Message to Shareholders

I am pleased to report that on May 9, 2007, our shareholders approved the change in our name from CSI Wireless Inc. to "Hemisphere GPS Inc.", formally and symbolically marking the end of our transition to a pure-play GPS company. The strength that we reported in our results for the first quarter of 2007 demonstrates the value of the strategic decision we made to increase our focus on the leadership that we have achieved in several GPS markets.

During the first quarter of 2007 we reported record GPS revenues, record gross profit, and record consolidated net income. Our continued leadership in the precision agriculture aftermarket propelled first quarter sales 26% over the first quarter of 2006, reaching almost \$20 million. We were able to effectively deliver this sales volume with our current operational structure, which highlights the scalability of our business and the profitable business model we enjoy, as we can deliver increased throughput without the need to significantly increase our operational expenditures.

75% of our sales are derived from the precision agriculture market, and these sales are being driven by favourable macro industry trends and strong price levels for agricultural commodities. In general, the strength of agriculture has been very broad as farming incomes are reaching record levels. Sales for agriculture products, including heavy farming equipment, fertilizer and GPS guidance systems have been very strong in many global markets. This trend is widely expected to continue for the coming years.

As farm incomes are projected to increase, we expect to see capital being reinvested into farming operations. This was particularly evident for us in the first quarter as sales to southern hemisphere markets came in ahead of our expectations. We believe this is because the southern hemisphere markets generally have opposite seasons to the northern hemisphere and have already been able to convert their crops to cash at these higher commodity prices following their recent harvest. We anticipate a similar situation in North America and Europe following the 2007 harvest, which bodes well for strong demand in 2008 of our GPS agriculture products. We are diligently preparing to capitalize on that demand.

One of our core strategic objectives is to increase share and grow in our existing vertical markets through product innovations, international traction, and improvements in channel effectiveness.

Accordingly, in February we were pleased to announce that Hemisphere's Outback S2 GPS guidance system won a FinOvation Award by Farm Industry News. Hemisphere GPS was the only GPS company to receive a FinOvation Award, which recognizes the most innovative new products published in Farm Industry News during the past year. When combined with Hemisphere GPS's Outback eDrive and the new BaseLineHD, the Outback S2 provides the most affordable sub-inch, pass-to-pass automated steering system available.

Also in February, we responded to demand for increased accuracy at a more affordable price, and announced an alternative to subscription networks and high-priced base systems by incorporating high-definition, single-frequency RTK with our Crescent GPS receiver technology for both our ground agriculture and precision product lines. Our Outback BaseLineHD for agricultural guidance can provide comparable accuracy to dual-frequency RTK at a fraction of the cost. Used in combination with Hemisphere's Outback S2 and Outback eDrive, BaseLineHD provides tremendous accuracy in an affordable hands-free GPS steering system. With eDrive installation kits designed to fit over 500 vehicle models, customers can realize a quick return on the investment using it throughout the operation.

We have in front of us an enormous opportunity within the agriculture market given the still early penetration of GPS, strong cyclical variables, the independence of the agriculture economy from the macro-economy, and strong value proposition of our Outback product line based on increased yield management and reduced driver fatigue.

The decision to focus exclusively on GPS was made based on the strengths of our GPS technology and products, our market share leadership and sound industry reputation in our key markets of ground agriculture, air, and marine. 2007 is shaping up to be a very healthy year for the industry and the agriculture sector as the USDA forecasts the largest year-over-year percentage increase in crop receipts since 1980. Continued strength for agricultural commodities such as corn and wheat bodes well for farm incomes, which in turn enables demand for agriculture equipment. We are diligently preparing for the anticipated demand in 2008 following the harvest in the fall of this year.

Thank you for your continued support, and I look forward to reporting to you again following our second quarter results.

Steven Koles President & CEO May 9, 2007

Interim Management Discussion and Analysis

The following discussion and analysis is effective as of May 14, 2007 and should be read together with the unaudited interim consolidated financial statements and the accompanying notes.

