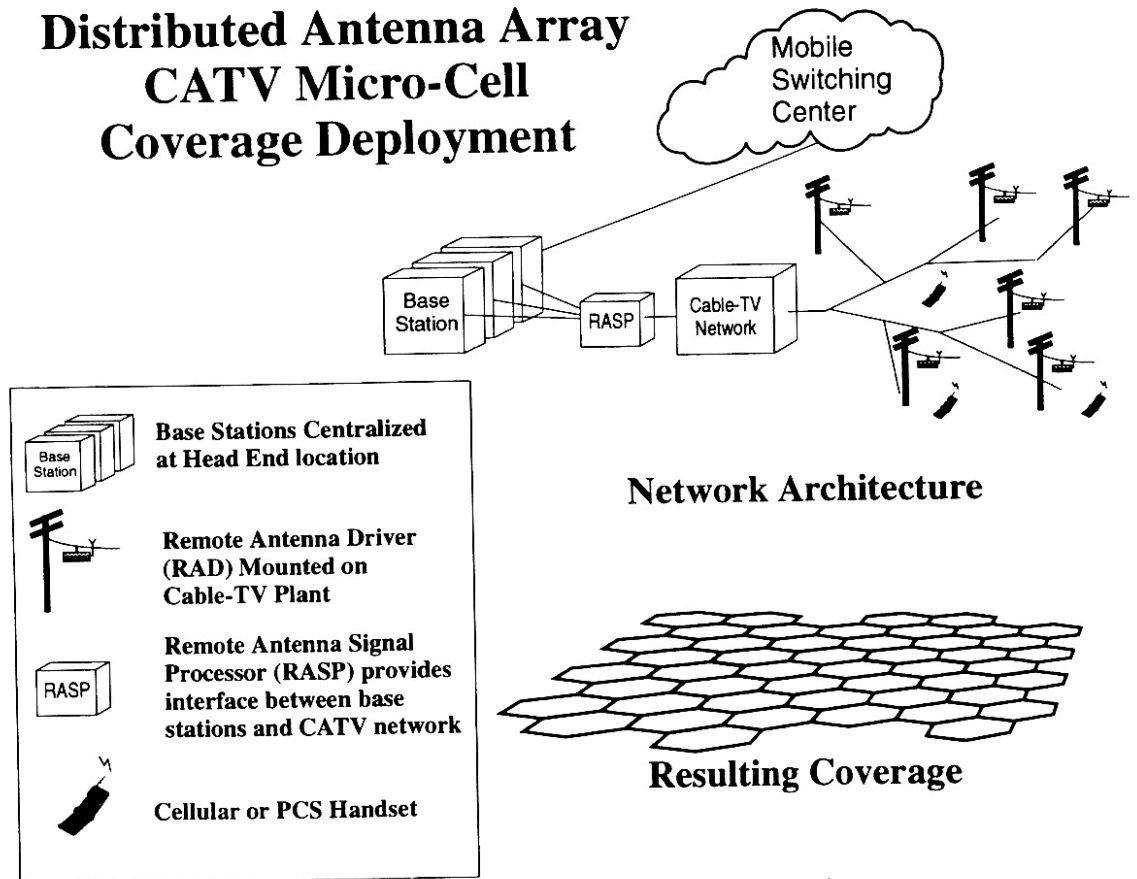
As these operators have already paid the license fees to the U.S. federal government, the operators have an economic incentive to roll out the PCS networks on a timely basis. The principal operators are pressing the major integrated suppliers of telecommunication equipment to design systems, order equipment and install systems on a timely basis. The Company anticipates that most of the equipment will be supplied by the five leading manufacturers of communications equipment in North America, being Ericsson, Motorola, AT&T, Northern Telecom and Nokia. The Company's strategy is to initially sell its products to these leading manufacturers who will then sell the Company's DAA products to the operators as part of complete telecommunications systems. On June 15, 1995, the Canadian government issued a call for applications for 1.9 Ghz RF licences with the stated intent to issue licences in early 1996.

In-Building PCS Systems

Several public PCS service operators are positioning themselves to market hybrid public/private in-building private branch exchange ("PBX") cellular systems to their business customers. These systems will integrate existing in-building PBX systems with external PCS and cellular systems. The Company's MEX and BEX products will be used as an adjunct to the cellular PBX systems that link the PBX system to a single low-power off-site base station to provide coverage over large areas in a flexible, expandable manner. Thus, low-cost versions of public cellular or 1.9 Ghz PCS systems can be made available for private use in buildings such as office towers, shopping centres, hospitals, schools and universities.

A number of companies, including Northern Telecom and Ericsson, have introduced wireless PBX in-building phone systems that are based on either CT-2+ or DECT "low tier" 900 Mhz communications standards. The Company's BEX and MEX products can be used to economically provide wide area coverage extension to these systems.

Distributed Antenna Array CATV Micro-Cell Coverage Deployment



Converting to a PCS System

The conversion of existing macrocell base stations and the building of new microcell base stations to accommodate the provision of PCS telephone handsets to the United States market will involve an expenditure of billions of dollars

and will require the deployment of a great deal of new equipment, most importantly new base stations. In addition, new antenna technologies will be required to improve the performance and cost effectiveness of these new PCS networks. The Company has developed its DAA products to meet this need for new antenna technology in the PCS industry.

Modernizing Older Technologies

Countries with developing economies and many European countries operate with low-tier CT2 and CT-2+ telecommunications systems or other antiquated systems that are a generation behind the PCS systems proposed for North America. The Company's MEX and BEX products provide an inexpensive method of enhancing the coverage zones of CT2 and CT-2+ systems with uninterrupted transmission from one cell coverage zone to another. This capability is not available with the older technology.

The Company's Products

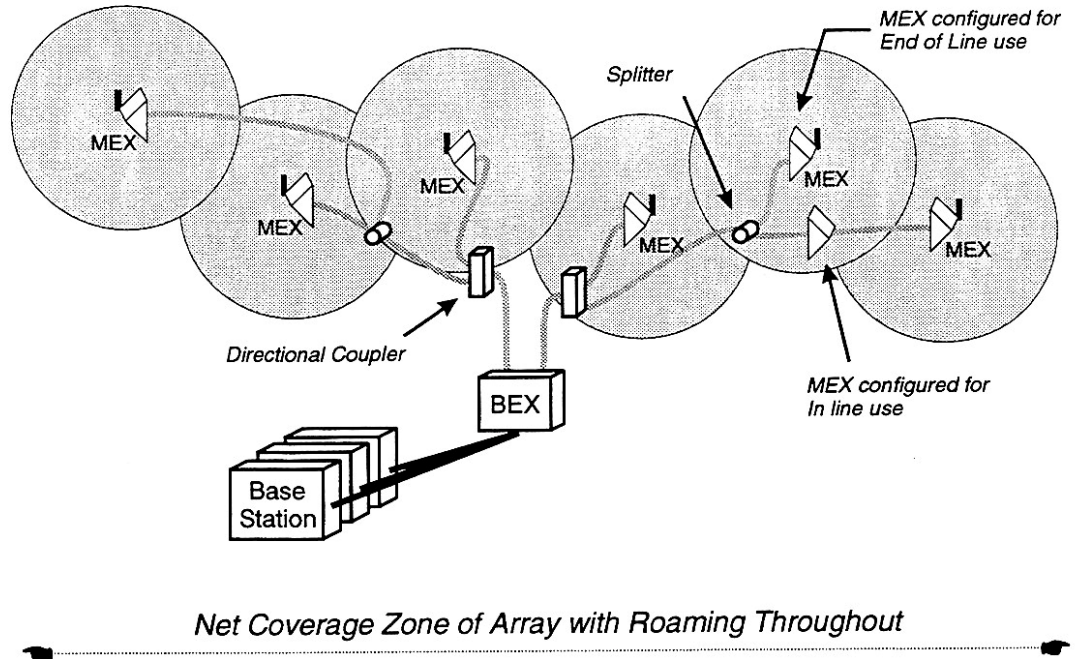
The Company has developed DAA products that provide improved area coverage for analog and digital RF transmissions without increasing the number of communications lines or channels in PCS networks, and without the need to install additional, relatively expensive base stations. In effect, the Company's DAA products allow for an increase in coverage without the necessity of increasing capacity and allow for increased capacity (or number of users) within the PCS system without any reduction in coverage. The traditional method of using base stations without the Company's products has meant that coverage and capacity have been interdependent. As a result, the Company's DAA products allow for increased flexibility in the implementation and design of PCS systems. The Company does not sell wireless base stations, telephone handsets, personal communicators or any other end user equipment.

The Role of DAAs

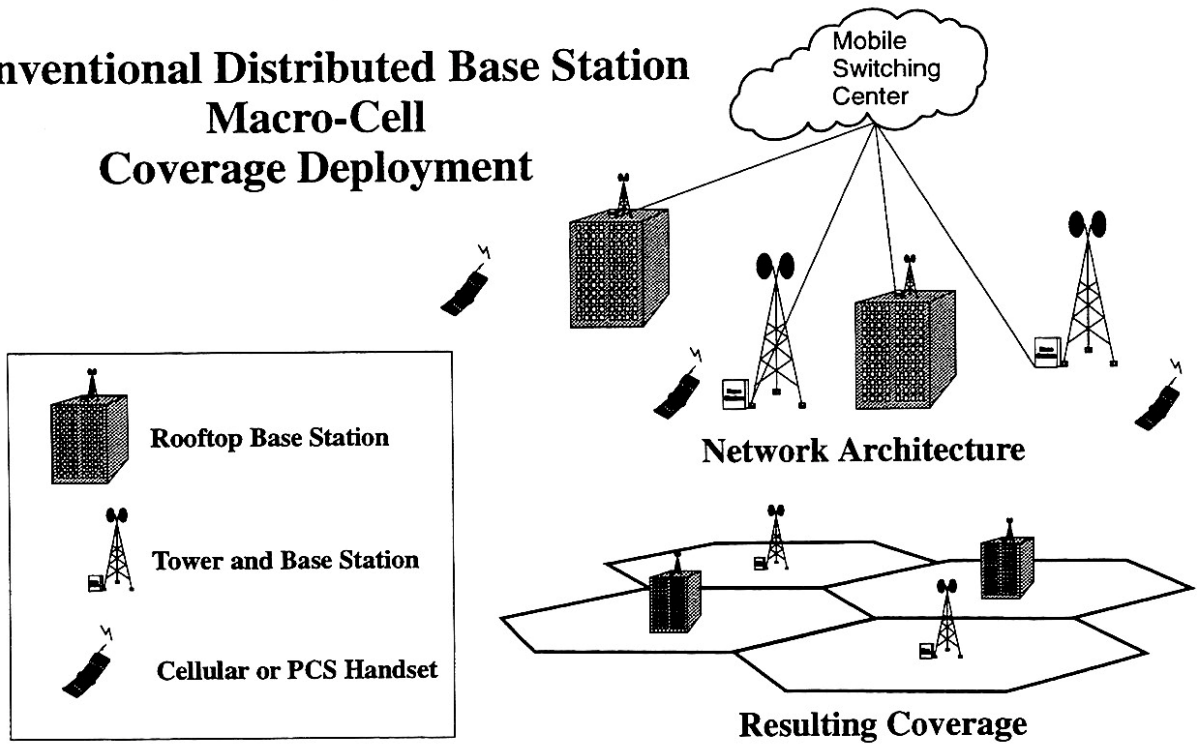
The Company's DAA products act as extensions to a base station's antenna and can both reshape and enlarge the effective area of each microcell. By replacing a base station's antenna with a DAA, the one remaining base station in each cell communicates with handsets as before, but the signals are "transported" uninterrupted from one coverage zone to the next through the DAA which acts as a bidirectional RF signal processor.

The Company's DAA products enable both PCS and cellular network operators to balance their mix of picocells, microcells and macrocells for optimum system performance. For example, in microcell markets such as CT2, CT-2+ and wireless PBX, the MEX and BEX products enable existing high-cost, high-performance microcell base stations with limited RF coverage to expand their coverage ranges to an extent that approaches the coverage of the lower-cost but lower-performance macrocell-based networks currently used by existing cellular network operators. In macrocell CATV based PCS markets, the RAD and RASP products provide benefits normally associated with microcell networks such as smaller antennas and the potential for greater call capacity. MEX and BEX systems can also be combined with RAD and RASP systems for combined in-building and outdoor network coverage from a single group of centrally located base stations.

Distributed Antenna Array for Cellular/PCS Indoor/Campus Coverage Deployment



Conventional Distributed Base Station Macro-Cell Coverage Deployment



The Company's DAA products provide several other advantages over systems that only use base stations. DAAs can significantly reduce the initial time and cost to build PCS networks and help to facilitate rapid expansion of the system as the subscriber base grows. In instances where federal and municipal by-laws require large radio towers to undergo a lengthy review process, DAA's can provide the cellular system operator with a significant "time-to-market" advantage.

PCS networks that do not utilize DAAs have costs dictated by the need to provide ubiquitous coverage in an environment where "shadowing" of the wireless signal by buildings and other physical structures is commonplace (particularly in-building coverage problems). Such networks typically respond to the shadowing issue by layering more base stations and mobility management software into the operator's infrastructure. This results in high deployment costs and complexity in maintenance. By contrast, DAAs resolve the fundamental issue of coverage versus call capacity by breaking their interdependency.

The Company's DAA products eliminate the need to provide a base station for each RF zone. By utilizing base stations only for system capacity and replacing the excess base stations with lower cost DAAs for area coverage, overall system costs can be markedly reduced. The base stations can be located in equipment rooms away from potential vandalism and environmental hazards, while relatively small DAAs can be located where coverage is needed. Since all system controls, RF signals and power requirements are fed from the base stations to the DAAs via coaxial cables, site cabling and system reliability issues are simplified.

The Company's products permit telecommunications operators to install systems faster and at a lower cost. For example, instead of taking several weeks to install a new base station, an existing base station can be augmented with the Company's DAA products in a matter of hours, eliminating additional real estate requirements and providing significantly expanded coverage at a significantly reduced cost.

Categories of DAA Products

The Company's DAA products can be categorized as follows:

1. *MEX (Microcell Extender) and BEX (Base Station Extender)*

The Company's MEX and BEX units are used with dedicated coaxial cable for PCS and other wireless networks. These systems are used for in-building communications and in congested city and business locations. The MEX component extends the effective RF coverage area of the base stations, while the BEX unit interfaces the multiple MEX components with the central base station to provide various monitoring and remote control functions.

2. *RAD (Remote Antenna Driver) and RASP (Remote Antenna Signal Processor)*

The Company's RAD and RASP units are functionally similar to the MEX and BEX components, respectively, except that they have been designed to operate on CATV networks. These components are necessarily more complex in design, since the PCS signals coexist with video and other signals on the television cable, a much noisier communications environment than a dedicated PCS coaxial or fibre optic wireline. The RAD units typically hang off the cable strand and utilize the cable itself for two-way communication with a RASP located at the central base station.

Features of the Company's DAAs

Each of the Company's DAA products includes a series of electronic features designed to handle the complexities of PCS transmission and communications with base stations. The Company has designed its first generation products for use with all major communications standards including CT2, CT2+, DECT 900, GSM 900, DCS 1800, DCS 1900 AMPS, IS-54, IS-136 and IS-95 wireless/cellular and base stations and handsets. The products work with various signal formats such as TDD (Time Division Duplex), FDD (Frequency Division Duplex), TDMA (Time Division Multiple Access), CDMA (Code Division Multiple Access) and FDMA (Frequency Division Multiple Access). This ensures that the Company's products can be installed in any of the world's major communications markets.

The Company's DAA products include software which provides central Microsoft Windows® based diagnostics tools to provide for remote monitoring, software downloading, diagnostic testing and system configuration. DAA system installation is carried out with "auto install" features that eliminate the need for any initial tuning or calibration work on the DAAs themselves.

