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MESA LABORATORIES INC /CO
Form 10KSB
July 01, 2002

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-KSB

ANNUAL REPORT UNDER SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED MARCH 31, 2002

Commission File Number 0-11740

MESA LABORATORIES, INC.

(Name of small business issuer in its charter)

Colorado
(State or other jurisdiction of
incorporation or organization)

84-0872291
(I.R.S. Employer
Identification Number)

12100 West Sixth Avenue Lakewood, Colorado
(Address of principal executive offices)

80228
(Zip Code)

Issuer's telephone number: (303) 987-8000

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, No Par Value
(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15 (d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

State issuer's revenues for its most recent fiscal year: \$9,043,844.

State the aggregate market value of the voting and non-voting equity held by non-affiliates of the Registrant: As of May 31, 2002: \$15,604,709*.

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: No Par Value Common Stock--3,323,476 shares as of May 31, 2002.

Documents incorporated by reference: none.

Transitional Small Business Disclosure Format: Yes ; No X .

* The aggregate market value was determined by multiplying the number of outstanding shares (excluding those shares held of record by officers, directors and greater than five percent shareholders) by \$6.42, the last

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sales price of the Registrant's common stock as of May 31, 2002, such date being within 60 days prior to the date of filing.

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

Introduction

Mesa Laboratories, Inc. (hereinafter referred to as the "Company" or "Mesa") was incorporated as a Colorado corporation on March 26, 1982. The Company designs, develops, acquires, manufactures and markets instruments and systems utilized in connection with industrial applications and hemodialysis therapy. In August 1984, the Company acquired Western Laboratories Corp., a manufacturer and marketer of a line of instruments for use in calibrating hemodialysis proportioning equipment. In June 1989, the Company acquired the DATATRACE(R) product line of Ball Corporation. In February 1993, the Company acquired the assets of NUSONICS, Inc., a manufacturer of ultrasonic flow meters and analyzers. In December 1999, the Company acquired Automata Instrumentation, Inc., a manufacturer and marketer of a line of instruments for use in calibrating and verifying performance of hemodialysis equipment.

The Company presently markets the DATATRACE(R) and ELOGG(R) recording systems which are used in various industrial applications; NUSONICS(R) Concentration Analyzers, Pipeline Interface Detectors and Flow Meter products which are used in various industrial applications; and two product lines used in kidney dialysis [Dialysate Meters and the ECHO Reprocessing Products]. The Company is also performing research and development to expand the application of its technology.

All statements other than statements of historical fact included in this annual report regarding the Company's financial position and operating and strategic initiatives and addressing industry developments are forward-looking statements. Where, in any forward-looking statement, the Company, or its management, expresses an expectation or belief as to future results, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the statement of expectation or belief will result or be achieved or accomplished. Factors which could cause actual results to differ materially from those anticipated, include but are not limited to general economic, financial and business conditions; competition in the data logging market; competition in the kidney dialysis market; competition in the fluid measurement market; the discontinuance of the practice of dialyzer reuse; the business abilities and judgment of personnel; the impacts of unusual items resulting from ongoing evaluations of business strategies; and changes in business strategy.

Mesa's executive offices are located at 12100 West Sixth Avenue, Lakewood, Colorado 80228, telephone (303) 987-8000.

Data Logging

The world market for temperature sensors, indicators and recorders is currently estimated at over \$2 billion and is projected to grow at an annual rate of 4-6% over the next several years. The electronics-based thermal sensor market to which DATATRACE(R) products belong currently exceeds \$100 million.

The temperature and humidity recording markets are highly segmented. DATATRACE(R) products have developed application niches within major industry segments such as food processing, medical sterilization, pharmaceutical processing, transportation, electronics, aerospace, storage facilities and textile manufacturing. DATATRACE(R) products are used in any industry where

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temperature, pressure or humidity is critical to the manufacturing process, quality of the product or where product temperature, pressure or humidity profiles are required in a continuous or moving process environment.

DATATRACE (R) Micropack Tracers, FRB Tracers and Flatpack Tracers

The Micropack Tracer utilizes the latest advances in microcircuitry, power supply and sensor technologies. The instrument is computer based and can be programmed by the user to take and store temperature, temperature and humidity or temperature and pressure readings. A lithium battery is utilized so that the device is completely self-contained and requires no external wires or cables. The devices operate at temperatures from - 40(0)F to 680(0)F and provide both high accuracy and reliability. Late in March 2002, the Company introduced its Micropack III line of Tracers for temperature recording. The Micropack III offers many new features including reduced size, optical data transfer, wider temperature ranges and increased data points. Currently, the Micropack Tracers for temperature are sold with various probe configurations in three temperature ranges: LoTemp(R) which records temperatures from -40(0)F to 185(0)F; Standard Temp(R), which records temperatures from 50(0)F to 302(0)F; and HiTemp(R), which records temperatures from 212(0)F to 680(0)F. The Flatpack Tracer provides the customer with a flat profile instrument in addition to the round Micropack Tracer. The Flatpack Tracer is offered in the same temperature ranges and probe configurations as the Micropack Tracer. Offering the same features but slightly larger than the Micropack Tracer, the FRB Tracer provides users with the ability to replace batteries at their facility, lowering operating cost and down time for factory replacement of the battery. Utilizing the same electronics and FRB Tracer packaging, the Company offers a humidity and temperature version of its FRB Tracer product and a pressure and temperature version of its FRB Tracer product.

The DATATRACE (R) Tracers can be placed completely inside a container or process to provide true time and temperature or time, temperature and humidity, or time, temperature and pressure profiles of manufacturing processes, transportation systems and storage facilities. Optional probe configurations and attachments allow the Tracers to be adapted to a wide variety of applications. By eliminating the need for wires or cable connections, the Tracer greatly reduces set up time while increasing measurement reliability.

DATATRACE (R) PC Interface

The DATATRACE (R) product line also includes PC Interface Modules and system software for user programming of the Tracer instruments for graphics software and displaying and analyzing results. Programming and retrieval of data from the Tracer is achieved by placing the instrument in the PC Interface Module, which is linked to a personal computer. The system's software is menu driven, allowing the operator to quickly and easily program start time and date, sample intervals and run ID. Programming can be accomplished within fifteen seconds by the operator. After a process run, data is retrieved by returning the Tracer to the PC Interface Module and following the menu instructions.

ELOGG (R) Dataloggers

The Company distributes the ELOGG (R) Datalogger product line in North America. The ELOGG (R) line is similar in concept to the DATATRACE (R) line, featuring different benefits to the end-user such as longer battery life, extended memory and humidity logging in certain models. Unlike the DATATRACE (R) products, the ELOGG (R) is a larger device which is not as environmentally resistant and is ideally suited for long-term monitoring applications, such as transportation and warehousing. The ELOGG (R) line also features a PC Interface Module and software for user programming.

Sonic Fluid Measurement

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The Company's sonic fluid measurement product line consists of two major components: Sonic Flow Meters and Concentration Monitors. While the total market for flow meters is very large, the NUSONICS(R) Sonic Flow Meters best serve applications where cleanliness, resistance to corrosives or portability are required. Specific applications where the NUSONICS(R) products are particularly well suited include water treatment, chemical processing and heating, ventilation and air conditioning (HVAC) applications.

The Concentration Monitor component of the product line consists of Pipeline Interface Detectors and Concentration Analyzers. The Pipeline Interface Detector serves a smaller market niche while the Concentration Analyzers serve a wider variety of industry application, such as chemical, food, pharmaceutical and polymerization processes.

NUSONICS(R) Sonic Flow Meters

The Sonic Flow Meter line is a range of products, which are suited to various fluid measurement applications. The Model CM800 Sonic Flow Meter is the Company's main wetted transducer meter. With transducers that are mounted through the pipe wall and in contact with the material flowing through the pipe, it is the most accurate type of ultrasonic flow meter. The Model 90 Sonic Flow Meter features strap-on transducers and is sold in portable and fixed process versions. This product offers flexibility and portability for measuring flow and is totally noninvasive, measuring flow rates through the pipe wall. The Company offers flow measurement products directed toward the heating, ventilation and air conditioning (HVAC) market. The Balance Master Meter is a hand-held portable meter, which quickly plugs into specialized flow stations with window seal ports. This meter allows the plant engineer to quickly read and adjust flow within a building. The CM800 Flow Meter utilizes the same window seal flow stations as the Balance Master to provide continuous flow monitoring for use in energy management systems. In addition, the Company markets Doppler flow meters in both permanent and strap-on transducer models. Unlike the transit-time technology that the Company's other flow products utilize to measure clean fluids with dissolved solids, the Doppler technology is utilized when the fluids to be measured contain either suspended solids or entrained gases. Over the past five years, the ultrasonic flow meter market has shifted preference to strap-on transducer flow meters and has become highly price competitive. While the Company continues to sell its flow meters for certain applications, demand for this product line has contracted and the contribution of this product line has declined to less than 5% of total revenues in fiscal 2002.