Overview

CSI Wireless Inc. is engaged in the design, manufacture and sale of innovative, cost-effective GPS products for positioning, guidance and machine control applications in agriculture, marine and other markets. The Company carries out these activities under the operating name "Hemisphere GPS" and has announced that it received approval to rename the company "Hemisphere GPS Inc." at the Special and Annual General Meeting of its shareholders on May 9, 2007. Accordingly, references throughout this document to "CSI", "CSI Wireless", "Hemisphere GPS", "Hemisphere" or the "Company" all refer to CSI Wireless Inc. and its subsidiaries. Hemisphere GPS has three primary product lines: ground agriculture products, aerial agriculture products and precision products for GIS and marine markets.

Summary of Quarterly Results

						Fc	r the Qu	arte	r Ended			
	Jun 30		Sep 30		Dec 31		Mar 31		Jun 30	Sep 30	Dec 31	 Mar 31
(000's)	2005		2005		2005		2006		2006	2006	2006	2007
Sales	\$ 11,642	\$	5,637	\$	5,625	\$	15,514	\$	16,907	\$ 5,617	\$ 7,870	\$ 19,505
Gross margin	4,020		2,106		1,943		6,202		8,379	1,055	2,881	9,662
	35%		37%		35%		40%		50%	19%	37%	50%
Expenses:												
Research and development	933		1,094		990		1,170		1,227	1,134	1,209	1,266
Sales and marketing	1,727		1,626		1,818		2,819		2,342	1,772	2,372	3,092
General and administrative	1,295		1,537		1,387		1,330		1,532	1,347	1,721	1,965
Stock-based compensation	170		244		211		143		186	215	213	220
Amortization	499		565		592		587		619	638	666	603
	4,624		5,066		4,998		6,049		5,906	5,106	6,181	7,146
Earnings (loss) before undernoted items	(604)		(2,960)		(3,055)		153		2,473	(4,051)	(3,300)	2,516
Foreign exchange (gain)												
loss	(56)		733		145		67		762	(133)	(53)	(46)
Interest income	(16)		(43)		(38)		(16)		(94)	(84)	(27)	(74)
Gain on sale of marketable											(1.050)	
securities	_		_		_		_		-	_	(1,050)	_
Restructuring costs Earnings (loss) before income									1,043			
tax	(532)		(3,650)		(3,162)		102		762	(3,834)	(2,170)	2,636
	, ,		(, ,		(, ,					(, ,	(, ,	,
Current income tax	(45)		_		_		_		_	_		
Earnings (loss) from continuing operations	(487)		(3,650)		(3,162)		102		762	(3,834)	(2,170)	2,636
Loss from discontinued												
operations	(615)		(2,138)		(3,302)		(9,257)		(2,929)	(1,978)	(582)	(105)
Net earnings (loss)	\$ (1,102)	\$	(5,788)	\$	(6,464)	\$	(9,155)	\$	(2,167)	\$ (5,812)	\$ (2,752)	\$ 2,531
Earnings (loss) per common sha	are from con	tinui	ng operat	ions	s *:							
Basic and diluted	\$ (0.01)	\$	(80.0)	\$	(0.07)	\$	0.00	\$	0.02	\$ (80.0)	\$ (0.05)	\$ 0.06
Net earnings (loss) per commo	n share *:											
Basic and diluted	\$ (0.03)	\$	(0.13)	\$	(0.15)	\$	(0.20)	\$	(0.05)	\$ (0.13)	\$ (0.06)	\$ 0.05

^{*} Calculated using quarterly weighted average number of shares outstanding.

Results of Operations

Quarter Ended March 31, 2007 versus Quarter Ended March 31, 2006

Revenue

For the three months ended March 31, 2007, revenue was \$19.5 million, an increase of 26% from revenues of \$15.5 million for the same period of 2006. The increase is due to strong demand for Hemisphere GPS' ground agriculture products including the Company's Outback product line. Auto-steering for agricultural vehicles, and the recently announced Outback BaselineHD product - providing increased accuracy at a very competitive price point - all had significant increases in the quarter. The Company also saw a strong increase in international revenues for ground guidance products compared to 2006.