When system capacity requirements increase, there is no need to physically access or replace individual DAAs. Additional resources can be installed at a central location where access is simple and convenient, rather than at the remote base station. If the system capacity requirements grow beyond the limits of the RF spectrum allocation for an individual DAA, groups of DAA elements can be remotely reassigned to interface with different base stations, thereby reconfiguring the cells. Capacity can also be reallocated across large geographic areas, placing call capacity where it is needed.

The environmentally sealed enclosures of all of the Company's DAA products allow for outdoor coverage even when connected to base stations that are designed for indoor use only. The Company's RAD and RASP products use the cable lines' available 60 volt alternating current system and the RAD hangs off the existing cable strands thereby eliminating the need for site acquisition.

Warranties

The Company's DAA products are covered by a warranty against defects in materials or workmanship for a period of 410 days after delivery.

The Company has estimated its future warranty liabilities by means of an average warranty rate applied against current production revenues. As the transition takes place from the production of prototype to commercial units, the warranty rate will be reviewed and adjusted as required.

Markets for The Company's Products

The main existing and potential customers of the Company are the manufacturers of telecommunications network equipment and the operators of the PCS telecommunications networks.

Telecommunication Network Equipment Manufacturers

Manufacturers of PCS telecommunications equipment in North America, including Motorola, Ericsson, AT&T, Northern Telecom and Nokia, will design and provide the infrastructure to the PCS system operators. Management believes that cost and time reductions achievable through use of the Company's RAD and RASP products will be a factor in determining which manufacturers will win the right to supply systems to the PCS system operators.

In February 1995, the Company received its first significant commercial order. The Company entered into an agreement with Motorola Cellular Infrastructure Group ("Motorola"), a division of Motorola, Inc., to supply RAD and RASP units. Pursuant to the agreement, Motorola placed an initial order for US\$1,790,000 of RAD and RASP units, to be delivered during the period June 1995 to December 1995. This delivery schedule has been adjusted and it is now anticipated that delivery will commence in late 1995. Motorola has paid the Company US\$500,000, of which US\$250,000 was received prior to February 28, 1995. Of this US\$500,000, US\$450,000 is to be credited to products delivered under this initial order and US\$50,000 represents a one time payment in consideration for access to the Company's intellectual property in the event of default or insolvency. The US\$450,000 is accounted for as deferred revenue and will be taken into income as the product is delivered. The balance of the purchase price for each unit is due 30 days after delivery. It is anticipated that the US\$1,790,000 less the cash deposit amount will be received by the Company in early 1996. The agreement contemplates that Motorola may place additional orders with the Company. Motorola is obligated to purchase all of its requirements for RAD and RASP products from the Company until February 28, 1996 and 60% of such requirements until February 28, 1997.

In April 1995, PCS Wireless entered into a similar agreement to supply RAD and RASP units to the Radio Systems Division of Ericsson, Inc. ("Ericsson"). Pursuant to the agreement, Ericsson has placed an initial order for US\$6,200,000 of RAD and RASP units to be delivered during the period October 1995 to November 1995. Ericsson also has the option to purchase a further US\$19,000,000 of units to be delivered during the period October 1995 to December 1996. Ericsson has paid the Company US\$1,010,500 in April, 1995 as a cash deposit on its initial order.

This amount is accounted for as deferred revenue and will be taken into income as the product is delivered. The US\$1,101,500 is not non-refundable, but Ericsson is required to pay the Company's direct costs arising out of any termination of the agreement by Ericsson if such costs cannot be mitigated. It is anticipated that the US \$6,200,000 less the cash deposit amount will be received by the Company in early 1996. All other product purchased by Ericsson is to be paid for 30 days after delivery. Ericsson may terminate its obligation at any time. Management has no reason to believe that the initial order will be cancelled.

The Company is discussing supply arrangements with a number of other telecommunication network suppliers, although no additional contracts have yet been negotiated or agreed to. The Company has conducted successful field trials with a number of telecommunication network suppliers including Northern Telecom and AT&T.

PCS System Operators

Although initial sales to PCS Wireless operators will be made through the telecommunication network suppliers described above, the Company anticipates that it will also supply its DAA products directly to the PCS system operators. PCS Wireless has sold DAA prototype products to and conducted successful trials with members of the Wireless Co. consortia and AT&T Wireless.

In-Building PBX Operators

Many public PCS service operators will be supplying hybrid public/private in-building PBX wireless systems to business and institutional customers. The Company anticipates that it will sell its MEX and BEX products directly to these operators. The Company has successfully completed extensive in-building field trials of its MEX and BEX products at John Muir Hospital in Walnut Creek, California in conjunction with Pacific Telesis.

Foreign Telecommunications Operators

Operators of telecommunications networks in countries with older technologies are converting existing systems to provide for enhanced cellular and wireless telecommunications. As well, wireless service is being established in locations previously unserved by standard wireline telephone systems. The Company's MEX and BEX products provide a feasible and economic method of enhancing and establishing these wireless services. In the past year the Company has delivered small commercial orders of MEX and BEX products to Hutchison Paging of Hong Kong (US\$537,500), Folec Communications of Singapore for deployment in Vietnam (US\$90,500) and the Huasheng CT2 Public Service Operation in China (US\$192,500). The Company is currently developing a marketing plan to address this international market.

Canadian CT2+ Marketing

Microcell 1-2-1, Inc. ("1-2-1"), a Canadian wireless telecommunications operator, agreed in September 1994 to purchase 5,000 MEX and 1,050 BEX units for use in its CT2+ networks. However, in December 1994, Industry Canada proposed to allow 1.9 Ghz wireless PCS in Canada, rather than the current 944 Mhz, thus providing for compatibility between Canadian and U.S. networks. As a result, 1-2-1 determined that it would not continue with the development of a CT2+ network and cancelled its order for the Company's products. PCS received a down payment of \$326,500 from 1-2-1 and delivered \$153,500 of product. The difference of \$173,000 is included in the fiscal 1995 consolidated financial statements as an accrued liability. In May 1995 it was agreed with 1-2-1 that PCS was not liable to refund this amount to 1-2-1. Therefore, the \$173,000 will be recognized as revenue in the financial quarter ending May 31, 1995.

History of Product Development

Early Development

The technology used in the Company's DAA products was developed by Nexus Engineering Corporation ("Nexus"). Headquartered in Burnaby, British Columbia, Nexus was an internationally recognized manufacturer of CATV equipment. The Company's DAA products were initially developed by the PCS Microcell division, one of several separate research and development divisions of Nexus. None of the Nexus DAA products were manufactured in commercial quantities.

In early 1993, Nexus sold its principal operating divisions to Scientific Atlanta, Inc. Shortly thereafter, Nexus changed its name to Enterprise Technologies Corp ("ETC") and determined that it would divest itself of its remaining business and wind itself up. In September, 1993, the Company agreed to purchase the PCS Microcell Division of ETC that included the DAA business. The sale included all intellectual property relating to the DAA products, all purchase and sale contracts, the right to employ all technical personnel, certain fixed assets and the rights to develop, manufacture and market DAAs. The transaction closed in October 1993 for a sale price of \$2,652,350. See "BUSINESS OF THE COMPANY - Former Business of the Company, Change of Business, Corporate Reorganization and Share Consolidation."

At the time of the acquisition, all of the Company's DAA products were in the initial prototype phase of development. All volume prototype and commercial versions of these products have been developed since October, 1993.

RAD and RASP Product Development

From mid-1990 to late 1994, the Company's RASP and RAD units underwent field trials with and received development support from several major telecommunications equipment suppliers and network owners in Canada and the United States including members of the Wireless Co. consortia and AT&T Wireless described previously. In response to the demands placed upon the products in these field trials, various refinements in design and product features have been developed. Since July 1994, the Company has delivered more than 100 RAD and RASP prototype and pre-production units to Ericsson, Motorola, Northern Telecom and AT&T.

MEX and BEX Product Development

Since 1992, the Company's MEX and BEX units have been sold to telecommunications suppliers in Canada, France, Hong Kong, China, Australia, Singapore, Malaysia, and Vietnam for field trials and the deployment of wireless systems using existing telecommunications networks. As with all of the Company's products, field experience has led to refinements in design and product features.

Product Design Technology

In March 1995, PCS Wireless entered into an agreement with Cadence Design Systems, Inc. of San Jose, California ("Cadence"), retaining Cadence to establish an advanced software development environment as well as to apply industry "best practices" design methodologies and processes to the Company's internal operations. Cadence will assist the Company to complete design revisions to its RAD and RASP products to meet volume manufacturing and customer specification requirements. The agreement also calls for assessment work to be done on the merits of siliconization of the Company's DAA products. The Company has paid Cadence US\$150,000 and has committed to spend an additional US\$850,000 under this agreement by March, 1996. The Company will finance this expenditure out of the proceeds of the sale of the Special Warrants. Cadence has 1,700 employees engaged in the development of design automation software and services that accelerate and advance the process of designing electronic systems.

Intellectual Property

The Company believes that due to the recent emergence of the PCS industry, the significant field testing that is required of DAA products and the rapid pace of innovation in the PCS industry, factors such as the Company's current lead in time-to-market with its RAD and RASP products and the expertise, creativity and experience with field trials of the Company's personnel are more important to establishing and maintaining the Company's competitive position within the PCS industry than are the various legal protections of its intellectual property. However, the Company does attempt to protect its technology through a combination of patents, copyrights, trade secrets and contractual arrangements.

The objective of the Company's patent strategy is to obtain an exclusive and preferential position in product concept, design features, performance and cost. Therefore, the Company seeks to patent the key concepts and components that it believes will provide it with a significant advantage over its competitors and for inventions the Company considers to have commercial value. The Company currently holds three U.S. and one Canadian patent which expire in 2011 relating to components of its DAA technology. The Company also has a further seven patent applications on file at the U.S. Patent Office. The Company also has patent applications pending, making similar claims, in Canada, the United Kingdom and the other signatories to the Patent Co-operation Treaty.

The Company generally enters into confidentiality and non-disclosure agreements with its employees, consultants, contract manufacturers, customers, potential customers and others, and attempts to limit access to and distribution of its proprietary rights. Every employee has entered into an employment agreement with the Company that includes an assignment to the Company of all intellectual property developed in the course of his employment. All of the Company's DAA products that have been made available for field testing have been delivered under agreements of confidentiality. The Company also proposes to enter into software license agreements with its existing and potential customers and others for use of its software based intellectual property.

The Company is in the process of applying to protect certain words and marks, including the Company's name and logo, as Trade Marks in the United States.

In 1991, Rogers Cable Inc. applied for patent protection in the United States for certain RAD related technology that may be utilized in the Company's RAD products. The patent has not yet been granted. The Company has the right to licence the patent from Rogers on commercially reasonable terms. The exact terms of the licence are currently under negotiation between the Company and Rogers, but it is anticipated that the royalty will not be in excess of 2 1/2% of the value of RADs sold.

There can be no assurance that the above measures will provide adequate protection for the Company's trade secrets or other proprietary information, that disputes with respect to the ownership of the Company's intellectual property rights will not arise, that the Company's trade secrets or proprietary technology will not otherwise become known or be independently developed by competitors or that the Company can otherwise meaningfully protect its intellectual property rights. See "RISK FACTORS - Patents and Other Intellectual Property".

Manufacturing and Facilities

Operations

The Company maintains its corporate headquarters at Suite 95, 200 Granville Street, Vancouver, British Columbia, V6C 1S4. This leased facility, totalling approximately 8,500 square feet, contains corporate administration, sales and customer support and engineering functions. The lease on the facility expires in December, 1996. The Company plans to establish a sales and customer support facility in the United States. The Company believes that its existing facilities, together with a U.S. office, are adequate to meet its current and foreseeable requirements or that suitable or substitute space will be available as needed.

Manufacturing

To date, low volume manufacturing of the Company's prototype products has taken place at its Vancouver offices. However, as sales increase, the Company intends to subcontract the manufacture of commercial volumes of products to established manufacturers of telecommunications equipment.

A significant number of commercial MEX and BEX products have been manufactured under subcontract by Electronic Manufacturing Corporation of Redmond, Washington ("ETMA"). While there is no existing manufacturing agreement between the Company and ETMA, the Company anticipates that it will subcontract the manufacture of commercial volumes of its MEX and BEX products to ETMA or other suitable subcontractors on an *ad hoc* basis.

In March 1995, PCS Wireless entered into an agreement (the "Manufacturing Agreement") with Avex Electronics Inc. ("Avex"), a subsidiary of J. M. Huber Corporation, to manufacture the Company's RAD and RASP products. Avex is a U.S. supplier of contract electronics manufacturing which reported 1994 manufacturing revenues of US\$573,000,000. Avex manufactures electronic equipment for the computer, networking, consumer electronics and telecommunications industries, among others, from six manufacturing and engineering facilities in the United States, Europe and the Pacific Rim. It is anticipated that Avex will manufacture the Company's RAD and RASP products at its facility in Fremont, California, which is certified as an ISO 9002 facility.

Quality assurance is an integral part of the Company's operations. The Company's agreements with each of Motorola and Ericsson require the Company to qualify for ISO 9001 certification, a standard established by the International Organization for Standardization that provides a methodology by which manufacturers can obtain quality certification. In November 1994, the Company applied for ISO 9001 registration. Management expects that the Company will receive ISO 9001 certification by the end of 1995.

PCS Wireless' DAA products are subjected to a complete "accelerated life testing" program that simulates real world environmental extremes for the purpose of testing products and revealing design weaknesses. This program includes temperature and humidity tests, corrosion tests, dust tests, vibration and shock tests and performance verification testing, all conducted at independent testing laboratories.

The Company's products must be approved by the FCC before they can be used in commercial quantities in the United States. There are similar requirements in other jurisdictions. The FCC requires that DAA products meet various standards including safety standards with respect to human exposure to RF electromagnetic fields and basic signal leakage. None of the Company's commercial products have yet obtained such FCC approval. The Company intends to apply for approval of its RAD and RASP products in late July 1995 and anticipates that the approval process will be complete in 60 - 90 days and will not interfere with the Company's delivery obligations. There is no assurance that FCC approval will be granted; however, the Company has no reason to believe that such approval will not be granted. See "RISK FACTORS - Extensive Government Regulation".

All materials currently used in the manufacturing of the Company's DAA products are commercially available from a number of sources and have other industrial uses, thus assuring a continuing supply.

Research and Development

As the telecommunication industry is characterized by rapid technological change, management believes that it is imperative for the Company to develop new products as well as to enhance existing DAA products. The Company employs four engineers in its advanced research and development group and 10 engineers in its product development group. The Company intends to expend approximately \$3,500,000 on DAA research and product development in fiscal 1996. Of this amount, approximately \$1,000,000 will be spent on research relating to future products and \$2,500,000 will be spent on development work relating to the commercial version of the RAD and RASP, including amounts to be paid to Cadence.

Development work is currently being undertaken to enhance the Company's DAA products by adding features and improving performance on an ongoing basis. Much of this work is in response to requests by customers and potential customers for amendments to product specifications.

Employees

As of June 30, 1995, the Company had a total of 44 employees, including four in the advanced research and development group, seventeen in product development, eleven in manufacturing, four in sales and marketing and eight in administration. The Company believes that the success of its operations will depend in large part on its ability to attract and retain highly skilled employees. Vancouver has a large pool of experienced RF engineers and skilled persons and is a geographically desirable area that facilitates the hiring of personnel.

The Company's key employees enter into employment contracts with the Company which, among other things, provide for non-competition with the Company after termination of employment. The Company also enters into confidentiality agreements with all of its employees. The Company offers incentive schemes to its employees, both through cash bonuses and stock options, as well as medical and other personal benefits.

None of the Company's employees are represented by a labour union, and the Company has not experienced any work stoppages. The Company considers its employee relations to be excellent.