NUSONICS(R) Sonic Concentration Analyzers

Liquid composition can be determined by measuring sound velocity. Since the sound velocity of any liquid is unique, the relationship between sound velocity, liquid composition and temperature is different for every liquid. Once the relationship is known, sound velocity can be used to monitor changes in liquid composition, often with much greater precision than can be realized with other measuring devices.

Composition Analyzers are marketed to various industrial users and are currently used to monitor more than 250 different materials. On a real time basis, the analyzer will monitor the composition of materials for process control of blending operations or for tracking the progress of polymerization processes. The CP20 Analyzer is the Company's newest analyzer product. Incorporating state-of-the-art electronic design and a new transducer design, this product offers advanced features, smaller size, reduced manufacturing cost and simpler installation. In addition, the Company also offers its Model 86, Model 87 (a laboratory model) and the Model 88 Composition Meters.

Based on the same technology as the Composition Analyzers, the Company also

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markets Pipeline Interface Detectors to the petroleum pipeline industry. This instrument is used to monitor the interface of similar materials in a pipeline, such as different grades of unleaded fuel. By detecting these interfaces, the pipeline operator can accurately perform switching operations within the pipeline system.

Kidney Hemodialysis Treatment

Patients with kidney failure (known as end stage renal disease, or ESRD) require the removal of toxic waste products and excess water through artificial means. This process is generally performed three times per week and is most often accomplished through the use of hemodialysis.

Hemodialysis requires the treatment to be conducted on a dialysis machine through the use of a disposable cartridge known as a dialyzer. Blood is brought extracorporeally to the dialysis machine for control and monitoring and passes through the dialyzer where waste products and excess water are removed. This treatment generally lasts three to four hours and is conducted three times per week. These hemodialysis procedures are performed in kidney dialysis centers, hospitals and in the home. The bulk of the treatments are conducted in over 3,500 clinics and hospital centers. Currently, there are over 275,000 patients in the U.S. undergoing dialysis therapy.

In addition to the reimbursement policies of the United States Government and state agencies, the Company's revenues from itsdialysis products can be expected to be dependent upon the policies of insurance companies and kidney foundations.

Dialysate Meters

Mesa's Dialysate Meters are instruments that are used to test various parameters of the dialysis fluid (dialysate). Each measures some combination of temperature, pressure, pH and conductivity to ensure that the dialysate has the proper constituency to promote the transfer of waste products from the blood to the dialysate. The meters are used to check the conductivity and other variables of the dialysate before the dialysis process begins. The meters provide a digital readout that the patient, physician or technician uses to verify that the dialysis unit is working within prescribed limits.

The Company's Western Meter product, Model 90DX, measures conductivity, temperature, pressure and pH. Model 90DX is microprocessor-based and features improved accuracy and user convenience and field calibration capabilities.

In December 1999, the Company acquired Automata Instrumentation, Inc. and its line of Dialysate Meters. This line features the NEO-2, Phoenix, Neo-Stat + and Hydra meters. The NEO-2 Meter, introduced in October 1999, is a next generation meter that replaces the Company's NEO-1 Meter and measures conductivity, pressure, temperature and pH. The remaining meters are smaller sample meters utilizing a patented, simple and unique syringe sampling system. With its ease of operation and lower cost, this group of meters is usually utilized by the patient care staff of hemodialysis facilities.

The ECHO MM-1000 Dialyzer Reprocessor

Dialyzer reuse is a procedure in which a patient's dialyzer is cleaned, performance tested and disinfected before it is reused by the same patient. The approximate cost of the dialyzer is \$10-\$40, and each patient requires approximately 156 dialyzers annually if no reuse is employed. Although the Company has not conducted a scientific market survey, it estimates that more than 80% of the hemodialysis patients being treated in centers are involved with reuse programs.

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The ECHO MM-1000 Dialyzer Reprocessor is a fully automated dialyzer reuse machine for which the Company received permission to market from the FDA in June 1982. It automatically cleans, rinses, tests and delivers disinfectants to dialyzers after dialysis therapy, thereby allowing the dialyzer cartridges to be reused rather than disposed of after each use. It is designed to accommodate virtually all manual reprocessing procedures in use today and can be programmed to automate them without extensive modification or rework. Manual procedures have been used to reprocess dialyzers effectively for over 30 years and are the basis of most automated systems in use today. Additionally, the system can be programmed to use prescribed chemicals. The ECHO System is totally self-contained, aside from water and chemicals, and requires no user adjustments.

The Reuse Data Management (RDM) System

The Company markets its Reuse Data Management (RDM) System. The system consists of a custom database management software package, computer system, barcode scanner and label printer. The RDM System is stand alone, and is capable of operating with any reuse method whether automated or manual. Utilizing barcode technology, the RDM System automates much of the data entry involved in the record keeping process of managing reuse, and will provide record keeping and reporting to satisfy both patient management and regulatory requirements.

Manufacturing

The Company assembles its manufactured products at its facility in Lakewood, Colorado. The Company's manufacturing consists primarily of assembling and testing materials and component parts purchased from others.

Most of the materials and components used in the Company's product lines are available from a number of different suppliers. Mesa generally maintains multiple sources of supplies for most items but is dependent on a single source for certain items. Mesa believes that alternative sources could be developed, if required, for present single supply sources. Although the Company's dependence on these single supply sources may involve a degree of risk, to date, Mesa has been able to acquire sufficient stock to meet its production schedules.

Marketing and Distribution

The Company's domestic sales of its dialysis products are generated by its in-house marketing staff while the Company maintains an organization of independent manufacturers' representatives to distribute its DATATRACE(R) and ELOGG(R) product lines. For its NUSONICS(R) product lines, a separate organization of manufacturers' representatives is maintained. International sales are conducted through over 50 distributors. During the fiscal year ended March 31, 2002, approximately 58% of sales have been domestic and 42% have been international to countries throughout Europe, Africa, Australia, Asia and South America, as well as Canada and Mexico.

Sales promotions include attendance by Mesa representatives at conventions, the continuation of direct mail campaigns and trade journal advertising in industry related publications.

Customers of Mesa's dialysis products primarily include dialysis centers and dialysis equipment manufacturers. The primary emphasis of the Company's marketing effort is to offer quality products to the healthcare market, which will aid in cost containment and improved patient well-being.

DATATRACE(R) and ELOGG(R) customers include numerous industrial users who utilize the products within a variety of manufacturing, transportation and storage applications. The emphasis of the Company's marketing effort is to offer a quality product that provides a unique and flexible solution to monitoring

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temperature or humidity without interfering with the processing, transportation or storage of the product.

NUSONICS(R) customers include various industries such as water treatment, manufacturing, HVAC and petroleum product transportation. The Company's marketing efforts are focused on offering flow measurement and concentration monitoring in difficult environments where noninvasive monitoring techniques are required.

During the fiscal year ended March 31, 2002 two customers represented approximately 12% and 11% of the Company's revenues, respectively. At March 31, 2002, these customers represented approximately 28% and 8% of the Company's account receivable balances. During the fiscal year ended March 31, 2001, one customer represented approximately 13% of the Company's revenues. At March 31, 2001 this customer represented approximately 12% of the Company's account receivable balance.

Competition

Mesa competes with major medical and instrumentation companies as well as a number of smaller companies, many of which are well established, with substantially greater capital resources and larger research and development facilities. Furthermore, many of these companies have an established product line and a significant operating history. Accordingly, the Company may be at a competitive disadvantage due to such factors as its limited resources and limited marketing and distribution network.

Companies with which Mesa's medical products compete include Minntech Corporation. Companies with which Mesa's DATATRACE(R) and ELOGG(R) instrumentation products compete include Kaye Instruments, Ellab and Orion. Companies with which Mesa's NUSONICS(R) products compete include Controlotron, Badger Meter, Rosemount, Great Lakes Instruments and Panametrics.