The majority of Hemisphere's GPS revenues are derived from sales to the North American agriculture market. Though North American sales were healthy, a late spring with severe weather conditions delayed some of Hemisphere's sales promotion activity in some U.S. regions. However, international sales, including the southern hemisphere where weather patterns have been favourable, were ahead of Company expectations.

Gross Margin

Gross margins for the quarter of \$9.7 million have increased from \$6.2 million for the same quarter of 2006. In percentage terms, gross margins have increased to 50% from 40% in 2006. Cost of sales in the first quarter of 2006 included the amortization of acquisition inventory step-up costs totaling \$1.2 million. Prior to the amortization of these step-up costs, gross margins would have been 47%. The acquisition inventory step-up costs were completely amortized during the second quarter of 2006 and will not impact future gross margins.

Gross margins have improved in all product lines – ground agriculture, air and precision products. The increase in margins is a result of product cost reductions realized, including the incorporation of the Company's Crescent GPS technology into all product lines which was completed during the first quarter. In addition, gross margins have improved as a result of product mix. Hemisphere is focused on reducing product cost of sales moving forward through the outsourcing of certain key components, increased focus on procurement and design cost reduction and improved efficiencies in its manufacturing operations.

Management expects that in 2007 and in future years, gross margins will not be as heavily impacted by reduced seasonal revenues in the last half of the year as a result of the implementation of a new Enterprise Resource Management ("ERP") system in the fourth quarter of 2006. Under this system, there is a much greater level of activity-based costing, including labour and overhead, and as a result unabsorbed manufacturing department costs in cost of sales are expected to be much lower than has been experienced in the past.

Expenses

Total operating expenses of \$7.1 million increased by \$1.1 million, or 18%, compared to the first quarter 2006. This increase is primarily a result of higher revenues, increased sales and marketing costs incurred during the strong selling season for agriculture products and increased legal expenses.

Research and development expenses increased by approximately 8% compared to the first quarter of 2006. On an annual basis, the Company has a target for research and development costs of 10% of revenue. The investment in research and development activities is critical for the Company to maintain and build its position in current and targeted markets.

The first half of the calendar year is the strongest buying season in agriculture markets in North America. As a result, there is a significant amount of selling activity in this period driving higher sales and marketing expenses including promotion, travel, commissions and other expenses. Despite an increase in revenues of 26%, sales and marketing expenses increased by just 10% compared to the first quarter of 2006.

General and administrative expenses increased by \$0.6 million compared to the first quarter of 2006. The increase is primarily attributable to increased legal expenses associated with a patent infringement lawsuit relating to its GPS products.

The Company does not believe that its products infringe upon the referenced patent and will vigorously defend its position. Apart from the increase in legal expenses, general and administrative expense increased by 3% compared to the first quarter of 2006.

Other

The Company realized a foreign exchange gain of \$46 thousand during the first three months of 2007 compared to a foreign exchange loss of \$67 thousand in 2006. Foreign exchange gains and losses arise primarily from the impact of a variable US dollar foreign exchange rate on the translation of US dollar denominated working capital into Canadian dollars. Management has implemented a foreign exchange risk management program to hedge the Company's US dollar working capital against exchange rate fluctuations.

In the first quarter of 2007, the Company recorded interest income of \$74 thousand compared to interest income of \$16 thousand in 2006. The Company earns interest income on its cash balance, which was offset by interest expense on capital leases and long-term debt.

Discontinued Operations

During 2006, the Company carried out activities to dispose of the activities associated with its Wireless Business Unit. On May 8, 2006, the Company closed an agreement to sell its Fixed Wireless Telephone product line to Telular Corporation. On December 18, 2006, the Company closed an agreement to sell its Asset-Link Telematics product line to CHI-Agra Products Inc. On July 28, 2006, the Company announced that it had signed an agreement to sell its Location Tag Telematics product line to Trace Technologies, LLC. This transaction has not closed due to circumstances impacting Trace and which are out of the control of the Company. It remains uncertain as to whether this transaction will close. As a result of these activities, and in accordance with Canadian generally accepted accounting principles ("GAAP"), the Wireless Business Unit financial components are treated as "discontinued operations" in the Company's financial statements. The primary areas impacted by this treatment are:

- 1. the results of operations of the Fixed Wireless Telephone and Telematics product lines are removed from revenues and expenses and reported as a separate element of income in the statement of operations;
- 2. the assets and liabilities of the Fixed Wireless Telephone and Telematics product lines are presented separately in the appropriate sections of the balance sheet;
- 3. the statement of operations and balance sheet treatment is applied retroactively for all periods presented; and
- 4. the assets of the Fixed Wireless Telephone and Telematics product lines are measured at the lower of their carrying amount or their fair value less the expected costs to sell.

The Company recorded a loss from discontinued operations of \$105 thousand for the quarter ended March 31, 2007 compared to a loss of \$9.3 million in 2006. As previously described, these amounts represent the results of operations of the Fixed Wireless Telephone and Telematics product lines.

The Company has ceased operations associated with the Fixed Wireless Telephone and Telematics activities. However, the Company continues to incur certain expenses associated with certain legal matters arising prior to the divestment of the Wireless product lines which have been previously disclosed. Until such matters are resolved, the Company will continue to incur costs associated with such matters.

Summarized results for the discontinued operations are as follows:

	Quarter Ended					
		Mar 31		Mar 31		
(000's)		2007		2006		
Sales	\$	_	\$	8,951		
Gross margin	Ψ	_	Ψ	1,272		
		_		14%		
Operating expenses		105		2,543		
Loss before undernoted items		(105)		(1,271)		
Interest (income) expense Goodwill impairment		_ _		(14) 8,000		
Loss from discontinued operations	\$	(105)	\$	(9,257)		

Net Income (Loss)

The continuing operations of the Hemisphere GPS product lines generated net income of \$2.6 million, or \$0.06 per share (basic and diluted) in the first quarter of 2007 compared to \$102 thousand, or \$0.00 per share (basic and diluted) in the first quarter of 2006.

The Company earned net income of \$2.5 million, or \$0.05 per share (basic and diluted) in the first quarter of 2007, compared to a net loss of \$9.2 million, or (\$0.20) per share (basic and diluted) in the first quarter of 2006.

Quarter Ended March 31, 2007 versus Quarter Ended December 31, 2006

Revenue

Revenue in the quarter of \$19.5 million was an increase of 148% from revenue of \$7.9 million in the fourth quarter of 2006.

The first half of the calendar year has historically been the strongest period for sales to the agriculture markets where this period is the primary buying season for customers with agricultural operations in the Northern hemisphere. In addition, new products launched during the fourth quarter of 2006 and the first quarter of 2007 contributed to increased sales.

Gross Margin

Gross margins of \$9.7 million were up by over 230% from \$2.9 million in the fourth quarter of 2006 due to higher sales, product mix and cost reductions relating to procurement, product design and operating efficiencies. In percentage terms, gross margins of 50% in the first quarter of 2007 were up from 37% in the fourth quarter of 2006.

Expenses

Operating expenses of \$7.1 million for the three months ended March 31, 2007 increased \$1.0 million, or 16%, from the last quarter of 2006. Sales and marketing expenses increased by \$0.7 million relating to increased costs as the Company enters the strong Northern hemisphere buying season, including increased internal sales commissions and other selling costs. General and administrative costs increased due to higher legal expenses in the first quarter.

Other

The Company realized a foreign exchange gain of \$46 thousand in the first quarter of 2007 versus a gain of \$53 thousand during the fourth quarter of 2006, primarily relating to translation of US dollar denominated working capital.

Interest income, net of interest expense, of \$74 thousand in the first quarter, increased from \$27 thousand in the quarter ended December 31, 2006 due to a higher level of cash during the quarter. The Company earns interest income on its cash balance, offset by interest expense on capital leases and long-term debt.

Discontinued Operations

The Company recorded a loss from discontinued operations of \$105 thousand for the quarter ended March 31, 2007 compared to \$582 thousand in the fourth quarter of 2006. As previously described, these amounts represent the results of operations of the divested Fixed Wireless Telephone and Telematics product lines.