Competition

RAD and RASP Products

To the best of the Company's knowledge, there is currently no direct competition to the Company's RAD and RASP products and the Company is the only manufacturer and vendor of these products in the world. Although Northern Telecom has announced the existence of a RAD-like product, to the best of the Company's knowledge, no CATV based DAAs other than the Company's products have been developed to the point where field testing has commenced.

The Company anticipates that many of the telecommunications network manufacturers will attempt to develop similar or alternative products to the Company's RAD and RASP products. However, as the Company has completed several years of field and prototype testing of its products with both the major manufacturers of telecommunications equipment

and members of the major user consortia, the Company believes that it has identified and satisfied the needs of both of the key groups of equipment purchasers within the PCS industry. Management believes that the Company's RAD and RASP products have a time-to-market advantage of not less than 12 months over any competitive products that may be developed. As the Company's CATV DAA technology is more advanced than any other technology known to the Company, the Company believes that it alone has the capability to deliver into the initial roll-out of the PCS wireless telecommunications industry and to form strategic alliances and sublicensing arrangements with wireless manufacturers and operators.

The Company acknowledges the existence of other technologies that represent indirect competition to its RAD and RASP products. While there are no other known CATV based DAA products that have been subjected to extensive field testing, there are new macrocell intelligent antenna technologies that are commercially available. These products improve both the cost effectiveness and performance of cellular systems, thereby offering an alternative to RAD and RASP technology. Companies offering these products include Cellwave, Array Comm, Ericsson and Northern Telecom.

The Company's RAD and RASP products displace the need for base stations. As some of the Company's customers such as Motorola and Ericsson manufacture base stations, by purchasing the Company's products they are effectively displacing their own product from the market. This could have an adverse affect on sales of the Company's DAA product.

MEX and BEX Products

The indoor MEX and BEX DAA products compete against fibre optics based and passive based distributed antennae produced by at least six other manufacturers, including Ortel Corporation, ADC Telecommunications, and Allen Telcom. The Company believes that the principal advantages of the Company's MEX and BEX products over these competitive products are reduced infrastructure costs and flexibility of system design.

Business Objectives

The Company's business plan over the next 12 months will focus on (a) the design and engineering of its RAD and RASP product to meet customer and regulatory specifications and commercial manufacturing requirements in order to commence product deliveries in late 1995 in accordance with existing product supply agreements; (b) the setting up of procedures and the management of its contract with Avex for the manufacturing of the Company's RAD and RASP product commencing this fall at Avex's manufacturing facility in Fremont, California; (c) increased marketing of the Company's products in North America, Europe and Asia; and (d) continued research in DAA technology and new product development. The net proceeds from the Special Warrant financing will be used by the Company in accordance with its business plan. See "USE OF PROCEEDS".

Former Business of the Company, Change of Business, Corporate Reorganization and Share Consolidation

Prior to July 1993, the Company was engaged in exploration for minerals on properties located in Northern Ontario. On June 29, 1995, the Company sold most of its interests in mineral properties to Jean Claude Bonhomme, a former director of PCS Wireless, for nominal consideration. The interests sold are the shares of K-3 Development and Mining Co. Ltd., a corporation incorporated under the *Business Corporations Act* (Ontario) which holds interests in mineral claims in the Province of Ontario. The Company plans to dispose of its interest in the remaining properties either by surrender or sale for nominal consideration and does not intend to incur any future expenditures, directly or indirectly, on these properties.

Pursuant to an asset purchase agreement dated September 3, 1993, as amended, between Enterprise Technologies Corp. ("ETC") and 2777321 Canada Ltd. (now PCS Wireless Communications, Inc.) ("2777"), a company then owned by Ralph Scobie and Derek Spratt, 2777 agreed to purchase the PCS Microcell division of ETC for \$2,652,350 payable in several instalments. The Company, 2777, Ralph Scobie and Derek Spratt were all at arm's length with ETC at all relevant times. The amount of \$35,000 was paid July 21, 1993, \$65,000 was paid September 3, 1993, \$675,000 was paid October 29, 1993, \$27,350 was paid in November 1993 and \$750,000 was paid December 24, 1993. In addition \$723,600 was paid March 1, 1994 in the form of 600,000 common shares in the capital of the Company at a deemed price of \$1.21 per share (see "Prior Sales") and the balance of \$376,400 was agreed to be paid as a royalty based on 10% of revenues from sales from July 1, 1993 until December 31, 1995 and 33% of revenues from the sale or licensing

of technology. As at February 28, 1995 royalty payments of \$146,587 have been made by the Company and \$229,813 remains outstanding.

The assets purchased included all patents, technology and knowhow relating to the DAA products, all purchase and sale contracts, the right to employ all technical personnel, certain fixed assets and the rights to develop, manufacture and market the DAA. See "BUSINESS OF THE COMPANY - History of Product Development - Early Development".

Pursuant to a share purchase agreement dated October 4, 1993 between Ralph Scobie and Derek Spratt and PCS Wireless (the "Share Purchase Agreement"), PCS Wireless purchased all of the issued and outstanding shares of 2777 for \$100. At that time the only asset of 2777 was the right to purchase the PCS Microcell division of ETC. On October 29, 1993, PCS Wireless funded the purchase and the assets were transferred to 2777. At the same time, Messrs. Scobie and Spratt were appointed directors of PCS Wireless and Mr. Scobie was appointed President and Chief Executive Officer of PCS Wireless.

Pursuant to a special resolution passed by the shareholders of PCS Wireless on January 31, 1994, the issued and outstanding common shares of PCS Wireless were consolidated effective April 11, 1994 on a 2:1 basis. The 30,498,728 common shares issued and outstanding immediately prior to the consolidation on April 11, 1994 were consolidated into 15,249,407 shares.

USE OF PROCEEDS

The proceeds from the sale of Special Warrants amount to \$10,053,300 after deducting the Agents' full cash commission of \$756,700. Of the total proceeds, 75% or \$8,107,500 is being held in trust by the Trustee and will be released to PCS Wireless with interest accrued thereon if the Clearance Date occurs prior to the Qualification Deadline and the Agents do not deliver a Due Diligence Notice to the Trustee prior to the Expiry Time. See "PLAN OF DISTRIBUTION". The balance of the proceeds from the sale of the Special Warrants, being \$2,702,500, less one-half of the Agents' commission, was released to PCS Wireless on April 5, 1995 at the closing of the private placement. This amount has not yet been spent and is currently invested in Government of Canada treasury bills. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS - Capital Requirements, Resources and Liquidity." As at February 28, 1995, PCS Wireless had a working capital deficiency of \$849,201 and as at June 30, 1995, working capital of approximately \$3,500,000.

PCS Wireless will not receive any additional cash proceeds from the issuance of the Shares and Warrants upon the exercise or deemed exercise of Special Warrants. No commission will be payable by PCS Wireless in conjunction with the sale of such Shares and Warrants over and above the fees already paid or payable to the Agents and the Agents' Warrants issued to the Agents in connection with the issuance of the Special Warrants.

Assuming that a (final) receipt is issued for this Prospectus by the last of the securities commissions to do so in the Provinces of Ontario, British Columbia and Alberta on or before the Increase Date and that the Agents do not deliver a Due Diligence Notice to the Trustee prior to the Expiry Time, the net proceeds from the sale of Special Warrants will be used by PCS Wireless in accordance with the following table. These proceeds, together with existing working capital, are sufficient for the Company to meet its business objectives. See "BUSINESS OF THE COMPANY - Business Objectives."

(a)	to pay the estimated costs of the sale of the Special Warrants, including the preparation of this Prospectus:	\$ 275,000
(b)	to finance further DAA research and product development:	3,500,000 ⁽¹⁾
(c)	to acquire test equipment, for use in both product development and quality control of manufactured product, and other capital assets:	1,500,000
(d)	to fund operating losses	1,800,000 ⁽²⁾
(e)	for working capital:	<u>2,978,300⁽³⁾</u>
	TOTAL:	\$ <u>10,053,300</u>

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- (1) Includes salaries, wages and employees benefits of \$1,200,000 and \$1,350,000 relating to the contract with Cadence. See "BUSINESS OF THE COMPANY - History of Product Development -Product Design Technology; Research and Development".
- (2) Represents amount the Company anticipates will be required to fund operating losses before achieving positive cash flows from operations late in 1995 (see "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS - Capital Requirements, Resources and Liquidity")
- (3) Includes \$800,000 for the repayment of trade accounts payable, the payment terms of which have been extended in connection with the cancellation in December 1994 of the 1-2-1 product supply contract (see "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS - Review of Operating Results"), and royalty amount owing. The balance of the funds will be used for general working capital purposes including the acquisition of inventory in advance of production.

The allocation of funds to the expenditures as set out above is based on information presently available to the Company.

Pending their use, PCS Wireless intends to invest the net proceeds from the sale of Special Warrants in Government of Canada treasury bills or equivalent money market securities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Introduction

This discussion should be read in conjunction with the consolidated financial statements of the Company for the two years ended February 28, 1995 and the related notes thereto included in this Prospectus.

Overview

The Company has been engaged in the research and development, manufacture and marketing of DAA products for use in the wireless personal communications industry since October 29, 1993, when the Company completed the purchase of the assets of PCS Microcell, a division of Enterprise Technologies Corp. The assets purchased included all patents, technology and know-how relating to the division's DAA products, all purchase and sale contracts, the right to employ all technical personnel and certain fixed assets and the right to develop, manufacture and market such DAA products. Prior to this date, the Company was engaged in exploration for minerals on properties located in Northern Ontario.

Upon the change of business in October 1993 and as explained in Note 10 to the consolidated financial statements, in fiscal 1994 the Company wrote down to nil the carrying value of its mineral properties. The consolidated statement of operations for the years ended February 28, 1994 and 1995, before taking into consideration the 1994 losses from the discontinued mineral exploration operations, show the Company's DAA operating results for approximately four months in fiscal 1994 and for a full 12 months in fiscal 1995.

Revenue since October 1993 has been derived almost entirely from the sale of the Company's MEX and BEX products which are being employed in in-building wireless communication networks. However, the Company's RAD and RASP

products, which are designed to operate over CATV networks, are expected to generate the dominant share of the Company's revenues over the next few years.

Interest in the Company's DAA technology and products has been stimulated with the recently completed granting of licences in the United States, through an auction process, to companies which now have the right to offer PCS services at the 1.9 Ghz RF within MTAs. The FCC accepted auction bids with an aggregate value of US\$7.7 billion from the successful licencees, many of which are cable TV operators. These licencees are economically motivated to commence the building of their communication networks on a timely basis.

The radio spectrum allocated at 1.9 Ghz frequency for PCS systems is 2.4 times that allocated to existing cellular operators who operate at 800 Mhz frequency. It is anticipated that with the significant increase in the amount of radio spectrum allocated to new PCS systems, the price charged to consumers for "air time" will be significantly reduced resulting in an increase in the demand for an expanding array of wireless personal communication services. This increase in demand is expected to result in greater demand for the Company's DAA products as a cost effective component of the new PCS system infrastructure.

Review of Operating Results

The following table shows selected financial information related to the Company for the periods indicated:

	Year Ended February 28	
Operating Statement Data	<u>1995</u> (audited)	<u>1994</u> (audited)
Sales	\$1,702,066	\$318,332
Gross Margin	\$635,481	\$157,222
General and Administrative	\$1,039,701	\$645,574
Research and Development	\$1,008,678	\$213,565
Selling and Marketing	\$718,965	\$270,988
Amortization	\$578,753	\$137,984
Write-down of Inventory	\$411,434	\$0
Discontinued Operations	\$0	\$657,040
Loss for the Year	\$(3,122,050)	\$(1,767,929)
 Balance Sheet Data		
Working Capital Deficiency	\$(849,201)	\$(698,479)
Capital Assets	\$2,777,074	\$2,643,302
Obligations under Capital Lease	\$55,500	\$0
Shareholders' Equity	\$1,872,373	\$1,944,823
Common Shares Outstanding (# of Shares)	20,299,602	14,649,407

The Company incurred a loss in fiscal 1994 of \$1,110,889, before write-downs on its discontinued mineral exploration activities, and a loss of \$3,122,050 in fiscal 1995. Of the Company's deficit of \$11,910,935 at February 28, 1995, \$7,677,996 relates to the Company's discontinued business. The Company was engaged in the marketing and sales of DAA products for four months in fiscal 1994 compared to a full 12 months in fiscal 1995.

In fiscal 1994, sales of MEX and BEX product amounted to \$301,430 or 95% of total revenues. In fiscal 1995, sales of the MEX and BEX product generated \$1,434,625, representing 84% of total revenues, with \$131,582 or 8% attributable to sales of prototype RAD and RASP product. MEX and BEX sales have been made primarily to five customers located in Hong Kong, China, Vietnam, Australia and the United States. The Company's largest buyer of MEX and BEX product accounted for 52% of total MEX and BEX sales in fiscal 1995. The MEX and BEX product is designed to operate on dedicated coaxial networks and is currently being employed in in-building communication applications in international locations.

Included in revenues in fiscal 1995 are sales of the Company's prototype RAD and RASP product to several major U.S. suppliers of telecommunication equipment for field testing purposes. In February 1995, the Company entered into its first commercial order for the delivery of RAD and RASP product. Motorola placed an order for the purchase of US\$1,790,000 of RAD and RASP units delivery of which is expected to commence towards the end of 1995. This amount less cash deposits of US\$450,000 is expected to be received by the Company in early 1996.

Operating results in fiscal 1995 were adversely affected by the cancellation in December 1994 of an order by the Canadian operator Microcell 1-2-1 for the supply of MEX and BEX CT2+ product valued at approximately \$3,500,000. 1-2-1 made the decision to cancel following statements by Industry Canada regarding its proposal to allow 1.9 Ghz wireless PCS in Canada in 1995. 1-2-1 decided to refocus its efforts and resources away from 944 Mhz CT2+ and towards PCS at 1.9 Ghz. Sales totalling \$153,500 were made to 1-2-1 before the contract was cancelled, but the cancellation did result in the Company suffering a write-down of work-in-progress and finished goods inventory of \$411,434. In addition, significant costs were incurred in staffing and other costs associated with the expected increase in operating activity associated with the 1-2-1 supply contract. As a result of the negative cash flow consequences of the order cancellation, extended payment terms and debt settlements were negotiated with a number of the Company's suppliers.

General and administrative expenses in fiscal 1995 were \$1,039,701 compared to \$645,574 in fiscal 1994. Included in general and administrative expenses in fiscal 1995 are salaries, wages and employee benefits totalling \$243,028 (fiscal 1994 - \$79,313) and professional and management fees of \$461,496 (fiscal 1994 - \$356,723). In fiscal 1994, the Company paid out \$210,682 for professional fees, \$75,500 for management fees and \$70,541 for consulting fees. In fiscal 1995, the Company paid out \$172,840 for professional fees, \$32,500 for management fees and \$256,156 for consulting fees. The comparatively large amount of professional fees paid out in fiscal 1994 is attributable to the legal and accounting work required in connection with the acquisition of the assets of PCS Microcell in October 1993.

The Company is actively engaged in the research and development of new DAA products as well as enhancements to its existing products. In fiscal 1994 \$213,565 was expended on research and development and during the 12 months of fiscal 1995 \$1,008,678 was expended. Included in research and development in fiscal 1995 are salaries, wages and employee benefits totalling \$612,103 (fiscal 1994 - \$186,723).

Selling and marketing expenses of \$718,965 in fiscal 1995 (fiscal 1994 - \$270,988) are comprised mainly of salaries, wages and employee benefits totalling \$428,342 (fiscal 1994 - \$145,807) and travel expenses of \$154,670 (fiscal 1994 \$98,910). The Company's products are sold primarily to customers based outside of Canada necessitating a considerable amount of travel. The Company does have one employee based in Hong Kong for purposes of generating sales and servicing customers in the Asian market.