In the area of dialyzer reuse, management believes that the availability of an automated reprocessing system which consistently cleans, rinses and disinfects dialyzers, as well as tests them for physical performance and leaks, can dramatically alter the reuse patterns. Mesa believes that it is the largest supplier of meters used to calibrate hemodialysis equipment, although it has not conducted independent market surveys. The DATATRACE(R) and ELOGG(R) products offer unique solutions to monitoring temperature or humidity and temperature or pressure and temperature through a continuous process or long-term transportation and warehousing applications. Although there are other solutions to temperature, humidity and pressure monitoring available, the DATATRACE(R) products offer a miniaturized, self-contained, environmentally resistant, wireless solution. NUSONICS(R) products offer solutions to monitoring of clean fluids as well as highly corrosive materials, which are either noninvasive or do not disturb the flow of the product through the pipe. NUSONICS(R) products also offer a unique solution to monitoring variations in a fluid's concentration as the fluid passes through a pipeline into or out of a process.

Government Regulation

Medical devices marketed by Mesa are subject to the provisions of the Federal Food, Drug and Cosmetic Act, as amended by the Medical Device Amendments of 1976 (hereinafter referred to as the "Act"). A medical device, which was not marketed prior to May 28, 1976, or is not substantially equivalent to a device marketed prior to that date, may not be marketed until certain data is filed with the FDA and the FDA has affirmatively determined that such data justifies marketing under conditions specified by the FDA. A medical device is defined by the Act as an instrument which (1) is intended for use in the diagnosis or the treatment of disease, or is intended to affect the structure of any function of

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the human body; (2) does not achieve its intended purpose through chemical action; and (3) is not dependent upon being metabolized for the achievement of its principal intended purpose. The Act requires any company proposing to market a medical device to notify the FDA of its intention at least ninety days before doing so, and in such notification must advise the FDA as to whether the device is substantially equivalent to a device marketed prior to May 28, 1976. As of the date hereof, the Company has received permission from the FDA to market all of its medical products.

Mesa's medical products are subject to FDA regulations and inspections, which may be time-consuming and costly. This includes on-going compliance with the FDA's current Good Manufacturing Practices regulations, which require, among other things, the systematic control of manufacture, packaging and storage of products intended for human use. Failure to comply with these practices renders the product adulterated and could subject the Company to an interruption of manufacture and sale of its medical products and possible regulatory action by the FDA.

The manufacture and sale of medical devices is also regulated by some states. Although there is substantial overlap between state regulations and the regulations of the FDA, some state laws may apply. Mesa, however, does not anticipate that complying with state regulations will create any significant problems. Foreign countries also have laws regulating medical devices sold in those countries.

Employees

At March 31, 2002, the Company had a total of 52 employees, of which 50 were full-time employees. Currently, ten persons are employed for marketing, three for research and development, 32 for manufacturing and quality assurance and seven for administration.

Additional Information

For the fiscal years ended March 31, 2002 and 2001, Mesa spent approximately \$289,939 and \$308,166, respectively, on Company-sponsored research and development activities.

Compliance with federal, state and local provisions which have been enacted regarding the discharge of materials into the environment or otherwise relating to the protection of the environment has not had, and is not expected to have, any adverse effect upon capital expenditures, earnings or the competitive position of the Company. Mesa is not presently a party to any litigation or administrative proceedings with respect to its compliance with such environmental standards. In addition, the Company does not anticipate being required to expend any significant capital funds in the near future for environmental protection in connection with its operations.

The Company has been issued patents for its DATATRACE(R)temperature recording devices, its NUSONICS(R)sonic flow measurement and sonic concentration monitoring products and its Automata dialysis meters. Failure to obtain patent protection on the Company's remaining products may have a substantially adverse effect upon the Company since there can be no assurance that other companies will not develop functionally similar products, placing the Company at a competitive disadvantage. Further, there can be no assurance that patent protection will afford protection against competitors with similar inventions, nor can there be any assurance that the patents will not be infringed or designed around by others. Moreover, it may be costly to pursue and to prosecute patent infringement actions against others, and such actions could interfere with the business of the Company.

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ITEM 2. DESCRIPTION OF PROPERTY.

Mesa owns its 39,616 square foot facility at 12100 W. 6th Avenue, Lakewood, Colorado 80228. All manufacturing, warehouse, marketing, research and administrative functions are based at this location. The facility is approximately 80% utilized and the Company currently utilizes only one shift.

The Company does not invest in, and has not adopted any policy with respect to investments in, real estate or interests in real estate, real estate mortgages or securities of or interests in persons primarily engaged in real estate activities. It is not the Company's policy to acquire assets primarily for possible capital gain or primarily for income.

ITEM 3. LEGAL PROCEEDINGS.

No material legal proceedings to which the Company is a party or to which any of its property is the subject are pending, and no such proceedings are known by the Company to be contemplated. The Company is not presently a party to any litigation or administrative proceedings with respect to its compliance with federal, state and local provisions which have been enacted regarding the discharge of materials into the environment or otherwise relating to the protection of the environment and no such proceedings are known by the Company to be contemplated. No legal actions are contemplated nor judgments entered against any officer or director of the Company concerning any matter involving the business of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

The Annual Meeting of Shareholders of Mesa Laboratories, Inc. was held on March 14, 2002. Of the 3,334,169 Shares entitled to vote, 2,952,522 were represented either in person or by proxy. Four Directors were elected to serve until the next Annual Meeting of Shareholders.

The four directors elected were:

	FOR ---	WITHHELD -----
Michael T. Brooks	2,938,724	13,798
H. Stuart Campbell	2,941,624	10,898
Paul D. Duke	2,924,524	27,998
Luke R. Schmieder	2,929,524	22,998

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

(a) Mesa's common stock is traded on the NASDAQ National Market under the symbol "MLAB". For the last two fiscal years, the high and low last sales prices of the Company's common stock as reported to the Company by the National Association of Securities Dealers, Inc. were as follows:

Quarter Ended -----	High ----	Low ---
June 30, 2000	6.25	4.1875
September 30, 2000	7.00	5.25
December 31, 2000	6.75	5.375
March 31, 2001	6.50	5.125

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Quarter Ended -----	High ----	Low ---
June 30, 2001	5.15	4.80
September 30, 2001	4.80	4.20
December 31, 2001	6.22	4.66
March 31, 2002	7.70	6.01

The NASDAQ National Market quotations set forth herein reflect inter-dealer prices, without retail mark-up, markdown, or commission and may not represent actual transactions.

- (b) As of March 31, 2002, there were approximately 1,200 record and beneficial holders of Mesa's common stock.
- (c) The Company has not declared or paid any dividends to date.
- (d) During the fiscal year ended March 31, 2002, the Company did not sell any equity securities that were not registered under the Securities Act of 1933, as amended.

For information regarding securities authorized for issuance under our equity compensation plans, please see Note 7 to the financial statements.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

Results of Operations

Fiscal Year 2002 Compared to Fiscal Year 2001

Net Sales

Net sales for fiscal 2002 decreased less than one percent from fiscal 2001. In real dollars, net sales of \$9,043,844 in fiscal 2002 decreased \$56,119 from \$9,099,963 in 2001. Net sales decreased in fiscal 2002 due to lower Datatrace sales, which were mostly offset by higher medical product sales. A weak economy in the United States, the tragedies that occurred in September, 2001 and a strong US dollar in comparison to key foreign currencies all had a negative impact on Datatrace product sales in fiscal 2002. Overall, medical product sales were stronger during fiscal 2002. Medical sales were helped by a key sale during the year into the South American market, which resulted in over \$800,000 of sales of Dialysate Meters and ECHO Reprocessors.

Cost of Sales

Cost of sales as a percent of net sales in fiscal 2002 increased one percent from fiscal 2001 to 40.4%. During fiscal 2002 medical product sales continued to grow as a percentage of the overall sales mix. Gross margins for the medical products tend to be lower than the Datatrace products, which led to a small increase in cost of goods as a percentage of sales during the year.

Selling, General and Administrative

Selling costs increased 7% from fiscal 2001 to fiscal 2002. In real dollars, selling expenses increased \$80,445 to \$1,224,835 in fiscal 2002 from \$1,144,390 in fiscal 2001. The increase in selling expenses in fiscal 2002 was due to increases in Medical and Datatrace selling expenses, which were partially offset by a decrease in Nusonics expenses. The increases in Datatrace selling expenses were due chiefly to increased compensation costs during the year.

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General and administrative expenses were \$934,536 in fiscal 2002 and \$1,252,812 in fiscal 2001, which represents a \$318,276 or 25% decrease from fiscal 2001 to fiscal 2002. Decreased costs in fiscal 2002 were due to the elimination of goodwill amortization in accordance with new accounting standards implemented during the year. This elimination of expense was partially offset by increased consulting and business development costs.

Research and Development

Company sponsored research and development cost \$289,939 in fiscal 2002 and \$308,166 in fiscal 2001, which represents a 6% decrease from year to year. The decrease in fiscal 2002 was due to lower compensation and material costs for the year due to a decrease in permanent staff during the year. This decrease in compensation costs was partially offset by increased consulting expense as specialized portions of projects were outsourced.

Net Income

Net income increased to \$2,030,947 or \$.59 per share on a diluted basis in fiscal 2002 from \$1,832,268 or \$.49 per share on a diluted basis in fiscal 2001. Fiscal 2002 profits increased 11% from 2001 levels, due chiefly to the elimination of amortization expense during the year. Diluted per share profits grew 20% from year to year due to the higher net income and lower average shares outstanding. The lower shares outstanding were due to the Company's continuing share buy back program. The elimination of amortization also lowered the Company's net income tax rate for the fiscal year, due to the fact that most of these expenses were not tax deductible.

Fiscal Year 2001 Compared to Fiscal Year 2000

Net Sales

Net sales for fiscal 2001 increased 5% from fiscal 2000. In real dollars, net sales of \$9,099,963 in fiscal 2001 increased \$444,632 from \$8,655,331 in 2000. Net sales increase in fiscal 2001 was due to an increase in sales resulting from the acquisition of Automata Instrumentation, Inc. on December 7, 1999. This increase was offset by declines in Datatrace and Nusonics products. Sales of Datatrace products declined over 20% during fiscal 2001. While the worldwide market for capital goods was weak, these products were significantly hurt by the decrease in the value of the EURO in comparison to the Dollar, which made the product more expensive in the European market during fiscal 2001. The market in Japan was also softer for these products during the year adding to the decline in international sales. The decline in Nusonics products was almost identical to the decline in Datatrace products during fiscal 2001, but reflects the declining investment in our flow meter products.

Cost of Sales

Cost of sales as a percent of net sales in fiscal 2001 increased 3.2% from fiscal 2000 to 39.4%. There were two main factors, which impacted this increase during fiscal 2001. Incorporation of the Automata products into the sales mix for the full year had a slightly negative impact on the Company's mix of product gross margins. The decline in Datatrace product sales during the year had a further negative impact on the Company's sales mix, since these products currently provide our highest gross margin by product.

Selling, General and Administrative

Selling costs in 2001 decreased 12% from fiscal 2000. In dollars, selling costs declined \$149,630 to \$1,144,390 in fiscal 2001 from \$1,294,020 in fiscal 2000. The decrease in selling expense during fiscal 2001 was due chiefly to a reduction in outside commission expenses. Decreases in sales of Datatrace and

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Nusonics products, which are sold primarily through independent sales representatives, led to a significant decrease in commissions. Increased medical product sales, which are primarily sold through direct sales personnel, led to higher salesperson commissions for the year, but these were partially off-set by lower bonuses.

General and administrative expenses were \$1,252,812 in fiscal 2001 and \$1,099,585 in fiscal 2000, which represents a \$153,227 or 14% increase from fiscal 2000 to fiscal 2001. During fiscal 2001, increased amortization expense was incurred due to the Automata acquisition in fiscal 2000. The newly implemented 401 (k) plan also increased benefit expenses. These costs were partially offset by decreased acquisition costs.

Research and Development

Company sponsored research and development cost \$308,166 in fiscal 2001 and \$281,651 in fiscal 2000, which represents a 9% increase from year to year. Increases in compensation and materials costs accounted for the increase in expense during fiscal 2001. Current projects in development during the fiscal year include a new generation Datatrace instrument, enhancements to the Datatrace user software and feasibility work on a new meter product for the dialysis market.

Net Income

Net income decreased to \$1,832,268 or \$.49 per share on a diluted basis in fiscal 2001 from \$2,106,619 or \$.55 per share on a diluted basis in fiscal 2000. The decrease in net income during fiscal 2001 was partially due to the changes in product mix highlighted in the Cost of Goods Sold section of this report. Additionally, higher amortization expense and increased charges against accounts receivable, inventory and fixed assets were taken during the year, which did not recur, in fiscal 2002.

Liquidity and Capital Resources

On March 31, 2002, the Company had cash and short-term investments of \$3,461,978. In addition, the Company had other current assets totaling \$5,137,405 and total current assets of \$8,599,383. Current liabilities of Mesa Laboratories, Inc. were \$500,705, which resulted in a current ratio of 17:1. For comparison purposes at March 31, 2001, Mesa had cash and short-term investments of \$2,316,769, other current assets of \$5,822,592, total current assets of \$8,139,361, current liabilities of \$860,715 and a current ratio of 9:1.

Mesa has made capital acquisitions of \$41,824 during fiscal 2002 and \$80,053 during fiscal 2001. The Company has instituted a program to repurchase up to 500,000 shares of its outstanding common stock. Under the plan, the shares may be purchased from time to time in the open market at prevailing prices or in negotiated transactions off the market. Shares purchased will be canceled and repurchases will be made with existing cash reserves.

Forward Looking Statements

All statements other than statements of historical fact included in this annual report regarding the Company's financial position and operating and strategic initiatives and addressing industry developments are forward-looking statements. Where, in any forward-looking statement, the Company, or its management, expresses an expectation or belief as to future results, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the statement of expectation or belief will result or be achieved or accomplished. Factors which could cause actual results to differ materially from those anticipated, include but are not limited to general economic, financial and business conditions;

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competition in the data logging market; competition in the kidney dialysis market; competition in the fluid measurement market; the discontinuance of the practice of dialyzer reuse; the business abilities and judgment of personnel; the impacts of unusual items resulting from ongoing evaluations of business strategies; and changes in business strategy. We do not intend to update these forward-looking statements. You are advised to review the "Additional Cautionary Statements" section below for more information about risks that could affect the financial results of Mesa Laboratories, Inc.

Additional Cautionary Statements

We Face Intense Competition

The markets for some of our current and potential products are intensely competitive. We face competition from companies that possess both larger sales forces and possess more capital resources. In addition, there are growing numbers of competitor for certain of our products.

Our Growth Depends on Introducing New Products and the Efforts of Third Party Distributors

Our growth depends on the acceptance of our products in the marketplace, the penetration achieved by the companies, which we sell to, and rely on, to distribute and represent our products, and our ability to introduce new and innovative products that meet the needs of the various markets we serve. There can be no assurance that we will be able to continue to introduce new and innovative products or that the products we introduce, or have introduced, will be widely accepted by the marketplace, or that the companies which we contract with to distribute and represent our products will continue to successfully penetrate our various markets. Our failure to continue to introduce new products or gain wide spread acceptance of our products would adversely affect our operations.

We Depend on Attracting New Distributors and Representatives for Our Products

In order to successfully commercialize our products in new markets, we will need to enter into distribution arrangements with companies that can successfully distribute and represent our products into various markets.

Our Products are Extensively Regulated Which Could Delay Product Introduction or Halt Sales

The process of obtaining and maintaining required regulatory approvals is lengthy, expensive and uncertain. Although we have not experienced any substantial regulatory delays to date, there is no assurance that delays will not occur in the future, which could have a significant adverse effect on our ability to introduce new products on a timely basis. Regulatory agencies periodically inspect our manufacturing facilities to ascertain compliance with "good manufacturing practices" and can subject approved products to additional testing and surveillance programs. Failure to comply with applicable regulatory requirements can, among other things, result in fines, suspensions of regulatory approvals, product recalls, operating restrictions and criminal penalties. While we believe that we are currently in compliance, if we fail to comply with regulatory requirements, it could have an adverse effect on our results of operations and financial condition.