In fiscal 1994, the Company recognized a loss of \$657,040 on discontinued mineral exploration activities in connection with the change in its business in October 1993. Further details concerning this loss amount are outlined in Note 10 to the consolidated financial statements.

For accounting purposes, at February 28, 1995, the Company had \$3,214,000 of tax losses and scientific research and experimental development expenditures, the benefit of which has not been recognized in the accounts. In addition, the Company is eligible for Investment Tax Credits ("ITC") in connection with its research and experimental development work on DAA technology. This federal government program allows 20% of eligible scientific research and development expenditures to be accumulated and applied as a deduction against any future federal income tax payable. At February 28, 1995, the Company had an ITC balance of approximately \$325,000.

As at February 28, 1995, the Company had 33 employees, an increase of 12 employees from a year earlier.

Capital Requirements, Resources and Liquidity

In the past two fiscal periods, the Company has incurred negative cash flows from operations. The cash used in operations in fiscal 1994 was \$222,686 and in fiscal 1995 was \$2,371,176 for a total cash utilization of \$2,593,862. The Company has financed its operations over the past two years, as well as the \$2,652,350 acquisition cost of its DAA technology in October 1993, primarily from issuance of equity capital.

In fiscal 1994, the Company raised \$4,576,950 through the issuance of 8,197,500 common shares. The proceeds were used to fund: (a) the acquisition of the assets of PCS Microcell and other capital assets; (b) the repayment of trade accounts and debts associated with discontinued operations; and (c) operations. In fiscal 1995, PCS Wireless raised \$3,049,600 through the issuance of 5,650,000 common shares. The proceeds were used to fund operations and acquisition of capital assets.

As at February 28, 1995, the Company had received from customers cash deposits of \$470,604 for which product had not yet been delivered. It is the Company's practice to require cash deposits at the time firm orders are placed for future product deliveries.

Cash on hand at February 28, 1995 totalled approximately \$116,132 and the Company had a working capital deficiency of \$849,201. The Company operated throughout fiscal 1995 with limited cash resources. At the present time, the Company does not have a bank line of credit.

Subsequent to February 28, 1995, the Company's cash position and financial outlook improved significantly with: (a) the private placement of 4,600,000 Special Warrants; (b) cash deposits received in respect of firm orders for RAD and RASP products; and (c) cash proceeds from the issuance of common shares upon the exercise of warrants and employee incentive stock options.

As outlined in Note 12 to the consolidated financial statements, on April 5, 1995 the Company sold by way of private placement 4,600,000 Special Warrants at a price of \$2.35 per Special Warrant. Net proceeds from the sale amounted to \$10,053,300. The amount of \$8,107,500 is being held in trust and is to be released to the Company pending the issuance of a (final) receipt for this Prospectus by the last of the securities commissions to do so in the Provinces of Ontario, British Columbia and Alberta on or before the Qualification Deadline, and provided the Agents do not deliver a Due Diligence Notice to the Trustee prior to the Expiry Time. The amount of \$2,324,000, net of one-half of the Agents' commission, was received by the Company on April 5, 1995. See "PLAN OF DISTRIBUTION".

On February 28, 1995, the Company signed an agreement with Motorola, whereby Motorola agreed to purchase US\$1,790,000 of RAD and RASP products for delivery by late 1995. In connection with this agreement, the Company received a cash deposit of US\$450,000, US\$200,000 of which was received prior to the end of fiscal 1995 and the remaining US\$250,000 subsequent thereto. It is expected that the US\$1,790,000 less the cash deposit amount will be received by the Company in early 1996.

In April 1995, the Company entered into an agreement with Ericsson to supply RAD and RASP products. Pursuant to this agreement, Ericsson has placed an initial order for US\$6,200,000 of RAD and RASP products. In connection with this order, the Company received from Ericsson a cash deposit of US\$1,010,500 which will be applied against delivery of product scheduled to commence late in 1995. It is expected that the US\$6,200,000 less the cash deposit amount will be received by the Company in early 1996.

During March through June 1995, a total of \$3,491,750 was received by the Company from the exercise of outstanding share purchase warrants and employee incentive stock options.

As at June 30, 1995, the Company had cash on hand of approximately \$5,100,000 of which \$4,200,000 was invested in bank term deposits and Government of Canada treasury bills. Included in this cash on hand amount is \$2,324,000 received April 5, 1995 in connection with the sale of the Special Warrants.

The Company does not anticipate generating positive cash flows from operations until shortly after it commences volume delivery of its RAD and RASP products late in 1995. Proceeds from the Special Warrant financing will be used to fund the Company's operations until positive cash flows from operations are achieved. With the balance of the funds from the Special Warrant financing expected to be received in July 1995 and an expectation of additional

orders being placed for its DAA products, the Company anticipates having sufficient cash to finance its ongoing operations.

Outlook

The Company anticipates growth in revenues over the next few years primarily from the growth in sales of its RAD and RASP products. These products have undergone extensive field testing over the past three years and there is a growing market acceptance of the technology and recognition that deployment of these products will reduce the infrastructure and operating cost of the new PCS networks.

The Company has committed to expend approximately \$3,500,000 on DAA research and development in fiscal 1996. As the telecommunication industry is characterized by rapid technological change, management believes that it is imperative for the Company to develop new products as well as to enhance existing DAA products. Included in research and development expenditures planned for fiscal 1996 is \$1,350,000 relating to design methodology work to be done under the contract with Cadence.

The Company expects in fiscal 1996 to complete engineering revisions to its RAD and RASP products to meet customer specification requirements and to ready the product for volume manufacturing. The Company has also contracted out its RAD and RASP manufacturing requirements. This will be monitored closely in fiscal 1996.

The Company's main operating risks are centered around the potential for delays in the building of the new PCS networks which would result in the Company failing to achieve volume sales of its RAD and RASP products. This risk is being managed by the Company through the monitoring of developments in the United States on the rollout of the new PCS networks as well as through the pursuit of sales of the Company's DAA products in other markets. The Company's operating results are impacted by fluctuations in the relative value of foreign currencies. DAA product sales are based in US dollars while the major portion of the Company's expenses are based in Canadian dollars. At the present time, the Company does not hedge its foreign exchange risk but rather converts funds on the spot market as required. See "RISK FACTORS - International Operations; Risks of Doing Business in Developing Countries".

Managing growth will be a major challenge facing the Company over the next few years.

CONSOLIDATED CAPITALIZATION

	<u>Amount authorized</u>	<u>Outstanding as of Feb. 28, 1995</u> (audited)	<u>Outstanding as of June 30, 1995⁽¹⁾</u> (unaudited)	<u>Outstanding as of June 30, 1995 upon exercise or deemed exercise of the 4,600,000 Special Warrants ⁽²⁾⁽³⁾</u> (unaudited)
Long Term Debt ⁽⁴⁾	N/A	nil	nil	nil
Capital Leases	N/A	\$145,009 ⁽⁵⁾	\$225,000	\$225,000
Shareholders' Equity				
Common shares (Class A shares)	unlimited	\$13,721,664 (20,299,602 shs)	\$17,213,436 (23,370,157 shs)	\$26,991,736 (27,970,157 shs)
Class B shares ⁽⁶⁾⁽⁷⁾	none	\$61,644 (307,153 shs)	nil	nil
Class C shares ⁽⁷⁾	none	nil	nil	nil
Warrants	10,640,000 ⁽⁸⁾	2,250,000 wts	225,000 wts	3,215,000 wts ⁽⁹⁾
Special Warrants	4,600,000	nil	\$9,778,300 (4,600,000 wts)	nil
Deficit ⁽¹⁰⁾		\$11,910,935	\$11,910,935	\$11,910,935

- (1) As at June 30, 1995, an additional 1,330,500 common shares were reserved for issuance upon the exercise of options to purchase securities and the exercise of common share purchase warrants excluding the 4,600,000 Shares reserved for issuance on exercise or deemed exercise of the Special Warrants, the 2,300,000 common shares reserved for issuance on exercise of the Warrants issuable on exercise or deemed exercise of the Special Warrants and the 690,000 common shares reserved for issuance on exercise of the Agents' Warrants. See "SHARE CAPITAL - Shares Reserved for Issuance" and "OPTIONS, WARRANTS AND CONVERTIBLE SECURITIES".
- (2) As at June 30, 1995, after giving effect to the exercise or deemed exercise of the Special Warrants, an additional 1,330,500 common shares were reserved for issuance upon the exercise of options to purchase securities and the exercise of common share purchase warrants excluding the 2,300,000 common shares reserved for issuance on exercise of the Warrants issuable on exercise or deemed exercise of the Special Warrants and the 690,000 common shares reserved for issuance on exercise of the Agents' Warrants. See "SHARE CAPITAL - Shares Reserved for Issuance" and "OPTIONS, WARRANTS AND CONVERTIBLE SECURITIES".
- (3) Based on the assumption that the Clearance Date will occur on or before the Increase Date and that the Agents will not deliver a Due Diligence Notice to the Trustee prior to the Expiry Time. See "PLAN OF DISTRIBUTION".
- (4) Other than secured long term debt attributed to capital leases.
- (5) Of this amount, \$89,509 represents secured current lease obligations and \$55,500 represents secured long term lease obligations.
- (6) The Issuer had Class B shares issued and outstanding until June 30, 1995, when such Class B shares were redeemed at a price of \$0.20 each. The Class B shares were convertible into common shares in the capital of the Company prior to redemption on the basis of one common share for every two Class B shares converted.
- (7) On July 6, 1995, the Issuer was continued out of the jurisdiction of the *Canada Business Corporations Act* and into the jurisdiction of the *Company Act* (British Columbia) with an authorized share capital comprised of common shares only.
- (8) Comprised of an aggregate of 7,250,000 common share purchase warrants expiring on July 2, 1995 (5,000,000), October 22, 1995 (1,625,000), and November 10, 1995 (625,000), respectively, the 2,300,000 Warrants and the 690,000 Agents' Warrants. See "OPTIONS, WARRANTS AND CONVERTIBLE SECURITIES - Share Purchase Warrants" and "PLAN OF DISTRIBUTION".
- (9) Comprised of 225,000 common share purchase warrants expiring on October 22, 1995, the 2,300,000 Warrants and the 690,000 Agents' Warrants. See "OPTIONS, WARRANTS AND CONVERTIBLE SECURITIES - Share Purchase Warrants" and "PLAN OF DISTRIBUTION".
- (10) Deficit is shown as at February 28, 1995.

SHARE CAPITAL

Authorized and Issued Shares

The authorized capital of PCS Wireless consists of 100,000,000 common shares without par value. As of June 30, 1995, an aggregate of 23,370,157 common shares were issued and outstanding.

Common Shares

The holders of common shares are entitled to one vote per common share at all meetings of shareholders of PCS Wireless, to receive dividends as and when declared by the directors of PCS Wireless, and to receive the remaining property and assets of PCS Wireless in the event of liquidation, dissolution or winding up of PCS Wireless. The common shares have no pre-emptive, redemption, purchase or conversion rights. There are no sinking fund provisions in relation to the common shares and they are not liable to further calls or to assessment by PCS Wireless. The *Company Act* (British Columbia) provides that the rights and provisions attached to any class of shares may not be modified, amended or varied unless consented to by special resolution passed by a majority of not less than 75% of the votes cast in person or by proxy by holders of shares of that class.

Pursuant to a special resolution passed by the shareholders of PCS Wireless on January 31, 1994, the issued and outstanding common shares of PCS Wireless were consolidated effective April 11, 1994 on a 2:1 basis. The

30,498,728 common shares issued and outstanding immediately prior to the consolidation on April 11, 1994 were consolidated into 15,249,407 shares.

Shares Reserved for Issuance

As at June 30, 1995, the fully diluted share capital of PCS Wireless is 32,290,657 common shares, made up as follows:

	June 30, 1995	
	<u>Number of common shares</u>	<u>Percentage of total</u>
Issued and Outstanding	23,370,157	72%
Special Warrants issue	7,590,000 ^{(a)(b)(c)}	24%
Reserved for future issue	1,330,500 ^{(d)(e)}	4%
	<hr/>	<hr/>
Fully diluted common shares	32,290,657	100%

As at June 30, 1995, PCS Wireless has reserved 8,920,500 common shares for issuance as follows:

- (a) 4,600,000 common shares to be issued upon the exercise or deemed exercise of Special Warrants to acquire Shares and Warrants for no additional consideration at any time on or before 4:30 p.m. (Vancouver time) on the earlier of: (i) April 5, 1996 and (ii) the fifth business day after the Clearance Date (see "PLAN OF DISTRIBUTION");
- (b) 2,300,000 common shares to be issued upon the exercise of the Warrants issuable upon exercise or deemed exercise of the Special Warrants at a price of \$3.05 per share until 4:30 p.m. (Vancouver time) on December 31, 1996 (see "PLAN OF DISTRIBUTION");
- (c) 690,000 common shares to be issued upon the exercise of the Agents' Warrants at a price of \$2.35 per share during the period commencing on the fifth business day after the earlier of the Clearance Date or the Qualification Deadline and ending at 4:00 p.m. (Vancouver time) on December 31, 1996 (see "PLAN OF DISTRIBUTION");
- (d) 1,105,500 common shares to be issued upon the exercise of stock options held by directors and employees of PCS Wireless at prices between \$0.50 and \$3.08 per common share, with expiry dates between July 22, 1999 and July 5, 2000 (see "OPTIONS, WARRANTS AND CONVERTIBLE SECURITIES - Incentive Stock Options"); and
- (e) 225,000 common shares to be issued upon the exercise of the balance of 225,000 common share purchase warrants issued on November 5, 1993, each common share purchase warrant entitling the holder thereof to purchase one common share at \$1.52 up to and including October 22, 1995 (see "OPTIONS, WARRANTS AND CONVERTIBLE SECURITIES - Share Purchase Warrants").

DIVIDEND POLICY

PCS Wireless has not paid any dividends on its outstanding common shares since its amalgamation and does not anticipate that it will do so in the foreseeable future. The declaration of dividends on the common shares of PCS Wireless is within the discretion of the board of directors of PCS Wireless and will depend upon the assessment of, among other factors, earnings, capital requirements and the operating and financial condition of PCS Wireless. At the present time, the anticipated capital requirements of PCS Wireless are such that it intends to follow a policy of retaining earnings in order to finance further development of its business.

PCS Wireless is restricted in its ability to pay dividends on its common shares by limitations under the *Company Act* (British Columbia) relating to the sufficiency of profits from which dividends may be paid.

DILUTION

The issue price of \$2.35 allocated to each Share issuable upon the exercise or deemed exercise of each Special Warrant exceeds by \$1.89 the net tangible book value of \$0.46 per common share as at February 28, 1995, after giving effect to the issue of an aggregate of 3,070,555 common shares after February 28, 1995 (collectively, the "Subsequent Issues"), the redemption of 307,043 Class B shares on June 30, 1995 (the "Redemption"), and the issue of the 4,600,000 Shares. This represents a dilution factor of 80% as indicated in the following table:

	<u>Per Common Share</u>
Issue price allocated to each Share:	\$ 2.35
Net tangible book value as at February 28, 1995 (without giving effect to the distribution and exercise of the Special Warrants on April 5, 1995 and after giving effect to the Subsequent Issues and the Redemption):	\$0.13
Increase in net tangible book value attributable to the distribution and exercise of the Special Warrants:	\$0.33
Net tangible book value after giving effect to the distribution and exercise of the Special Warrants:	\$0.46
Dilution to purchasers of Special Warrants:	\$1.89
Percentage of dilution in relation to the issue price allocated to each Share:	80.0%

The above dilution calculation is based on the assumption that the Clearance Date will occur on or before the Increase Date and that the Agents will not deliver a Due Diligence Notice to the Trustee prior to the Expiry Time. See "PLAN OF DISTRIBUTION". While PCS Wireless has allocated the full issue price of the Special Warrants to the Shares issuable upon the exercise or deemed exercise of the Special Warrants and has allocated nothing to the Warrants issuable upon the exercise or deemed exercise of the Special Warrants, such allocations may not be binding on Revenue Canada, Taxation.