We May be Unable to Effectively Protect Our Intellectual Property

Our ability to compete effectively depends in part on developing and maintaining the proprietary aspects of our technology and processes. We cannot assure you that the patents we have obtained, or any patents we may obtain, will provide any competitive advantages for our products. We also cannot assure you

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that those patents will not be successfully challenged, invalidated or circumvented in the future. In addition, we cannot assure you that competitors, many of which have substantial resources and have made substantial investments in competing technologies, have not already applied for or obtained, or will not seek to apply for or obtain, patents that will prevent, limit or interfere with our ability to make, use and sell our products either in the United States or in international markets. Patent applications are maintained in secrecy for a period after filing. We may not be aware of all of the patents and patent applications potentially adverse to our interests.

We May Have Product Liability Claims

Our products involve a risk of product liability claims. Although we maintain product liability insurance at coverage levels, which we believe are adequate, there is no assurance that, if we were to incur substantial liability for product liability claims, insurance would provide adequate coverage against such liability.

Our Operating Results May Fluctuate

Our results of operations may fluctuate significantly from quarter to quarter based on numerous factors including the following:

- * the introduction of new products;
- * the level of market acceptance of our products;
- * achievement of research and development milestones;
- * timing of the receipt of orders from, and product shipment to major customers;
- * timing of expenditures;
- * delays in educating and training our distributors' and representatives' sales forces;
- * manufacturing or supply delays;
- * product returns; and
- * receipt of necessary regulation approval.

Changing Industry Trends May Affect Operating Results

Various changes within the industries we serve may limit future demand for our products and may include the following:

- * increasing usage of single use dialyzers;
- * changes in dialysis reimbursements; and
- * increased availability of donated organs.

ITEM 7. FINANCIAL STATEMENTS.

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders
Mesa Laboratories, Inc.
Lakewood, Colorado

We have audited the accompanying balance sheets of Mesa Laboratories, Inc. as of March 31, 2002 and 2001, and the related statements of income, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mesa Laboratories, Inc. as of March 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended, in conformity with auditing standards generally accepted in the United States of America.

/s/ Ehrhardt Keefe Steiner & Hottman PC
Ehrhardt Keefe Steiner & Hottman PC

April 30, 2002
Denver, Colorado

MESA LABORATORIES, INC. BALANCE SHEETS

ASSETS	March 31,	
	2002	2001
	-----	-----
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,461,978	\$ 2,316,769
Accounts receivable -		
Trade, net of allowance for doubtful		
accounts of \$50,000 (2002) and (2001)	2,288,719	3,232,706
Other	7,305	53,631
Inventories	2,443,091	2,402,847
Prepaid expenses	296,512	27,508

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Deferred income taxes	101,778	105,900
	-----	-----
TOTAL CURRENT ASSETS	8,599,383	8,139,361
PROPERTY, PLANT AND EQUIPMENT, net	1,398,398	1,471,662
OTHER ASSETS:		
Other long-term assets	231,000	-
Goodwill	4,207,942	4,207,942
	-----	-----
	\$ 14,436,723	\$ 13,818,965
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable, trade	\$ 88,894	\$ 353,519
Accrued salaries and payroll taxes	310,272	267,964
Accrued warranty expense	30,000	12,000
Other accrued liabilities	36,878	96,771
Taxes payable	34,661	130,461
	-----	-----
TOTAL CURRENT LIABILITIES	500,705	860,715
LONG TERM LIABILITIES:		
Deferred income taxes	41,744	25,292
COMMITMENTS		
STOCKHOLDERS' EQUITY:		
Preferred stock, no par value; authorized 1,000,000 shares; none issued	-	-
Common stock, no par value; authorized 8,000,000 shares; issued and outstanding, 3,342,376 (2002) and 3,542,160 (2001)	1,791,758	2,165,549
Retained earnings	12,102,516	10,767,409
	-----	-----
	13,894,274	12,932,958
	-----	-----
	\$ 14,436,723	\$ 13,818,965
	=====	=====

See notes to financial statements.

STATEMENTS OF INCOME

	Year Ended March 31,	
	2002	2001
	-----	-----
Sales	\$ 9,043,844	\$ 9,099,963
Cost of sales	3,652,435	3,588,266
	-----	-----
Gross profit	5,391,409	5,511,697
	-----	-----
Operating expenses:		

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Selling	1,224,835	1,144,390
General and administrative	934,536	1,252,812
Research and development	289,939	308,166
	-----	-----
Total operating expenses	2,449,310	2,705,368
	-----	-----
Operating income	2,942,099	2,806,329
Interest income	78,511	146,474
Other expense	-	(75,511)
	-----	-----
Earnings before income taxes	3,020,610	2,877,292
Income taxes	989,663	1,045,024
	-----	-----
Net income	\$ 2,030,947	\$ 1,832,268
	=====	=====
Reported net income	\$ 2,030,947	\$ 1,832,268
Add back: Goodwill amortization	-	359,568
	-----	-----
Adjusted net income	\$ 2,030,947	\$ 2,191,836
	=====	=====
Basic earnings per share:		
Reported net income	\$.60	\$.50
Goodwill amortization	-	.09
	-----	-----
Adjusted net income per share (basic)	\$.60	\$.59
	=====	=====
Diluted earnings per share:		
Reported net income	\$.59	\$.49
Goodwill amortization	-	.10
	-----	-----
Adjusted net income per share (diluted)	\$.59	\$.59
	=====	=====
Average common shares outstanding - basic	3,407,649	3,694,356
	=====	=====
Average common shares outstanding - diluted	3,452,159	3,722,317
	=====	=====

See notes to financial statements.

STATEMENT OF STOCKHOLDERS' EQUITY

Common Stock		Retained Earnings	T
Number of Shares	Amount		Sto
-----	-----	-----	E

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BALANCE, March 31, 2000	3,787,476	\$ 2,687,087	\$ 9,912,377	\$ 1
Common stock issued for the conversion of incentive stock options net of shares returned to Company as payment	29,135	42,608	-	
Purchase and retirement of treasury stock	(274,451)	(564,146)	(977,236)	(
Net income for the year	-	-	1,832,268	
	-----	-----	-----	-----
BALANCE, March 31, 2001	3,542,160	2,165,549	10,767,409	1
Common stock issued for the conversion of incentive stock options net of shares returned to Company as payment	13,995	27,909	-	
Purchase and retirement of treasury stock	(213,779)	(401,700)	(695,840)	(
Net income for the year	-	-	2,030,947	
	-----	-----	-----	-----
BALANCE, March 31, 2002	3,342,376	\$ 1,791,758	\$ 12,102,516	\$ 1
	=====	=====	=====	=====

See notes to financial statements.

STATEMENTS OF CASH FLOWS

	Year Ended March 31,	
	2002	2001
	-----	-----
Cash flows from operating activities:		
Net income	\$ 2,030,947	\$ 1,832,268
Depreciation and amortization	115,088	521,686
Loss on disposal of assets	-	76,971
Provision for bad debts	-	(20,000)
Provision for warranty reserve	18,000	(13,000)
Provision for inventory reserve	(40,000)	60,000
Deferred income taxes	20,574	(107,136)
Change in assets and liabilities-		
(Increase) decrease in accounts receivable	759,313	(880,534)
(Increase) decrease in inventories	(244)	(501,792)
(Increase) decrease in prepaid expenses	(269,004)	10,823
Increase (decrease) in accounts payable, trade	(264,625)	181,545
Increase (decrease) in accrued liabilities and taxes payable	(113,385)	(114,944)
	-----	-----
Net cash provided by operating activities	2,256,664	1,045,887

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Cash flows from investing activities:		
(Capital expenditures)	(41,824)	(80,053)
Net cash (used) provided by investing activities	(41,824)	(80,053)
Cash flow from financing activities:		
Net proceeds from issuance of stock	27,909	42,608
Common stock repurchases	(1,097,540)	(1,541,382)
Net cash (used) provided by financing activities	(1,069,631)	(1,498,774)
Net increase (decrease) in cash and cash equivalents	1,145,209	(532,940)
Cash and cash equivalents at beginning of year	2,316,769	2,849,709
Cash and cash equivalents at end of year	\$ 3,461,978	\$ 2,316,769
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Income taxes	\$ 1,366,200	\$ 1,142,500
Interest	\$ -	\$ 1,459

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

General - Mesa Laboratories, Inc. was incorporated under the laws of the State of Colorado on March 26, 1982, for the purpose of designing, manufacturing and marketing electronic instruments and supplies.

Concentration of Credit Risk - Financial instruments which potentially subject the Company to concentrations of credit risk consist of money market funds and accounts receivable. The Company invests primarily all of its excess cash in money market funds administered by reputable financial institutions, debt instruments of the U.S. government and its agencies and grants credit to its customers who are located throughout the United States and several foreign countries. To reduce credit risk, the Company periodically evaluates the money market fund administrators and performs credit analysis of customers and monitors their financial condition. Additionally, the Company maintains cash balances in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

During the fiscal year ended March 31, 2002 two customers represented approximately 12% and 11% of the Company's revenues, respectively. At March 31, 2002, these customers represented approximately 28% and 8% of the Company's account receivable balances. During the fiscal year ended March 31, 2001, one customer represented approximately 13% of the Company's revenues. At March 31, 2001 this customer represented approximately 12% of the Company's account

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receivable balance.

Cash Equivalents - Cash equivalents include all highly liquid investments with an original maturity of three months or less.

Inventories - Inventories are stated at the lower of cost or market, using the first-in, first-out method (FIFO) to determine cost.

Property, Plant and Equipment - Property, plant and equipment is stated at acquisition cost. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of three to thirty-nine years.

Goodwill and Business Combinations - Goodwill resulted from the acquisitions of Nusonics, Datatrace and Automata. In July 2001, the FASB issued SFAS Nos. 141 and 142 " Business Combinations " and " Goodwill and other Intangible Assets ". Statement 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Under the guidance of Statement 142, goodwill is no longer subject to amortization over its estimated useful life. Rather, goodwill will be subject to at least an annual assessment for impairment by applying a fair value base test. The Company adopted these statements as of April 1, 2001. Further the Company recorded no amortization expense on goodwill for the year ended March 31, 2002. Goodwill was tested for impairment at the time of adoption and in the fourth quarter. No impairment was recorded as the fair value of the reporting unit exceeded its carrying value. As a result of Statement 142, the Company will no longer be recognizing approximately \$360,000 in annual amortization expense related to goodwill. The effect of adopting statement 142 on reported net income exclusive of amortization expense (including any related tax effects) for the year ended March 31, 2001, is shown in the Statement of Operations.

Revenue Recognition - The Company recognizes revenues at the time products are shipped.

Research & Development Costs - Costs related to research and development efforts on existing or potential products are expensed as incurred.

Accrued Warranty Expense - The Company provides limited product warranty on its products and, accordingly, accrues an estimate of the related warranty expense at the time of sale.

Earnings Per Share - Basic earnings per share is calculated using the average number of common shares outstanding. Diluted earnings per share is computed on the basis of the average number of common shares outstanding plus the effect of outstanding stock options using the treasury stock method, which totaled 102,741 and 27,961 additional shares in 2002 and 2001, respectively.

Valuation of Long-Lived Assets - The Company assesses valuation of long-lived assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of. The Company periodically evaluates the carrying value of long-lived assets to be held and used when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America

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requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs - Advertising costs are expensed as incurred. Advertising costs for the years ended March 31, 2002 and 2001 were \$121,539 and \$103,824, respectively.

Fair Value of Financial Instruments - The carrying amount of financial instruments including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximated fair value as of March 31, 2002 because of the relatively short maturity of these instruments.

Recently Issued Accounting Pronouncements - In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 requires the fair value of a liability for an asset retirement obligation to be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. SFAS No. 143 is effective for the Company for fiscal years beginning after June 15, 2002. The Company believes the adoption of this statement will have no material impact on its consolidated financial statements.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 requires that those long-lived assets be measured at the lower of carrying amount or fair value, less cost to sell, whether reported in continuing operations or discontinued operations. Therefore, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. SFAS No. 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001 and, generally, is to be applied prospectively.

2. Inventories:

Inventories consist of the following:

	March 31,	
	2002	2001
	-----	-----
Raw materials	\$ 1,909,568	\$ 1,962,241
Work-in-process	291,607	298,470
Finished goods	291,916	232,136
Less reserve	(50,000)	(90,000)
	-----	-----
	\$ 2,443,091	\$ 2,402,847
	=====	=====

Work-in-process and finished goods include raw materials, direct labor and manufacturing overhead at March 31, 2002 and 2001.

3. Property, Plant and Equipment:

Property, plant and equipment consist of the following:

March 31,

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	2002	2001
Land	\$ 148,104	\$ 148,104
Building	1,247,010	1,247,010
Manufacturing equipment	1,179,073	1,166,885
Computer equipment	262,908	234,386
Furniture and fixtures	74,382	73,268
	2,911,477	2,869,653
Less accumulated depreciation	(1,513,079)	(1,397,991)
	\$ 1,398,398	\$ 1,471,662
	=====	=====

4. Income Taxes:

The components of the provision for income taxes for the years ended March 31, 2002 and 2001 are as follows:

	March 31,	
	2002	2001
Current tax provision:		
Federal	\$ 853,498	\$ 1,019,683
State	116,386	132,477
	969,884	1,152,160
Deferred tax provision:		
Federal	17,405	(12,318)
State	2,374	(94,818)
	19,779	(107,136)
	\$ 989,663	\$ 1,045,024
	=====	=====

Deferred taxes result from temporary differences in the recognition of income and expenses for financial and income tax reporting purposes and differences between the fair value of assets acquired in business combinations accounted for as a purchase and their tax bases. The components of net deferred tax assets and liabilities as of March 31, 2002 and 2001 are as follows:

	March 31,	
	2002	2001
Depreciation and amortization	\$ (41,744)	\$ (25,292)
Accrued vacation	50,306	44,158
Bad debt expense	17,000	17,000
Obsolete inventory	17,000	30,600
Warranty reserve	10,200	4,080
Other	7,272	7,272

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Deferred service cost	-	2,790
	-----	-----
Net deferred (liability)/asset	\$ 60,034	\$ 80,608
	=====	=====

A reconciliation of the Company's income tax provision for the years ended March 31, 2002 and 2001, and the amounts computed by applying statutory rates to income before income taxes is as follows:

	March 31,	
	2002	2001
	-----	-----
Income taxes at statutory rates	\$ 935,358	\$ 1,012,400
State income taxes, net of federal benefit	118,760	148,224
Foreign sales corporation exemption	(64,455)	(115,600)
	-----	-----
	\$ 989,663	\$ 1,045,024
	=====	=====

5. Stock Repurchase:

The Company has instituted a program to repurchase up to 500,000 shares of its outstanding common stock. Under the program, shares may be purchased from time to time in the open market at prevailing prices or in negotiated transactions off the market. Shares purchased will be cancelled and repurchase of shares will be funded through existing cash reserves.

6. Employee Benefit Plan:

The Company adopted a 401(k) plan effective January 1, 2000. Participation is voluntary and employees are eligible to participate at age 21 and after six months of employment with the Company. The Company matches 50% of the employee's contribution up to 6% of the employee's salary.

A participant vests in the Company's contributions at a rate of 25% per year, fully vesting at the end of the participant's fourth year of service. The Company contributed \$44,906 to the plan for fiscal 2002, and \$44,583 for fiscal 2001.

7. Stockholders' Equity:

The State of Colorado has eliminated the ability of Colorado corporations to retain treasury stock. As a result, the Company reduced common stock to its average share value and further reduced retained earnings for the remainder of the cost of treasury stock acquired in each fiscal year.

The Company has adopted incentive stock option plans for the benefit of the Company's key employees, excluding its outside directors. Under the terms of the plans, options are granted at an amount not less than 100% of the bid price of the underlying shares at the date of grant. The options are exercisable for a term of five years and, during such term, may be exercised as follows: 25% after each year, and 100% anytime after the fourth year until the end of the fifth year.

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On October 3, 1996, the Company adopted a nonqualified performance stock option plan for the benefit of the Company's outside Directors. The plan provides that the outside Directors will receive grants to be determined and approved by the Company's inside Directors and not to exceed 20,000 options per year per director. Under the terms of the plan, the options are exercisable for a term of ten years and, during such term are exercisable as follows: 25% after each year, and 100% anytime after the fourth year until the end of the tenth year. The purchase price of the common stock will be equal to 100% of the closing price of the common stock on the over-the-counter market on the date of grant.

On October 21, 1999, the Company adopted a new stock compensation plan. The purpose of the plan is to encourage ownership of the Common Stock of the Company by certain officers, directors, employees and certain advisors of the Company in order to provide incentive to promote the success and business of the Company. A total of 300,000 shares of Common Stock have been reserved for issuance under the plan and are subject to terms as set by the Compensation Committee of the Board of Directors at the time of grant.