PRIOR SALES OF SECURITIES

Since October 1, 1993, the following common shares and units of PCS Wireless were issued for cash or for property. Common shares issued prior to April 11, 1994 are stated after giving effect to the consolidation on such date of the common shares then outstanding on a 2:1 basis:

<u>Date of Issue</u>	<u>Designation of Securities</u>	<u>Number of Securities</u>	<u>Price for Securities</u>	<u>Aggregate Consideration</u>
Oct. 28, 1993	common shares ⁽¹⁾	100,000	\$0.40	\$ 40,000
Nov. 9, 1993	common shares ⁽¹⁾	50,000	\$0.40	\$ 20,000
Nov. 12, 1993	common shares ⁽¹⁾	122,500	\$0.40	\$ 49,000
Dec. 6, 1993	units ⁽²⁾	1,625,000	\$0.64	\$ 1,040,000
Feb. 3, 1994	units ⁽³⁾	1,250,000	\$1.16	\$ 1,450,000
Mar. 1, 1994	common shares ⁽⁴⁾	600,000	\$1.21 (deemed)	\$ 723,600 (deemed)
Apr. 15, 1994	common shares ⁽⁵⁾	100	\$0.40	\$ 40
Jul. 6, 1994	common shares ⁽⁶⁾	3,000,000	\$0.46	\$ 1,380,000
Jul. 21, 1994	common shares ⁽⁷⁾	50,000	\$0.52 (deemed)	\$ 26,000 (deemed)
Jul. 25, 1994	common shares ⁽⁶⁾	1,000,000	\$0.46	\$ 460,000
Jul. 28, 1994	common shares ⁽⁶⁾	1,000,000	\$0.46	\$ 460,000
Feb. 9, 1995	common shares ⁽⁵⁾	95	\$0.40	\$ 38
Mar. 10, 1995	common shares ⁽¹⁾	747,000	\$0.50	\$ 373,500
Mar. 10, 1995	common shares ⁽¹⁾	25,000	\$0.57	\$ 14,250
Mar. 14, 1995	common shares ⁽⁸⁾	625,000	\$1.34	\$ 837,500
Mar. 15, 1995	common shares ⁽¹⁾	104,000	\$0.50	\$ 52,000
Mar. 21, 1995	common shares ⁽¹⁾	30,500	\$0.50	\$ 15,250
Mar. 28, 1995	common shares ⁽⁹⁾	50,000	\$1.52	\$ 76,000
Apr. 3, 1995	common shares ⁽¹⁾	50,000	\$0.50	\$ 25,000
Apr. 6, 1995	common shares ⁽⁹⁾	50,000	\$1.52	\$ 76,000
Apr. 28, 1995	common shares ⁽⁹⁾	125,000	\$1.52	\$ 190,000
May 10, 1995	common shares ⁽¹⁾	38,000	\$0.50	\$ 19,000
May 10, 1995	common shares ⁽¹⁾	25,000	\$0.57	\$ 14,250
May 17, 1995	common shares ⁽¹⁾	20,000	\$0.50	\$ 10,000
May 17, 1995	common shares ⁽⁹⁾	525,000	\$1.52	\$ 798,000
May 18, 1995	common shares ⁽⁹⁾	650,000	\$1.52	\$ 988,000

<u>Date of Issue</u>	<u>Designation of Securities</u>	<u>Number of Securities</u>	<u>Price for Securities</u>	<u>Aggregate Consideration</u>
May 30, 1995	common shares ⁽¹⁾	6,000	\$0.50	\$ 3,000
June 23, 1995	common shares ⁽⁵⁾	55	\$0.40	\$22

- (1) These common shares were issued upon the exercise of stock options granted to the executive officers, directors and employees of the Company.
- (2) Each unit was comprised of one common share and one common share purchase warrant. Each common share purchase warrant entitled the holder thereof to purchase one common share at the price of \$1.32 if exercised on or before October 22, 1994, and at a price of \$1.52 if exercised after October 22, 1994 but on or before October 22, 1995. On March 28, April 6, April 28, May 17 and May 18, 1995, an aggregate of 1,400,000 of these common share purchase warrants were exercised.
- (3) Each unit was comprised of one common share and one-half of a common share purchase warrant. Each whole common share purchase warrant entitled the holder thereof to purchase one common share at the price of \$1.16 if exercised on or before November 10, 1994, and at the price of \$1.34 if exercised after November 10, 1994, but on or before November 10, 1995. On March 14, 1995, all 1,250,000 of these common share purchase warrants were exercised.
- (4) These common shares were issued to ETC in partial payment of the purchase price for assets purchased by the Company from ETC. See "BUSINESS OF THE COMPANY - Former Business of the Company, Change of Business, Corporate Reorganization and Share Consolidation."
- (5) These common shares were issued upon the conversion of Class B shares.
- (6) These common shares were issued upon the exercise of common share purchase warrants issued in July, 1993.
- (7) These common shares were issued to 757410 Ontario Limited pursuant to an option agreement for the purchase of the Issuer's interest in seven mineral claims in the White River area, Ontario.
- (8) These common shares were issued upon the exercise of 1,250,000 common share purchase warrants issued on February 3, 1994.
- (9) These common shares were issued upon the exercise of common share purchase warrants issued on December 6, 1993.

See "OPTIONS, WARRANTS AND CONVERTIBLE SECURITIES" for particulars of outstanding securities issued by PCS Wireless which are convertible into or exercisable for common shares in the capital of PCS Wireless.

PRINCIPAL HOLDERS OF SECURITIES

As at June 30, 1995, an aggregate of 23,370,157 common shares in the capital of PCS Wireless were issued and outstanding. To the knowledge of PCS Wireless, as at June 30, 1995, there was no beneficial owner, directly or indirectly, of more than 10% of the issued and outstanding common shares of PCS Wireless.

The register of shareholders indicates three registered shareholders who, as at June 30, 1995, hold in excess of 10% of the issued and outstanding common shares each, namely West Canada Depository Trust Company (as to 9,875,001 common shares), CDS & Co. (as to 10,345,222 common shares) and Cede & Co. (as to 2,770,861 common shares). These shareholders hold common shares as intermediaries for unregistered beneficial owners and PCS Wireless has no knowledge of particulars of the beneficial ownership of these common shares.

As at June 30, 1995, all directors and officers of PCS Wireless, as a group, own 3,182,751 common shares in the capital of PCS Wireless in the aggregate, representing 13.6% of the issued and outstanding common shares.

The information as to securities beneficially owned, not being within the knowledge of PCS Wireless, has been furnished by the respective individuals (either directly or through public filings by such individuals pursuant to applicable securities legislation), or has been extracted from the register of shareholders maintained by the registrar and transfer agent for the common shares in the capital of PCS Wireless.

PRICE RANGE AND TRADING VOLUME OF COMMON SHARES

The common shares in the capital of PCS Wireless are listed and posted for trading on the Vancouver Stock Exchange.

The following sets forth the high and low market prices and the volume of the common shares traded on the Vancouver Stock Exchange during the periods indicated:

<u>Year</u>		<u>High</u>	<u>Low</u>	<u>Volume</u> (shares)
1993	Quarter ended March 31	\$0.40	\$0.40	1,000
	Quarter ended June 30	N/A	N/A	Nil
	Quarter ended September 30	\$0.61	\$0.25	2,592,000
	Quarter ended December 31	\$0.95	\$0.40	15,341,500
1994	Quarter ended March 31	\$1.07	\$0.50	6,337,900
	Quarter ended June 30	\$1.10	\$0.39	1,126,500
	Quarter ended September 30	\$0.60	\$0.40	3,643,500
	Quarter ended December 31	\$0.79	\$0.32	6,029,000
1995	January	\$0.62	\$0.48	1,126,500
	February	\$0.55	\$0.45	1,122,000
	March	\$3.00	\$0.50	50,370,300
	April	\$4.25	\$2.26	16,135,500
	May	\$4.15	\$3.35	10,565,000
	June	\$4.00	\$2.75	6,533,800

The closing sale price of the common shares of PCS Wireless, as reported by the Vancouver Stock Exchange, on March 17, 1995 (being the last day immediately preceding the announcement of the private placement of the Special Warrants) was \$2.67. On April 4, 1995 (being the date immediately preceding the date of the distribution of the Special Warrants) the closing sale price of the common shares of PCS Wireless, as reported by the Vancouver Stock Exchange, was \$2.75. On June 30, 1995, the closing sale price of the common shares of PCS Wireless, as reported by the Vancouver Stock Exchange, was \$2.98.

MANAGEMENT OF THE COMPANY

Directors and Officers of PCS Wireless

The name, municipality of residence and position with PCS Wireless of each director and officer of PCS Wireless, and the principal business or occupation in which such directors or officers have been engaged during the immediately preceding five years are as follows:

Name, Municipality of Residence and Position Held	Principal Occupations during the Past Five Years
RALPH SCOBIE ⁽¹⁾⁽²⁾ North Vancouver, British Columbia <i>President, Chief Executive Officer and Director</i>	President and Chief Executive Officer of PCS Wireless since October, 1993; from January 1991 until October 1993, Executive Vice President of The Simkin Group (diversified venture capital and investment company); prior to 1991, President and Chief Executive Officer of Integra Systems Inc. (electronics manufacturing).
DEREK SPRATT, P.Eng. Vancouver, British Columbia <i>Executive Vice President, Business Development, and Director</i>	Executive Vice President, Business Development, of PCS Wireless since October, 1993; from August 1992 to October 1993 an independent telecommunications product consultant; from October 1991 until August 1992 Business Unit Manager at Nexus Engineering Corp. (CATV equipment manufacturer); prior thereto, Engineering and Project Manager, Motorola, Inc. (wireless equipment manufacturer).
DONALD R. SHELDON ⁽¹⁾⁽²⁾⁽³⁾ West Vancouver, British Columbia <i>Director</i>	President, D.S. Management Ltd. (private management company).

Name, Municipality of Residence and Position Held	Principal Occupations during the Past Five Years
TODD PARKER ⁽¹⁾ Dallas, Texas <i>Director</i>	Vice President, Marketing and Business Development, Airtouch Paging Wireless Communications (cellular phone operator) since February 1995; prior thereto Managing Director, corporate development and various positions in the Corporate Development department of Airtouch Corp. (prior to April 1994, PacTel, a subsidiary of Pacific Telesis Group).
ANDREW BEASLEY, Ph.D. Lake Erroch, British Columbia <i>Senior Vice President, Technology</i>	Vice President, Technology, of PCS Wireless since October, 1993; from January 1992 until October 1993, Vice President PCS - Microcell division and prior thereto Director of Engineering of the Nexus Group at Nexus Engineering Corp. (CATV equipment manufacturer).
PAUL LANCASTER, P.Eng. West Vancouver, British Columbia <i>Vice President, Product Engineering</i>	Vice President, Product Engineering, of PCS Wireless since November 1994; from January 1994 to December 1994, Director of Hardware Development at Xinex Labs, Inc. (telecommunications equipment manufacturer); prior thereto, Manager of Engineering at Viscount Industries Inc., a B.C. Tel company (telecommunications equipment manufacturer).
DAVID R. MURPHY, C.A. Richmond, British Columbia <i>Vice President, Finance and Chief Financial Officer</i>	Vice President, Finance and Chief Financial Officer of PCS Wireless since May 1995; from July 1994 to October 1994 Senior Vice President Finance and Chief Financial Officer, Harvard International Technologies Ltd. (development stage company - vending machine); from June 1993 to October 1993 Senior Restructuring Officer and April 1989 to May 1993 Senior Vice President Finance, Canadian Airlines International Ltd. (an airline company).
SURESH SINGH ⁽²⁾ Vancouver, British Columbia <i>Vice President, Manufacturing</i>	Since October, 1993, Vice President, Manufacturing, of PCS Wireless; from July 1992 until October, 1993 Vice President, Operations of Automated Recycling Inc. (vending machine operator); prior thereto Vice President, Operations, of Integra Systems Inc. and successor corporations (electronics manufacturer).
J. KELLY EDMISON Vancouver, British Columbia <i>Secretary</i>	Lawyer, associate with De Witt Sedun since March 1995; prior thereto, partner, Ladner Downs.
DAVID E. DE WITT Vancouver, British Columbia <i>Assistant Secretary</i>	Lawyer, partner of De Witt Sedun since October 1992; prior thereto, partner, De Witt & Company.

(1) Member of the Audit Committee.

(2) This individual was a director and/or officer of Integra Systems Inc. ("Integra"), a public company against which a cease trade order was issued on December 4, 1999 by the British Columbia Securities Commission. This order was issued because Integra failed to file adequate, complete or satisfactory information in the comparative financial statement for its financial year ended March 31, 1990 as required under section 136 of the regulation under the *Securities Act* (British Columbia). Integra was struck off the register of companies under the *Company Act* (British Columbia) on October 29, 1993.

(3) Cease trade orders were issued on August 12, 1994 and August 17, 1994 by the Ontario Securities Commission and the Alberta Securities Commission, respectively, against Palace Exploration Inc. (formerly Bakertalc Inc.) ("Palace") for failure to file financial statements. Palace was reinstated for trading on February 16, 1995 under its present name. Mr. Sheldon was President and a director of Palace from November 17, 1993 to August 30, 1994.

Directors and Officers of Active Subsidiaries

Ralph Scobie and Derek Spratt are the directors of PCS Wireless Communications, Inc. Mr. Scobie is the Chairman of the Board and Chief Executive Officer of this subsidiary and Mr. Spratt is its President and Secretary.

The directors of PCS Microcell International Inc. are Ralph Scobie, Todd Parker and Mary Mahabir, a lawyer in Barbados.

Senior Management

The Company has assembled an experienced operations team with extensive knowledge in the telecommunication equipment business. The following are brief biographies of the senior managers of the Company.

Ralph Scobie (44), President and Chief Executive Officer. Mr. Scobie holds an honours degree in Economics from the University of British Columbia. Mr. Scobie began his career with the sales group of Xerox Corporation. After holding a variety of sales and marketing positions, Mr. Scobie was promoted to Manager of Marketing and Consulting Services for Western Canada. From 1980 until 1985, Mr. Scobie was involved in a consulting company and as an investor and manager in a number of early stage technology companies. In 1985, Mr. Scobie founded and became Chief Executive Officer of Integra Systems Inc. a public company that manufactured "Point of Sales" electronic equipment. During his tenure at Integra, it developed, manufactured and sold equipment with a wholesale volume of \$16,000,000. From January 1991 until October 1993, Mr. Scobie was Executive Vice President responsible for strategic development, mergers and acquisitions with The Simkin Group, a group of companies with holdings in the electronics, technology, and property industries.

Derek Spratt (33), Executive Vice President, Business Development. Mr. Spratt holds a degree in Electrical Engineering from Queens' University and is a registered Professional Engineer. From graduation in 1983 until 1986, Mr. Spratt held engineering positions in the electronic and telecommunications industries. From 1986 to 1989, Mr. Spratt worked as a hardware project manager, production engineering manager and service and quality engineer with Integra Systems Inc. From 1989 until November 1991, Mr. Spratt was a project manager and engineering manager with the Mobile Data and Customer Service Division of Motorola, Inc. From October 1991 until August 1992, Mr. Spratt was Vice President of the Mid-Com Business Unit of Nexus Engineering Corp. where he managed a 45 person division responsible for developing the world's first High Density TV digital product. From August 1992 until October 1993, Mr. Spratt was a telecommunication product development consultant.

Dr. Andrew Beasley (38), Senior Vice President, Technology. Dr. Beasley was educated in the United Kingdom, at Cambridge and London Universities, and holds multiple degrees in Physics and Electrical Engineering, specializing in radio frequency communications. Dr. Beasley began his career at GEC - Marconi where he worked for six years as an engineer, project manager and systems engineer. Dr. Beasley worked for three years for Com Dev Limited as a department manager in the defense and radar group with particular expertise in radar processing, electronic warfare and scientific satellites. From 1987 until 1990, Dr. Beasley worked as Manager of Remote Sensing at Canadian Astronautics Ltd. with emphasis on the development of military and civilian satellite antennae. Dr. Beasley joined Nexus in 1990 as Director of Engineering of the Nexus Group and in 1992 founded the PCS-Microcell division of Nexus. This division was sold to the Company in October 1993. Dr. Beasley is the key inventor of much of the technology used in the Company's DAA products.

Paul Lancaster (55), Vice President, Product Engineering. Paul Lancaster is a graduate of the University of Bristol. Mr. Lancaster has had a long and successful career developing products for the CATV industry. Mr. Lancaster began his career in the aerospace division of RCA Victor. Then from 1966 to 1980 Mr. Lancaster worked in progressively more responsible positions in the development of broadcast and cable TV products at Delta Benco Cascade Limited. Through the 1980's, Mr. Lancaster worked as a consultant in the development of interactive home shopping CATV networks and also worked in various product development positions, including: Management Systems Development at Northern Telecom Inc.; Vice President, Engineering, at Nabu Networks Inc.; and Vice President, Engineering, at Glenayre Electronics Limited. From 1990 until 1993, Mr. Lancaster was the Manager of Engineering at Viscount Industries Ltd., a B.C. Tel subsidiary, developing telephone-based access control and security systems. Prior to joining the Company, Mr. Lancaster was Director of Hardware Development at Xinex Labs, Inc.

David Murphy, C.A. (50), Vice President, Finance and Chief Financial Officer. Mr. Murphy holds a degree in Economics from the University of British Columbia. Mr. Murphy joined Price Waterhouse in 1968 and attained his Chartered Accountant designation in 1971. In 1973 Mr. Murphy joined Canadian Airlines International Ltd. ("CAIL") (formerly Canadian Pacific Air Lines Limited) as Manager, Internal Audit, was appointed Director, Internal Audit in 1979, Treasurer in 1983, Treasurer and Secretary in 1984, Vice President & Treasurer in 1987, Vice President Finance in 1988 and Senior Vice President Finance in 1989 and Senior Restructuring Officer in 1993. As the senior financial officer for CAIL, a company with revenues of approximately \$3 billion, Mr. Murphy was responsible for corporate finance, treasury, taxation, corporate accounting, investor relations, pension investments and insurance. Mr. Murphy has served as a director of a number of commuter airline and aircraft leasing companies in which CAIL held an equity interest. Mr. Murphy has extensive experience in international financing and contract negotiations. As Senior Restructuring Officer, Mr. Murphy was directly involved in planning and negotiating a comprehensive financial restructuring of CAIL. The restructuring involved a strategic alliance with AMR Corporation (American Airlines), Federal and Provincial government loans, employee concessions and a conversion into equity of over \$750 million in debt and lease obligations.

Suresh Singh (42), Vice President, Manufacturing. Suresh Singh is a fifth level CGA. From 1972 until 1986 Mr. Singh worked in progressively more responsible positions ending as General Manager at National Machinery Co., a manufacturer of light industrial products. From 1986 until 1992, Mr. Singh was Vice President, Operations, of Integra Systems Inc. From July 1992 until October 1992, Mr. Singh was Vice President Operations of Automatic Recycling Inc., an aluminum can recycling business.

Management Agreement

PCS Wireless entered into a management agreement dated October 29, 1993 with D.S. Management Ltd., a company wholly owned by Donald R. Sheldon, a director of PCS Wireless. Pursuant to this agreement, PCS Wireless paid D.S. Management Ltd. \$2,500 per month for administrative services and \$5,000 per month for management services. The agreement was terminated effective July 31, 1994 and thereafter PCS Wireless has paid to Mr. Sheldon directly the sum of \$7,000 per month for consulting services. See "EXECUTIVE COMPENSATION".

EXECUTIVE COMPENSATION

Aggregate Compensation

For the fiscal year ended February 28, 1995, there were five executive officers of PCS Wireless and the aggregate cash compensation paid to them by the Company was \$542,097.

Compensation of Named Executive Officers

The following table contains information in respect of compensation paid to, or earned by, the Chief Executive Officer and those executive officers of PCS Wireless who earned more than \$100,000 (in total salary and bonus) in the fiscal year ended February 28, 1995 (the "Named Executive Officers"). PCS Wireless currently has no long term incentive plan for its Named Executive Officers.

Summary Compensation Table

Name and Principal Position	Year ⁽¹⁾	Annual Compensation			Long Term Compensation		All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensations ⁽²⁾ (\$)	Awards		
					Securities Under Options/SARS Granted (#)	Restricted Shares or Restricted Share Units (\$)	
Ralph G. Scobie ⁽³⁾⁽⁴⁾ President and Chief Executive Officer	1995	120,000 ⁽⁵⁾	30,000 ⁽⁵⁾	2,600	174,000	Nil	Nil
	1994	74,600	10,000	280	493,000 ⁽⁶⁾	Nil	Nil
Derek Spratt ⁽³⁾ Executive Vice President, Business Development	1995	95,000	25,000	2,600	126,000	Nil	Nil
	1994	46,400	8,333	280	357,000 ⁽⁶⁾	Nil	Nil
Andrew S. Beasley ⁽³⁾ Senior Vice President, Technology	1995	85,000	25,000	6,930	400,000	Nil	Nil
	1994	28,050	8,333	2,030	Nil	Nil	Nil
Suresh Singh ⁽³⁾ Vice President, Manufacturing	1995	90,000	21,000	7,680	400,000	Nil	Nil
	1994	35,300	5,000	2,280	Nil	Nil	Nil
Paul Lancaster ⁽³⁾ Vice President, Product Engineering	1995	24,200	6,667	420	50,000	Nil	Nil
Donald Sheldon Previous Chief Executive Officer ⁽⁴⁾	1995	Nil	Nil	81,500 ⁽⁷⁾	Nil	Nil	Nil
	1994	Nil	Nil	52,500 ⁽⁷⁾	339,500 ⁽⁶⁾	Nil	Nil

- (1) "1995" means the fiscal year ended February 28, 1995 and "1994" means the fiscal year ended February 28, 1994.
- (2) Other annual compensation consists of car allowance and parking.
- (3) See "Employment Agreements". Messrs. Scobie, Spratt, Beasley and Singh commenced employment with the Company on October 29, 1993 and Mr. Lancaster commenced employment November 7, 1994.
- (4) Mr. Sheldon, as President of PCS Wireless, was Chief Executive Officer of PCS Wireless from July 2, 1993, until October 29, 1993. On that date, Mr. Ralph Scobie became President and Chief Executive Officer and Mr. Sheldon became Chairman. Mr. Sheldon ceased to be Chairman on January 25, 1995.
- (5) \$49,000 of the salary and \$15,000 of the bonus was paid to Amblin Holdings Corp., a consulting company co-owned by Mr. Scobie and his family.
- (6) Common shares listed under options granted in the fiscal year ended February 28, 1994 represent the post-consolidation number of common shares. The options were terminated, unexercised, in July 1994.
- (7) The compensation was earned indirectly through a management agreement between PCS Wireless and D.S. Management Ltd., a company wholly owned by Mr. Sheldon, during the fiscal year ended February 28, 1994 (\$52,500) and during the months March through July, 1994 (\$32,500). Thereafter, compensation in the aggregate sum of \$49,000 (\$7,000 per month), representing consulting fees, was paid directly to Mr. Sheldon. See "MANAGEMENT OF THE COMPANY - Management Agreement".

Options Granted to Executive Officers

The following table sets forth particulars concerning individual grants of options to purchase or acquire securities of PCS Wireless made to each of the Named Executive Officers during the financial year ended February 28, 1995. No stock appreciation rights are outstanding and it is currently intended that none be issued by PCS Wireless.

Options/SAR Grants During the Most Recently Completed Financial Year

Name	Securities Under Options/SARs Granted (#)	% of Total Options/SARs Granted to Employees in Financial Year	Exercise or Base Price (\$/Share)	Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security) ⁽¹⁾	Expiration Date
Ralph G. Scobie	174,000	12%	\$0.57	\$0.56	January 11, 2000
Derek Spratt	126,000	9%	\$0.57	\$0.56	January 11, 2000
Andrew S. Beasley	400,000	28%	\$0.50	\$0.54	July 22, 1999
Suresh Singh	400,000	28%	\$0.50	\$0.54	July 22, 1999
Paul Lancaster	25,000 ⁽²⁾⁽⁴⁾ 25,000 ⁽³⁾⁽⁴⁾	2% 2%	\$0.57 \$0.57	\$0.56 \$0.56	January 11, 2000 January 11, 2000

- (1) Based on the closing price of the common shares of PCS Wireless on the Vancouver Stock Exchange on the effective date of the grant of the options.
- (2) As of February 28, 1995, Mr. Lancaster's options were to vest as to this number of shares on July 11, 1995.
- (3) As of February 28, 1995, Mr. Lancaster's options were to vest as to this number of shares on January 11, 1996.
- (4) The option agreement was subsequently amended to vest these options in their entirety.

Options Exercised and Aggregate Remaining

None of the Named Executive Officers exercised any of their incentive stock options during the fiscal year ended February 28, 1995. The following table provides detailed information regarding options available for exercise by the Named Executive Officers.

Aggregated Option/SAR Exercises During the Most Recently Completed Financial Year and Financial Year-End Option/SAR Values

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options/SARs at Financial Year End ⁽¹⁾ (#)		Value of Unexercised in-the-Money Options/SARs at Financial Year End ⁽¹⁾ (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Ralph G. Scobie	N/A	N/A	174,000	Nil	\$ 90,480	Nil
Derek Spratt	N/A	N/A	126,000	Nil	\$ 65,520	Nil
Andrew S. Beasley	N/A	N/A	400,000	Nil	\$208,000	Nil
Suresh Singh	N/A	N/A	400,000	Nil	\$208,000	Nil
Paul Lancaster	N/A	N/A	nil	50,000 ⁽²⁾	N/A	\$26,000

- (1) Based on the closing price of the common shares of PCS Wireless on the Vancouver Stock Exchange on February 28, 1995.
- (2) Subsequent to February 28, 1995, Mr. Lancaster's option agreement was amended to vest these options in their entirety.

Employment Agreements

PCS Wireless Communications, Inc. (previously known as 2777321 Canada Ltd.) ("2777"), a wholly owned subsidiary of PCS Wireless, entered into an employment agreement dated October 29, 1993 with Ralph Scobie. This agreement was assigned to PCS Wireless by an assignment and assumption agreement dated May 18, 1995 (the agreement, as assigned, being the "Scobie Employment Agreement"). Pursuant to the Scobie Employment Agreement, Mr. Scobie is employed by PCS Wireless as President and Chief Executive Officer at a base salary of \$120,000 per annum, a semi-annual bonus of \$15,000 (provided that Mr. Scobie achieves certain performance objectives), and dental, life insurance and medical benefits. The Scobie Employment Agreement has a two-year term, subject to renewal or earlier termination as provided in the such Agreement. In the event that Mr. Scobie's employment is terminated by PCS Wireless without cause, Mr. Scobie shall be entitled to damages in an amount equal to one year's base salary. In the event there is a take over or change of control of PCS Wireless resulting in the actual or constructive termination of Mr. Scobie's employment, Mr. Scobie shall be entitled to damages equal to two years' base salary. The Scobie Employment Agreement includes a non-competition covenant to the effect that Mr. Scobie will not compete with PCS Wireless for a period of one year from the end of the term of the Scobie Employment Agreement anywhere within Canada.

2777 entered into an employment agreement dated October 29, 1993 with Derek Spratt. This agreement was assigned to PCS Wireless by an assignment and assumption agreement dated May 18, 1995 (the agreement, as assigned, being the "Spratt Employment Agreement"). Pursuant to the Spratt Employment Agreement, Mr. Spratt is employed by PCS Wireless as Executive Vice President, Business Development at a base salary of \$95,000 per annum, a semi-annual bonus of \$12,500 (provided that Mr. Spratt achieves certain performance objectives) and dental, life insurance and medical benefits. The Spratt Employment Agreement has a two-year term, subject to renewal or earlier termination as provided in such agreement. In the event that Mr. Spratt's employment is terminated by PCS Wireless without cause, Mr. Spratt shall be entitled to damages in an amount equal to one year's base salary. In the event there is a take over or change of control of PCS Wireless resulting in the actual or constructive termination of Mr. Spratt's employment, Mr. Spratt shall be entitled to damages equal to two years' base salary. The Spratt Employment Agreement includes a non-competition covenant to the effect that Mr. Spratt will not compete with PCS Wireless for a period of one year from the end of the term of the Spratt Employment Agreement anywhere within Canada.

2777 entered into an employment agreement dated October 29, 1993 with Andrew Beasley. This agreement was assigned to PCS Wireless by an assignment and assumption agreement dated May 18, 1995 (the agreement, as assigned, being the "Beasley Employment Agreement"). Pursuant to the Beasley Employment Agreement, Dr. Beasley is employed by PCS Wireless as Senior Vice President, Technology, at a base salary of \$85,000 per annum, a quarterly bonus of \$6,250 (provided that Dr. Beasley achieves certain performance objectives), and dental, life insurance and medical benefits. The Beasley Employment Agreement has a two-year term, subject to renewal or earlier termination as provided in such agreement. In the event that Dr. Beasley's employment is terminated by PCS Wireless without cause, PCS Wireless at its sole discretion shall determine whether Dr. Beasley will receive either notice of termination or damages in lieu of such notice. Dr. Beasley is entitled to either three months' notice or damages in lieu of such notice if termination occurs in the first year of the term and either four months' notice or damages in lieu of such notice if termination occurs in the second year of the term. In the event there is a take over or change of control of PCS Wireless resulting in the actual or constructive termination of Dr. Beasley's employment, Dr. Beasley shall be entitled to damages equal to one year's base salary. The Beasley Employment Agreement includes a non-competition covenant to the effect that Dr. Beasley will not compete with PCS Wireless for one year from the day Dr. Beasley ceases active performance of his duties under such agreement anywhere within North America. If his employment is terminated in the first year of the term, Dr. Beasley shall not be bound by the non-competition covenant unless PCS Wireless exercises its option to bind Dr. Beasley to such covenant. If his employment is terminated in the second year of the term, he shall be bound by such covenant. In the event that Dr. Beasley is bound by the non-competition covenant and complies with the terms thereof, PCS Wireless shall pay him 12 months of base salary.

PCS Wireless has entered into an employment agreement dated the 29th day of October, 1993 with Suresh Singh. Pursuant to this agreement, Mr. Singh is employed by PCS Wireless as Vice President, Manufacturing, at a base salary of \$90,000 per annum, a semi-annual bonus of \$10,500 (provided that Mr. Singh achieves certain performance objectives) and dental, life insurance and medical benefits. The agreement has a two-year term, subject to renewal or earlier termination as provided in the agreement. In the event that Mr. Singh's employment is terminated by PCS Wireless without cause, Mr. Singh shall be entitled to damages equal to one year's base salary. In the event of a take-

over or change of control of PCS Wireless resulting in the actual or constructive termination of Mr. Singh's employment, Mr. Singh shall be entitled to damages equal to one year's base salary. The agreement includes a non-competition covenant to the effect that Mr. Singh will not compete with PCS Wireless for one year from termination of the agreement anywhere within North America.