All option plans have been approved by the shareholders of the Company.

The following is a summary of options granted under the plans:

	FY 2002		FY 2001	
	WEIGHTED - AVG EXERCISE		WEIGHTED - AVG EXERCISE	
	SHARES	PRICE	SHARES	PRICE
Options outstanding at beginning of year	308,000	\$4.97	336,852	\$5.05
Options granted	94,300	\$4.56	91,400	\$5.29
Options cancelled	(25,809)	\$5.25	(103,952)	\$5.67
Options exercised	(48,456)	\$4.85	(16,300)	\$3.94
	-----	-----	-----	-----
Options outstanding at end of year	328,035	\$4.85	308,000	\$4.97
	=====	=====	=====	=====
Options exercisable at end of year	120,110	\$5.00	105,600	\$4.84
Shares available for future option grant	271,395		343,834	

The following is a summary of information about stock options outstanding as of March 31, 2002:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding as of 3/31/02	Weighted - Average Remaining Contractual Life in Years	Weighted - Average Exercise Price	Number Exercisable as of 03/31/02	Weighted - Average Exercise Price
\$3.75 - \$4.25	71,035	4.2	\$3.85	37,485	\$3.88
\$4.55	90,200	5.1	\$4.55	-	-
\$4.56 - \$5.25	61,900	3.1	\$5.01	29,875	\$5.00

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\$5.50	57,650	4.5	\$5.50	15,975	\$5.50
\$5.75 - \$7.00	47,250	1.7	\$5.91	36,775	\$5.93
-----	-----	----	-----	-----	-----
\$3.75 - \$7.00	328,035	4.0	\$4.85	120,110	\$5.00
=====	=====	=====	=====	=====	=====

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation cost has been recognized for the stock option plans. Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant date for awards in 2002 and 2001 consistent with the provisions of SFAS No. 123, the Company's net earnings and earnings per share would have been reduced to the pro forma amount indicated below:

	March 31,	
	2002	2001
	-----	-----
Net income - as reported	\$ 2,030,947	\$ 1,832,268
Net income - pro forma	\$ 1,868,798	\$ 1,641,487
Income per diluted share - as reported	\$.59	\$.49
Income per diluted share - pro forma	\$.54	\$.44

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants: dividend yield of 0%; expected volatility of approximately 30%; discount rate of 4.9% (2002) and 6.3% (2001); and expected lives of 5 years.

8. International Sales:

For the past two fiscal years, the Company had foreign sales as follows:

	Year Ended March 31,	
	2002	2001
	-----	-----
Asia	\$ 866,995	\$ 959,493
Europe	1,151,233	1,181,205
South America	1,302,549	443,763
Other	455,540	358,754
	-----	-----
	\$ 3,776,317	\$ 2,943,215
	=====	=====

8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

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ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS:
COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.

The names, addresses, ages and terms of office of the executive officers and directors of the Company are:

Name and Address -----	Age ---	Office -----	Term Expires(1) -----
Luke R. Schmieder 12100 West Sixth Avenue Lakewood, Colorado	59	President, Chief Executive Officer, Treasurer and Director	2002
Steven W. Peterson 12100 West Sixth Avenue Lakewood, Colorado	45	Vice President-Finance, Chief Financial and Chief Accounting Officer and Secretary	2002
Paul D. Duke 12100 West Sixth Avenue Lakewood, Colorado	60	Director	2002
H. Stuart Campbell 12100 West Sixth Avenue Lakewood, Colorado	72	Director	2002
Michael T. Brooks 12100 West Sixth Avenue Lakewood, Colorado	53	Director	2002

(1) The term of office of each officer and of the Company is at the discretion of the Board of Directors.

Luke R. Schmieder, President, Chief Executive Officer, Treasurer and Director

Mr. Schmieder attended Ohio State University and Ohio University taking courses in mechanical engineering and business management. Mr. Schmieder was employed from 1970 to 1977 by Cobe Laboratories, Inc. (manufacturer of dialysis and cardiovascular equipment and supplies) as a designer and process controller on various projects. From 1977 to 1982, Mr. Schmieder served as president and principal of a consulting company for product and process development primarily in the medical field. Mr. Schmieder has served as president and a director of the Company since its inception in March 1982.

Steven W. Peterson, Vice President-Finance, Chief Financial and Chief Accounting Officer and Secretary

Mr. Peterson received his Bachelor of Arts degree in accounting from Lewis University in 1979. He was employed as an accountant and senior accountant by Valleylab, Inc. (a manufacturer of electrosurgical and IV infusion equipment) from 1980 to 1983. From 1983 to 1985, he was employed as assistant controller by Marquest Medical Products, Inc. (a manufacturer of disposable medical products). Mr. Peterson joined the Company in February 1985 as Controller and has served as an executive officer of the Company since June 1990.

Paul D. Duke, Director

Mr. Duke received his initial medical training while on active duty with

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the United States Navy and while attending the University of Alabama. Mr. Duke was employed from 1965 to 1969 by the University of Alabama Medical Center as chief hemodialysis technician and was employed by Cobe Laboratories, Inc. from 1969 to 1973 as field service and training technician. From 1973 to 1979, he served in various capacities for Cordis Dow Corporation (manufacturer of pacemakers and hemodialysis equipment and supplies), including sales, product management, European training manager and national service manager. From 1980 to 1982, Mr. Duke served as proprietor and president of a consulting company specializing in medical marketing, sales, service and training. Mr. Duke has served as vice president and a director of the Company since its inception in 1982. At March 31, 2002, Mr. Duke retired from his position as Vice President and now devotes such time as is necessary to the affairs of the Company.

H. Stuart Campbell, Director

Mr. Campbell received his Bachelor of Science degree from Cornell University in 1951. From 1960 through September 1982, Mr. Campbell served in various capacities for Johnson & Johnson and Ethicon, Inc., a domestic subsidiary of Johnson & Johnson. From 1977 through September 1982, he was a Company Group Chairman with Johnson & Johnson and served as Chief Executive Officer and Chairman of the Board of Directors of eight major corporate subsidiaries. Mr. Campbell currently owns and serves as an officer of Highland Packaging Labs, Inc., Somerville, New Jersey (contract packaging business). He also serves as a director of Atrix Laboratories, Inc. (pharmaceutical and contract research and development company). Mr. Campbell has served as a director of the Company since May 1983 and devotes such time as is necessary to the affairs of the Company.

Michael T. Brooks, Director

Mr. Brooks received his Bachelor of Arts in History from Ohio Wesleyan University in 1971. While pursuing a career in fluid power, he received a Masters in Business from the University of Denver in 1983. Mr. Brooks was an independent manufacturer's representative from 1982 - 1985 at which time he purchased an interest in Fiero Fluid Power which he presently owns and operates. Fiero Fluid Power is a Rep/Distributor selling pneumatic and instrumentation equipment. He has been a director since October, 1998 and devotes such time as is necessary to the affairs of the Company.

Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to the Company pursuant to 240.16a-3(e) during its most recent fiscal year and Forms 5 and amendments thereto furnished to the Company with respect to its most recent fiscal year, and any written representation from the reporting person (as hereinafter defined) that no Form 5 is required, the Company is not aware of any person who, at any time during the fiscal year, was a director, officer, beneficial owner of more than ten percent of any class of equity securities of the Company registered pursuant to Section 12 of the Exchange Act ("reporting person"), that failed to file on a timely basis, as disclosed in the above Forms, reports required by Section 16(a) of the Exchange Act during the most recent fiscal year or prior fiscal years.

ITEM 10. EXECUTIVE COMPENSATION.

The following table, and its accompanying explanatory footnotes, includes annual and long-term compensation information on the Company's Chief Executive Officer for services rendered in all capacities during the fiscal years ended March 31, 2002, March 31, 2001 and March 31, 2000. No other executive officer received total annual salary and bonus for the fiscal year ended March 31, 2002 in excess of \$100,000.

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SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Salary	Bonus(1)	Options Granted	Other Comp
L. Schmieder, CEO	2002	\$108,985	\$11,928	4,000	\$3,100
	2001	\$106,867	\$10,400	4,000	\$3,150
	2000	\$106,712	\$20,064	8,000	\$897 _____

(1) Reflects bonus earned in fiscal year, but paid in the following fiscal year.