PCS Wireless has entered into an employment agreement dated August 1, 1994 with Don Sheldon. Pursuant to this agreement, Mr. Sheldon was employed as Chairman of the Company at a salary of \$7,000 per month. He resigned from this position on January 25, 1995, but continues as a director of PCS Wireless. In the event of a take-over or change of control of PCS Wireless resulting in the actual or constructive termination of Mr. Sheldon's employment, Mr. Sheldon is entitled to damages equal to two years' salary. The agreement included a non-competition covenant to the effect that Mr. Sheldon will not compete with PCS Wireless anywhere in Canada for one year from termination of the agreement.

PCS Wireless has entered into an employment agreement dated November 3, 1994 with Paul Lancaster. Pursuant to this agreement, Mr. Lancaster is employed by PCS Wireless as Vice President, Product Engineering, at a base salary of \$90,000 per annum, a semi-annual bonus of \$10,000 (provided that Mr. Lancaster achieves certain performance objectives), and dental, life insurance and medical benefits. The agreement has no fixed term. In the event there is a change of control of PCS Wireless during the first year of Mr. Lancaster's employment resulting in the termination of Mr. Lancaster's employment, Mr. Lancaster shall be entitled to damages equal to one year's base salary. If such termination occurs after the first year, Mr. Lancaster shall be entitled to damages equal to two years' base salary. The agreement includes a non-competition covenant covering a period of one year following termination of Mr. Lancaster's employment to the effect that he will not, directly or indirectly, as an employee, shareholder, principal, agent, or in any other capacity, engage in the business of, or take part in the planning or establishment of a personal communication business anywhere in North America that competes with the business of PCS Wireless.

PCS Wireless has entered into an employment letter agreement dated May 17, 1995 with David Murphy. Pursuant to this agreement, Mr. Murphy is employed as Vice President, Finance and Chief Financial Officer at a base salary of \$120,000 per annum, a semi-annual bonus of \$15,000 (provided that Mr. Murphy achieves certain performance objectives) and dental, life insurance and medical benefits. The agreement has a fixed term expiring on June 1, 1996. In the event that Mr. Murphy's employment is terminated without cause, Mr. Murphy shall be entitled to damages equal to one year's salary. In the event that there is a change of control of PCS Wireless resulting in the termination of Mr. Murphy's employment, Mr. Murphy shall be entitled to damages equal to one year's base salary. The agreement includes a non-competition covenant anywhere in North America for a period of one year following termination of Mr. Murphy's employment.

Compensation of Directors

PCS Wireless has no standard arrangement pursuant to which directors are compensated by PCS Wireless for their services in their capacity as directors other than the unissued treasury shares reserved for the grant of directors' stock options. During the fiscal year ended February 28, 1995, no cash compensation was paid to the directors in their capacity as directors. PCS Wireless did pay in the fiscal year ended February 28, 1995 to T.K.B. Ventures Ltd., a company wholly owned by former director Brian Josling, the amount of \$8,000 for consulting services. PCS Wireless paid to Murcon Ltd., a consulting company co-owned by former director Brian Murray, the amount of \$2,000 for consulting fees. In addition, PCS Wireless paid D.S. Management Ltd. \$7,500 for administrative services and \$25,000 for management services provided to PCS Wireless through July, 1994. D.S. Management Ltd. is a company wholly owned by Donald R. Sheldon, a director of PCS Wireless. The management agreement between PCS Wireless and D.S. Management Ltd. was terminated effective July 31, 1994. Thereafter, PCS Wireless paid to Mr. Sheldon directly \$49,000 (comprised of a consulting fee of \$7,000 per month for the period August 1, 1994 through February 28, 1995). See "MANAGEMENT OF THE COMPANY - Management Agreement".

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

No director or senior officer of PCS Wireless or associate or affiliate of any such director or senior officer, is or has been indebted to PCS Wireless since the beginning of the last completed financial year of PCS Wireless with the exception of a \$43,500 loan to Ralph Scobie and a \$31,500 loan to Derek Spratt. These loans, which were repaid in full in March, 1995, were outstanding less than one year and bore interest at the rate of 6% per annum.

PROMOTERS

Each of Messrs. Ralph Scobie, Derek Spratt and Donald Sheldon is, in relation to PCS Wireless, a "promoter", as defined in applicable Canadian provincial securities legislation. All of these individuals are directors of PCS Wireless and Messrs. Scobie and Spratt are also President and Chief Executive Officer and Executive Vice President, Business Development, respectively.

Pursuant to the Share Purchase Agreement dated the 4th day of October, 1993, Messrs. Scobie and Spratt sold to PCS Wireless all of the issued and outstanding shares of the company now known as PCS Wireless Communications, Inc for an aggregate sale price of \$100. See "BUSINESS OF THE COMPANY - Former Business of the Company, Change of Business, Corporate Reorganization and Share Consolidation". Mr. Scobie receives compensation from the Company pursuant to his employment agreement and also holds a stock option to purchase 174,000 common shares in the capital of PCS Wireless at \$0.57 per share until January 2000. Mr. Spratt receives compensation from the Company pursuant to his employment agreement and holds a stock option to purchase 126,000 common shares in the capital of PCS Wireless at \$0.57 per share until January, 2000. See "EXECUTIVE COMPENSATION". Mr. Scobie and Mr. Spratt own, directly or indirectly, 1,526,110 common shares and 877,890 common shares, respectively, in the capital of PCS Wireless, being 6.5% and 3.8%, respectively, of the issued and outstanding common shares.

Through July, 1994, Mr. Sheldon (a director of PCS Wireless since July 21, 1993) received compensation from PCS Wireless indirectly pursuant to the management agreement between PCS Wireless and D.S. Management Ltd. ("DSM"), a company wholly owned by Mr. Sheldon. See "MANAGEMENT OF THE COMPANY - Management Agreement". Thereafter, PCS Wireless paid to Mr. Sheldon directly the sum of \$7,000 per month for consulting services. See "EXECUTIVE COMPENSATION". During the fiscal year ended February 28, 1994, PCS Wireless granted to Mr. Sheldon an option to purchase 339,500 common shares in the capital of PCS Wireless. With Mr. Sheldon's consent, his option was terminated in July, 1994 without having been exercised in whole or in part. Mr. Sheldon owns, directly or indirectly, 777,751 common shares in the capital of PCS Wireless, being 3.3% of the issued and outstanding common shares.

On May 23, 1993, Mr. Sheldon subscribed for 1,000,000 units of PCS Wireless at a price of \$0.40 per unit (both number of units and price per unit adjusted for the April 11, 1994 consolidation of the outstanding common shares of PCS Wireless on a 2 : 1 basis). Each unit consisted of one common share of PCS Wireless and one common share purchase warrant. Each common share purchase warrant entitled the holder to purchase one common share of PCS Wireless at a price of \$0.40 on or before July 2, 1994 and at \$0.46 thereafter and up to and including July 2, 1995. On July 6, 1994, Mr. Sheldon exercised his warrants, purchasing 1,000,000 common shares at the exercise price of \$0.46 per share.

On April 23, 1994, DSM entered into an option agreement (the "Option Agreement") with 757410 Ontario Limited ("757410"), whereby 757410 gave an option to DSM to acquire a 100% interest in seven mining claims in the White River area of Ontario. On August 25, 1994, DSM assigned its interest in this property to PCS Wireless for a reimbursement of the \$25,000 paid by DSM in connection with this option. The Option Agreement required further amounts of cash and common shares to be issued and, if not paid, the Option Agreement would be terminated. In July 1994, PCS Wireless assigned 50% of its interest in the White River claims to Gold Giant Minerals Ltd., a public company of which Mr. Sheldon is President and a director. Since this time, the claims have been abandoned and the Option Agreement has terminated.

OPTIONS, WARRANTS AND CONVERTIBLE SECURITIES

Stock Option Program

Although PCS Wireless has not established a stock option plan for the granting of incentive stock options, it has in the past entered into individual incentive stock option contracts with its executive officers, directors and employees in accordance with the policies of the Vancouver Stock Exchange (the "VSE"). The purpose of granting such options is to assist PCS Wireless in attracting, retaining and motivating executive officers, directors and employees of PCS Wireless and its subsidiaries and to more closely align the personal interests of such executive officers, directors and employees to those of the shareholders.

The policies of the VSE permit the Board of Directors of PCS Wireless to grant options for the purchase of common shares in the capital of PCS Wireless for a term of up to five years. The number of common shares granted pursuant to each option is determined at the discretion of the Board of Directors, provided that the aggregate number of common shares subject to options issued to any one person may not exceed five percent of the issued and outstanding common shares of PCS Wireless and, unless the VSE otherwise permits, the aggregate number of common shares that may be reserved for issuance pursuant to incentive stock options or other employees' stock purchase plans shall not exceed ten percent of the issued and outstanding common shares of PCS Wireless. The option price is determined by the Board of Directors and may not be less than the average closing sale price for the days that the common shares of PCS Wireless traded through the facilities of the VSE within the ten trading days immediately preceding the day the Board of Directors grant and publicly announce the option. All outstanding options granted to officers, directors and employees of the Company may be exercised at any time after the date of grant. The options are not transferable and terminate 30 days after the termination of employment or office. In the event of death, the option is fully exercisable by the optionee's heirs or personal representatives at any time up to one year from the date of death. It is the policy of the VSE that the approval of the shareholders of PCS Wireless be received with respect to the granting of incentive stock options to insiders of the Company.

Incentive Stock Options

The following incentive stock options exercisable into common shares in the capital of PCS Wireless are outstanding as at July 12, 1995:

Holders	Number of Persons	Number of Optioned Shares	Exercise Price	Expiry Date	Market Value per Share on Date of Grant
Executive Officers of the Company	2	300,000	\$0.57	January 11, 2000	\$0.56
	2	300,000 ⁽¹⁾	\$3.08	July 5, 2000	\$2.82
Directors of the Company other than Executive Officers set forth above ⁽²⁾	1	300,000	\$0.50	July 22, 1999	\$0.54
Employees of the Company other than individuals set forth above	5	25,500	\$0.50	July 22, 1999	\$0.54
	1	30,000	\$0.50	October 24, 1999	\$0.60
Any other person or company:	2				
a. J. Kelly Edmison		100,000	\$0.52	February 14, 2000	\$0.48
b. David E. De Witt		50,000	\$0.52	February 14, 2000	\$0.48

- (1) These options vest as to 50% of the optioned common shares on the earlier of July 5, 1996 or a change of control and vest, as to the remaining 50% of the optioned common shares on the earlier of July 5, 1997 or a change of control. These options are subject to regulatory approval.
- (2) The Company has also agreed that it will on July 22, 1996 grant to this director an option to purchase an additional 150,000 common shares. This agreement is subject to certain terms and conditions, approval by the Board of Directors of PCS Wireless and to regulatory approval.

PCS Wireless, Inc.


Consolidated Balance Sheets

	February 28	
	1995	1994
Assets		
Current assets		
Cash	\$ 116,132	\$ 47,252
Accounts receivable	493,107	205,177
Due from related parties (Note 8)	46,516	54,801
Inventories (Note 4)	530,210	157,862
Prepaid expenses	31,820	29,390
	<u>1,217,785</u>	<u>494,482</u>
Capital assets (Note 5)	<u>2,777,074</u>	<u>2,643,302</u>
	<u>\$ 3,994,859</u>	<u>\$ 3,137,784</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,506,873	\$ 1,039,398
Deferred revenue	470,604	103,250
Current portion of obligations under capital leases (Note 9)	89,509	50,313
	<u>2,066,986</u>	<u>1,192,961</u>
Obligations under capital leases (Note 9)	<u>55,500</u>	<u>-</u>
	2,122,486	1,192,961
Shareholders' Equity		
Share capital (Note 6)	13,783,308	10,733,708
Deficit	<u>(11,910,935)</u>	<u>(8,788,885)</u>
	<u>1,872,373</u>	<u>1,944,823</u>
	<u>\$ 3,994,859</u>	<u>\$ 3,137,784</u>
Commitments (Note 7)		
Subsequent events (Note 12)		

Approved by the Board


RALPH SCOBIE

Director


DEREK SPRATT

Director

FCS Wireless, Inc.

Consolidated Statements of Operations and Deficit

	Year ended February 28	
	1995	1994 (Note 1)
Sales	\$ 1,702,066	\$ 318,332
Cost of sales	<u>1,066,585</u>	<u>161,110</u>
	635,481	157,222
Expenses		
General and administrative	1,039,701	645,574
Research and development	1,008,678	213,565
Selling and marketing	718,965	270,988
Amortization	578,753	137,984
Write-down of inventory (Note 4)	<u>411,434</u>	<u>-</u>
	<u>3,757,531</u>	<u>1,268,111</u>
Loss before discontinued operations	(3,122,050)	(1,110,889)
Discontinued operations (Note 10)		
Gain on settlement of debt	-	93,076
Write-down of mineral properties	-	(573,165)
Loss on investment in shares	<u>-</u>	<u>(176,951)</u>
	<u>-</u>	<u>(657,040)</u>
Loss for year	(3,122,050)	(1,767,929)
Deficit, beginning of year	<u>(8,788,885)</u>	<u>(7,020,956)</u>
Deficit, end of year	<u>\$ (11,910,935)</u>	<u>\$ (8,788,885)</u>
Loss per share (Note 2)		
Loss before discontinued operations	<u>\$ (0.17)</u>	<u>\$ (0.11)</u>
Loss for year	<u>\$ (0.17)</u>	<u>\$ (0.17)</u>

PCS Wireless, Inc.

Consolidated Statements of Changes in Financial Position

	Year ended February 28	
	1995	1994
Cash provided by (used in) operating activities		
Operations		
Loss before discontinued operations	\$ (3,122,050)	\$ (1,110,889)
Items not affecting cash		
Amortization	578,753	137,984
Write-down of inventory	411,434	-
	<u>(2,131,863)</u>	<u>(972,905)</u>
Changes in non-cash working capital		
Accounts receivable	(287,930)	(205,177)
Inventories	(783,782)	(157,862)
Prepaid expenses	(2,430)	(29,390)
Accounts payable and accrued liabilities	467,475	1,039,398
Deferred revenue	367,354	103,250
	<u>(239,313)</u>	<u>750,219</u>
	<u>(2,371,176)</u>	<u>(222,686)</u>
Cash provided by (used in) financing activities		
Obligations under capital leases	94,696	50,313
Due from (repayments to) related parties	8,285	(54,801)
Issuance of share capital	3,049,600	4,576,950
	<u>3,152,581</u>	<u>4,572,462</u>
Cash used in investing activities		
Acquisition of capital assets	(712,525)	(2,781,286)
Increase in cash before discontinued operations	68,880	1,568,490
Decrease in cash from discontinued operations	-	(1,508,307)
Increase in cash	68,880	60,183
Cash (bank indebtedness), beginning of year	<u>47,252</u>	<u>(12,931)</u>
Cash, end of year	<u>\$ 116,132</u>	<u>\$ 47,252</u>

PCS Wireless, Inc.

Notes to Consolidated Financial Statements

February 28, 1995 and 1994

1. Nature of operations

The Company was incorporated on March 1, 1988 under the laws of the Province of Ontario.

The Company's principal business activities include the research, development, manufacturing and marketing of distributed antenna array products for use in the wireless personal communications industry.

The Company commenced its principal business activities in October 1993. Prior to this date the Company was involved in the exploration and development of mineral properties (Note 10). Of the Company's deficit of \$11,910,935 at February 28, 1995, \$7,677,996 relates to the Company's discontinued mineral exploration and development business.

In 1995, sales to customers outside Canada comprised \$1,543,385 (1994 - \$318,332), or 91% (1994 - 100%) of the Company's total revenues.