The following summary table sets forth information concerning grants of stock options made during the fiscal year ended March 31, 2002 to the Company's Chief Executive Officer.

Option Grants in Last Fiscal Year

Name	Options Granted	Percent of Total Options Granted in Fiscal Year	Exercise Price	Expiration Date
L. Schmieder	4,000	4%	\$4.55	July 1, 2011

Compensation of Directors

On October 3, 1996, the Company adopted a new nonqualified performance stock option plan for the benefit of the Company's outside Directors. The plan provides that the outside Directors will receive grants to be determined and approved by the Company's inside directors and not to exceed 20,000 options per year per director. Under the terms of the plan, the options are exercisable for a term of ten years, and during such term are exercisable as follows: 25% after each year, and 100% anytime after the fourth year until the end of the tenth year. The purchase price of the common stock will be equal to 100% of the closing bid price of the common stock on the over-the-counter market on the date of grant.

On July 2, 2001, the Company's two outside directors were granted options to purchase 4,000 shares of common stock at \$4.55 per share. The Company's two inside directors each were granted options to purchase 4,000 shares of common stock at a price of \$4.55 per share.

Currently, all outside directors receive cash compensation of \$500 for each Board of Directors meeting attended in person.

Incentive Stock Option Plans

The Company has adopted three incentive stock option plans, approved by the shareholders of the Company in September 1984, October 1989 and November 1993, respectively, for the benefit of the Company's employees. The plans are administered by the non-participating members of the Board of Directors, who select the optionees and determine the terms and conditions of the stock option grant. The exercise price for options granted under the plans cannot be less than the fair market value of the stock at the date of grant or 110% of such fair market value with respect to options granted to any optionee who holds more than 10% of the Company's common stock. Options are not exercisable until one year after the date of grant and expire five years after the date of grant. All outstanding options are subject to vesting provisions whereby they become exercisable over a four-year period. The plans authorize options to purchase up to 200,000, 300,000 and 300,000 shares of common stock, respectively.

On October 21, 1999, the Company adopted a new stock compensation plan. The purpose of the plan is to encourage ownership of the Common Stock of the Company

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by certain officers, directors, employees and certain advisors of the Company in order to provide incentive to promote the success and business of the Company. A total of 300,000 shares of Common Stock have been reserved for issuance under the plan and are subject to terms as set by the Compensation Committee of the Board of Directors at the time of grant.

As of March 31, 2002, options to purchase a total of 328,035 shares were outstanding, at exercise prices ranging from \$3.75 to \$7.00 per share. Further, as of March 31, 2002, options to purchase an aggregate of 271,395 shares remained available for grant under the Company's stock option plans. The plan adopted in September 1984 was terminated effective June 1, 1993. Options were granted during the fiscal year ended March 31, 2002, pursuant to the Company's incentive stock option plans, to each of the Company's executive officers. Options to purchase 6,000 shares at \$4.55 per share were granted to Mr. Steven W. Peterson, Vice President-Finance. Mr. Luke R. Schmieder, President, and Mr. Paul D. Duke, Vice President, were granted options to purchase 4,000 shares at \$4.55 per share.

Retirement Plan

The Company has adopted a 401(k) plan for the benefit of its officers and employees. Subject to certain restrictions, a participant may defer up to 15% of their gross compensation into the plan. The Company currently matches up to 6% of the participant's contribution at a rate of 50% of the contribution. The plan also allows for additional contributions by the Company at its discretion.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth the number of shares of the Company's common stock owned beneficially as of March 31, 2002 (unless otherwise noted), by each person known by the Company to have owned beneficially more than five percent of such shares then outstanding, by each officer and director of the Company and by all of the Company's officers and directors as a group. This information gives effect to securities deemed outstanding pursuant to Rule 13d-3(d)(1) under the Securities Exchange Act of 1934, as amended. As far as is known to management of the Company, no person owns beneficially more than five percent of the outstanding shares of common stock as of March 31, 2002 except as set forth below.

Name of Beneficial Owner -----	Amount and Nature of Beneficial Owner -----	Percentage of Class Benefi- cially Owned -----
Luke R. Schmieder (1)	355,967 (2)	10.6
Steven W. Peterson (1)	67,050 (3)	2.0
Paul D. Duke (1)	131,019 (4)	3.9
H. Stuart Campbell (1)	74,000 (5)	2.2
Michael T. Brooks (1)	14,700 (6)	0.4
FMR Corp. (9)	312,100 (7)	9.3
All officers and directors as a group (5 in number)	642,736 (8)	18.9

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- (1) The business address is 12100 West Sixth Avenue, Lakewood, Colorado 80228.
- (2) Includes 10,000 shares which Mr. Schmieder has the right to acquire within 60 days by exercise of stock options.
- (3) Includes 10,500 shares which Mr. Peterson has the right to acquire within 60 days by exercise of stock options.
- (4) Includes 10,000 shares which Mr. Duke has the right to acquire within 60 days by exercise of stock options.
- (5) Includes 18,000 shares which Mr. Campbell has the right to acquire within 60 days by exercise of stock options.
- (6) Includes 13,500 shares which Mr. Brooks has the right to acquire within 60 days by exercise of stock options.
- (7) Based upon information set forth in schedule 13G filed by FMR Corp. with the Securities and Exchange Commission dated February 14, 2002. Fidelity Management & Research Company ("Fidelity"), a wholly-owned subsidiary of FMR Corp., is the beneficial owner of 312,100 shares as a result of acting as investment advisor to several investment companies. The ownership by one investment company, Fidelity Low-Priced Stock Fund, amounted to 312,100 shares. Mr. Edward C. Johnson 3d, FMR Corp., through its control of Fidelity, and the aforementioned investment companies each has the power to dispose of the 312,100 shares.
- (8) Includes 62,000 shares which the officers and directors of the Company as a group have the right to acquire within 60 days by exercise of stock options.
- (9) The business address is 82 Devonshire Street, Boston, MA 02109.

For information regarding securities authorized for issuance under our equity compensation plans, please see Note 7 to the financial statements.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

None.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K.

- (a) Exhibits.
 - (3) (i) Articles of Incorporation and Articles of Amendment and Bylaws of Registrant - incorporated by reference to the Exhibits to the Registration Statement on Form S-18, file number 2-88647-D, filed December 21, 1983.
 - (3) (ii) Articles of Amendment of Registrant - incorporated by reference to the Exhibit to the Report on Form 10-K for the fiscal year ended March 31, 1988.
 - (3) (iii) Articles of Amendment of Registrant dated October 4, 1990 - incorporated by reference to the Exhibit to the Report on Form 10-K for the fiscal year ended March 31, 1991.
 - (3) (iv) Articles of Amendment of Registrant dated October 20, 1992 - incorporated by reference to the Exhibit to the Report on Form 10-KSB for the fiscal year ended March 31, 1993.
 - (10) (i) Stock Purchase Agreement between Linda V. Masano and Thomas Michael Masano (as sellers) and Mesa Laboratories, Inc. (as Purchaser) dated as of December 7, 1999 - Incorporated by reference to the exhibit to the report on form 8-K dated December 7, 1999, file number 0-11740.
 - (23) (i) Consent of Ehrhardt Keefe Steiner & Hottman PC, independent public accountants, to the incorporation by reference in the Registration Statements on Form S-8 (file numbers 33-89808, 333-02074 and 333-18161)

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of their report dated April 30, 2002, included in the Registrant's Report on Form 10-KSB for the fiscal year ended March 31, 2002.

(b) Reports on Form 8-K. During the last quarter of the period covered by this report, the Registrant did not file any Report on Form 8-K.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MESA LABORATORIES, INC.

Registrant

Date: July 1, 2002

By: /s/Luke R. Schmieder
Luke R. Schmieder, President

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name ----	Title -----	Date ----
/s/Luke R. Schmieder Luke R. Schmieder	President, Chief Executive Officer, Treasurer and Director	July 1, 2002
/s/Steven W. Peterson Steven W. Peterson	Vice President, Finance, Chief Financial and Chief Accounting Officer and Secretary	July 1, 2002
/s/Paul D. Duke Paul D. Duke	Director	July 1, 2002
/s/H. Stuart Campbell H. Stuart Campbell	Director	July 1, 2002
/s/Michael T. Brooks Michael T. Brooks	Director	July 1, 2002