2. Significant accounting policies

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: PCS Wireless Communications, Inc. (formerly 2777321 Canada Ltd.), PCS Microcell International Inc. (Barbados - incorporated October 27, 1993), PCS Wireless (Hong Kong) Limited, and K-3 Development & Mining Co. Ltd.

Revenue recognition

Revenue from the sale of products is recognized at the time the related goods are delivered. Deferred revenue is recorded to the extent that receipts from customers are in excess of products delivered.

Research and development

Research and development costs are expensed as incurred.

Inventories

Inventories of finished products, work-in-process, and materials are valued at the lower of cost, determined on the first-in first-out basis, and net realizable value. Cost of finished goods and work-in-process is based on the cost of material, direct labour, and applied overhead.

Foreign currency translation

Monetary assets and liabilities expressed in foreign currencies are translated into Canadian dollars using the rate of exchange in effect at the balance sheet date. Revenue and expenses are translated into Canadian dollars using the rate of exchange in effect on the dates the transactions occur. Any resulting foreign exchange gains or losses are included in operations in the current year.

Warranties

The Company provides for warranty costs based on management's best estimates of such costs in relation to current product revenues.

Leases

Leases entered into by the Company are classified as either capital or operating leases. Leases that substantially transfer all of the benefits and risks of ownership to the Company are accounted for as capital leases. Rental payments under operating leases are expensed as incurred.

Capital assets and amortization

Capital assets are recorded at cost. Amortization is provided over the estimated useful lives of the assets on the straight-line basis at the following rates:

Computer hardware	30%
Computer software	50%
Furniture and fixtures	20%
Laboratory equipment	30%
Leasehold improvements	over term of premises lease
Office equipment	20%
Assets under capital lease	same rates as corresponding assets
Intellectual property	14%

Intellectual property consists of trade secrets, copyrights, patents, patent applications and customer goodwill, and is owned by the Company's wholly-owned subsidiary, PCS Microcell International Inc.

Loss per share

Loss per Class A common share is calculated on the basis of the weighted average number of Class A common shares outstanding during 1995, 18,363,154 (1994 - 10,325,508), after giving retroactive effect to the April 11, 1994 consolidation of the Company's share capital (Note 6).

3. Acquisitions

In 1994, the Company, through its wholly-owned subsidiaries, PCS Wireless Communications, Inc. and PCS Microcell International Inc., acquired certain property and assets of the PCS Microcell division of Enterprise Technologies Corporation ("ETC"), an unrelated company.

The acquisition of PCS Microcell from ETC is summarized as follows:

Inventory and work-in-process	\$ 84,850
Capital assets	62,044
Intellectual property	2,283,675
Customer deposits	<u>(132,500)</u>
 Total purchase price	 <u>\$2,298,069</u>
 In consideration for:	
Cash	\$1,552,350
Royalties	22,119
Share consideration	<u>723,600</u>
	<u>\$2,298,069</u>

Under the terms of the acquisition agreement, royalties of \$354,281 were payable based on:

- 10% of revenues from operations from July 1, 1993 to December 31, 1995 paid quarterly in arrears; and
- 33% of revenue from the sale or licencing of technology relating to the existing business.

PCS Wireless, Inc.

Notes to Consolidated Financial Statements February 28, 1995 and 1994

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In 1995, the Company recognized the full amount of the royalty payable as an additional cost of the purchase. The entire amount has been allocated to intellectual property.

4. Inventories

	1995	1994
Finished goods	\$ 49,146	\$102,208
Work-in-process	124,890	-
Materials and supplies	356,174	55,654
	<u>\$530,210</u>	<u>\$157,862</u>

In 1995, the Company wrote off \$411,434 of inventory as a result of the cancellation of an order by a customer.

5. Capital assets

1995	Cost	Accumulated amortization	Net
Computer hardware	\$ 285,722	\$ 85,473	\$ 200,249
Computer software	55,748	28,990	26,758
Furniture and fixtures	105,904	18,145	87,759
Laboratory equipment	111,972	32,684	79,288
Leasehold improvements	35,504	13,082	22,422
Office equipment	36,758	7,967	28,791
Assets under capital lease (Note 9)	224,247	44,799	179,448
Intellectual property	2,637,956	485,597	2,152,359
	<u>\$3,493,811</u>	<u>\$716,737</u>	<u>\$2,777,074</u>

1994	Cost	Accumulated amortization	Net
Computer hardware	\$ 210,595	\$ 11,024	\$ 199,571
Computer software	43,988	4,056	39,932
Furniture and fixtures	55,671	1,988	53,683
Laboratory equipment	63,556	6,355	57,201
Leasehold improvements	32,320	1,778	30,542
Office equipment	32,194	1,073	31,121
Assets under capital lease (Note 9)	59,287	2,964	56,323
Intellectual property	2,283,675	108,746	2,174,929
	<u>\$2,781,286</u>	<u>\$137,984</u>	<u>\$2,643,302</u>

PCS Wireless, Inc.

Notes to Consolidated Financial Statements

February 28, 1995 and 1994

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6. Share capital

Authorized

Unlimited Class A common shares
 320,348 Class B non-voting shares, redeemable at \$0.20 per share or convertible into Class A common shares on a 2:1 basis
 Unlimited Class C special shares

Share consolidation

On January 31, 1994, the shareholders resolved to consolidate the Company's issued and outstanding Class A common shares on the basis of two "old" for one "new" Class A common share. This share consolidation became effective April 11, 1994. Issued share capital is presented on a post-consolidation basis.

Issued

	1995		1994	
	Shares	Amount	Shares	Amount
Class A common				
Balance, beginning of year	14,649,407	\$10,671,986	6,451,907	\$ 6,095,036
Issued during year				
For cash				
Private placements (net of expenses)	-	-	7,875,000	4,447,950
Exercise of options	-	-	100,000	40,000
Exercise of warrants	5,000,000	2,300,000	-	-
For other consideration				
Satisfaction of debt	-	-	222,500	89,000
In partial settlement of acquisition	600,000	723,600	-	-
Conversion of Class B shares	195	78	-	-
Issued in consideration for investment	50,000	26,000	-	-
Balance, end of year	20,299,602	13,721,664	14,649,407	10,671,986
Class B non-voting				
Balance, beginning of year	307,543	61,722	307,543	61,722
Conversion to Class A shares	(390)	(78)	-	-
Balance, end of year (Note 12)	307,153	61,644	307,543	61,722
Total, end of year	<u>20,606,755</u>	<u>\$13,783,308</u>	<u>14,956,950</u>	<u>\$10,733,708</u>

PCS Wireless, Inc.

Notes to Consolidated Financial Statements February 28, 1995 and 1994

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Warrants (post-consolidation basis)	Underlying shares	Exercise price
Warrants outstanding, February 28, 1993	-	-
Year ended February 28, 1994 Issued	<u>7,250,000</u>	<u>\$0.40 to \$1.52</u>
Warrants outstanding, February 28, 1994	7,250,000	\$0.40 to \$1.52
Year ended February 28, 1995 Exercised	<u>(5,000,000)</u>	<u>\$0.46</u>
Warrants outstanding, February 28, 1995	<u>2,250,000</u>	<u>\$1.34 to \$1.52</u>

The expiry dates of the warrants range from October 22, 1995 to November 10, 1995.

Stock options (post-consolidation basis)	Underlying shares	Exercise price
Stock options outstanding, February 28, 1993	645,000	\$0.40
Year ended February 28, 1994 Granted	1,339,500	\$1.14 to \$1.66
Exercised	(322,500)	\$0.40
Cancelled or expired	<u>(322,500)</u>	<u>\$0.40</u>
Stock options outstanding, February 28, 1994	1,339,500	\$1.14 to \$1.66
Year ended February 28, 1995 Granted	1,851,000	\$0.50 to \$0.57
Cancelled or expired	<u>(1,339,500)</u>	<u>\$1.14 to \$1.66</u>
Stock options outstanding, February 28, 1995	<u>1,851,000</u>	<u>\$0.50 to \$0.57</u>

The expiry dates of the stock options range from July 22, 1999 to February 14, 2000.

7. Commitments

The Company has entered into an operating lease agreement for office space which expires December 1996. The minimum payments required over the term of the lease are as follows:

1996	\$110,341
1997	<u>91,951</u>
	<u>\$202,292</u>

The Company has also entered into various agreements for the month-to-month rental of test equipment and laboratory and warehouse premises.

PCS Wireless, Inc.

Notes to Consolidated Financial Statements

February 28, 1995 and 1994

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8. Related party transactions

In 1995, the Company paid management and consulting fees totalling \$173,500 (1994 - \$162,900) to directors and companies controlled by directors.

Amounts due from (to) related parties at year-end are as follows:

	1995	1994
Due from directors and officers	\$46,516	\$ 88,729
Due to companies controlled by directors	<u>-</u>	<u>(33,928)</u>
	<u>\$46,516</u>	<u>\$ 54,801</u>

Subsequent to February 28, 1995, the above amount was repaid. In 1995, advances totalling \$430,000 (1994 - \$359,000) were made to the Company by a company controlled by a director. These advances were repaid.

9. Obligations under capital leases

The following is a schedule of the future minimum lease payments under capital leases together with the balance of the obligation under capital leases:

1996	\$101,626
1997	56,809
1998	<u>1,956</u>
	160,391
Less: Amounts representing interest	<u>(15,382)</u>
	145,009
Less: Current portion	<u>(89,509)</u>
	<u>\$ 55,500</u>

The average interest rate implied in the lease obligations is 20%. Interest expense on capital lease obligations amounted to \$9,786 (1994 - \$Nil).

In 1995, amortization expense relating to assets held under capital leases amounted to \$41,835 (1994 - \$2,964).

PCS Wireless, Inc.

Notes to Consolidated Financial Statements February 28, 1995 and 1994

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10. Discontinued operations

During 1994, the Company ceased the exploration and development of mineral properties. In connection with the discontinued operations, the following resulted:

	1994
Gain on settlement of debt	
Accounts payable to various suppliers and creditors for prior years' services were written-off in 1994	<u>\$ 93,076</u>
Write-down of mineral properties	
The carrying values of various mineral properties were written-off in 1994 as the Company no longer had any intention to develop or explore the properties	<u>\$(573,165)</u>
Loss on investment in shares	
Shares acquired in 1993 as proceeds for the sale of a property were sold during 1994:	
Proceeds	\$ 86,585
Cost	<u>(263,536)</u>
	<u>\$(176,951)</u>

Summarized consolidated statement of changes from discontinued operations

	1994
Cash used in operating activities	\$ (413,312)
Cash used in financing activities	(1,146,580)
Cash provided by investing activities	<u>51,585</u>
Decrease in cash from discontinued operations	<u>\$ (1,508,307)</u>

11. Income taxes

The Company has available for carryforward, investment tax credits, non-capital losses and scientific research and experimental development expenditures. The investment tax credits can be used to offset future federal income taxes otherwise payable. The non-capital losses can be used to offset taxable income in future years. The investment tax credits and non-capital losses expire as follows:

	Investment tax credits	Non-capital losses
2001	\$ -	\$ 683,000
2002	-	1,358,000
2004	72,000	-
2005	<u>253,000</u>	<u>-</u>
	<u>\$325,000</u>	<u>\$2,041,000</u>

The Company's scientific research and experimental development expenditures of \$1,173,000 can be carried forward indefinitely and applied against taxable income in future years.

The benefits of the investment tax credits, non-capital losses and scientific research and experimental development expenditures carried forward have not been recognized in the financial statements.

12. Subsequent events

Private placement and filing of prospectus

On April 5, 1995, the Company sold, by way of private placement, 4,600,000 Special Warrants at a price of \$2.35 per Special Warrant for total cash consideration of \$10,810,000. Of this amount, 75%, or \$8,107,500, is being held in trust pending regulatory approval of the Company's prospectus relating to this financing. The balance of \$2,324,000, net of one-half of the agents' commission, was received by the Company subsequent to the year-end.

Each Special Warrant will entitle the holder thereof, upon exercise, to acquire one common share and one-half share purchase warrant. One whole share purchase warrant will entitle the holder to purchase one additional common share at a price of \$3.05 exercisable until December 31, 1996. If a receipt for the Company's prospectus is not obtained by August 3, 1995 from the securities commissions of Ontario, British Columbia and Alberta, the investors will receive 1.1 common shares and 0.55 share purchase warrants upon exercise of each Special Warrant. If a receipt for the Company's prospectus is not obtained by December 1, 1995, the investors will have the option of withdrawing from the private placement of up to 75% of the Special Warrants and receive a refund of the subscription price paid for such Special Warrants withdrawn.

As part of the agents' commission, share purchase warrants were issued to the agents, in May 1995, entitling them to acquire up to 690,000 common shares of the Company until December 31, 1996 at a price of \$2.35 per share.

On July 7, 1995, the Board of Directors of the Company approved the filing of the prospectus, dated July 12, 1995, with the securities commissions of Ontario, British Columbia and Alberta, to qualify the distribution of the 4,600,000 common shares and the 2,300,000 share purchase warrants issuable upon the distribution or deemed distribution of the Special Warrants described above.

Exercise of options and warrants

Subsequent to February 28, 1995, options to purchase 1,045,500 common shares of the Company at prices ranging from \$0.50 to \$0.57 per share were exercised for total proceeds of \$526,250. Warrants to purchase 2,025,000 common shares of the Company at prices ranging from \$1.34 to \$1.52 per share were also exercised for total proceeds of \$2,965,500.

Conversion and redemption of Class B shares

Subsequent to year end, the Company converted 110 Class B non-voting shares into 55 common shares. The remaining 307,043 issued and outstanding Class B shares were then redeemed by the Company on June 30, 1995.

Issue of stock options

Effective July 5, 1995, the Company granted 300,000 options, to purchase common shares of the Company, to certain employees. The options were issued with an exercise price of \$3.08 per share and expire on July 5, 2000.

PCS Wireless, Inc.

Notes to Consolidated Financial Statements February 28, 1995 and 1994

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Continuation under the Company Act of British Columbia

Effective July 6, 1995, the Company was continued out of the jurisdiction of the Business Corporations Act of Ontario into the jurisdiction of the Company Act of British Columbia. The Company was continued with an authorized share capital comprised of common shares only.

CERTIFICATE OF PCS WIRELESS, INC. AND THE PROMOTERS

Dated: July 12, 1995

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part XV of the *Securities Act* (Ontario), Part 7 of the *Securities Act* (British Columbia) and Part 8 of the *Securities Act* (Alberta) and by the respective regulations thereunder.

(Signed) RALPH SCOBIE
Chief Executive Officer

(Signed) DAVID MURPHY
Chief Financial Officer

On behalf of the Board of Directors

(Signed) DEREK SPRATT
Director

(Signed) DONALD R. SHELDON
Director

Promoters

(Signed) RALPH SCOBIE

(Signed) DEREK SPRATT

(Signed) DONALD R. SHELDON

CERTIFICATE OF THE AGENTS

Dated: July 12, 1995

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 XV of the *Securities Act* (Ontario), Part 7 of the *Securities Act* (British Columbia) and Part 8 of the *Securities Act* (Alberta) and by the respective regulations thereunder.

CANACCORD CAPITAL CORPORATION

SPROTT SECURITIES LIMITED

By: (Signed) MICHAEL G. GREENWOOD

By: (Signed) PETER F. GROSSKOPF

The following includes the name of every person or company having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of:

CANACCORD CAPITAL CORPORATION: The MacLachlan Investments Corporation (a company beneficially owned by Peter M. Brown), Channing Investments Corporation (a company beneficially owned by C. Channing Buckland), Dennis N. Burdett, Michael W. Murphy, Petersham Holdings Ltd. (a company beneficially owned by Brian D. Harwood), Douglas W. Varley and Michael G. Greenwood.

SPROTT SECURITIES LIMITED: E.S. Sprott and R.D. Barnes.