Summarized results for the discontinued operations are as follows:

		Mar 31		
(000's)		2007		2006
Sales Gross margin	\$	- -	\$	238 (321)
Operating expenses		105		455
Loss before undernoted items		(105)		(776)
Gain on sale of product line		_		(194)
Loss from discontinued operations	\$	(105)	\$	(582)

Operating expenses of \$105 thousand relate primarily to legal expenses as previously described.

Net Earnings (Loss)

Income from continuing operations was \$2.6 million or \$0.06 per share (basic and diluted) in the first quarter of 2007 compared to a loss from continuing operations of \$2.2 million or (\$0.05) per share (basic and diluted) in the fourth quarter of 2006.

The Company earned net income in the first quarter of 2007 of \$2.5 million, or \$0.05 per share (basic and diluted), compared to a net loss of \$2.8 million, or (\$0.06) per share (basic and diluted) in the fourth quarter of 2006.

Liquidity and Capital Resources

CSI Wireless held cash of \$12.8 million at the end of the first quarter compared to a balance of \$11.2 million at December 31, 2006. The primary items impacting the cash balance during the first quarter were:

- Cash generated by continuing operations, prior to working capital changes, was \$3.5 million, up from \$0.8 million in the first quarter of 2006.
- During the quarter, the Company received 150,990 common shares of Telular Corporation pursuant to the
 earnout provisions of the agreement under which the Fixed Wireless Telephone business was sold to Telular in
 May 2006. The earnout amount was accrued at December 31, 2006 and included in current assets from
 discontinued operations in the consolidated financial statements.
- Accounts receivable increased in the first quarter primarily as a result of increased sales levels.
- Inventories increased to \$12.2 million at March 31, 2007 from \$11.5 million at the end of December 2006. This
 increase is a result of the continued build of inventory to meet the strong buying season demand for the
 agriculture products that will continue during the second quarter.

- Accounts payable increased by \$3.1 million during the first quarter. This increase relates primarily to inventoryrelated payables and higher levels of commissions payable relating to both third-party dealers and internal
 employees due to high revenue levels.
- Total deferred revenue increased by \$0.6 million during the first quarter, relating to sales proceeds received from customers for the Company's three year Extended Service Program ("ESP") on sales of Outback products, net of amortization for ESP contracts. The ESP program was first introduced in November 2005 and enables customers to extend their warranty from the standard one year warranty to three years. The revenue is amortized into income over the second and third years, as the extended service is made available to the customer.
- The Company repaid outstanding long-term debt of \$0.3 million during the first quarter. The long-term debt was assumed as part of the Outback business acquisition in April 2005.
- Total capital spending related to continuing operations in the first quarter of 2007 was approximately \$149 thousand primarily related to computer hardware and software.
- Cash used in discontinued operations was \$130 thousand for operating expenses and changes in working capital.
- During the first quarter, 19,453 stock options were exercised for proceeds of \$29 thousand.

CSI has an unused operating line of credit with its bank with a maximum borrowing limit of \$7.0 million. The available borrowing limit under this operating line is determined based on trade receivables and inventory levels. The Company has entered into a general security agreement with its bank to secure such indebtedness.

The table below sets forth the repayment schedule of CSI's capital lease obligations at March 31, 2007:

	Payments Due by Period			
	Total	less than I-year	I to 3 years	
Capital lease obligations	\$ 344,458	\$ 293,189	\$ 51,269	

Critical Accounting Policies and Estimates

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

Effective January I, 2007, the Company has adopted the following new accounting standards relating to financial instruments:

- CICA Handbook Section 3855 "Financial Instruments Recognition and Measurement";
- CICA Handbook Section 3861 "Financial Instruments Disclosure and Presentation";
- CICA Handbook Section 1530 "Comprehensive Income"; and
- CICA Handbook Section 3865 "Hedges".

Under these standards, financial instruments must be classified into one of five categories: (i) held-for-trading, (ii) held-to-maturity, (iii) loans and receivables, (iv) available-for-sale, and (v) other financial liabilities. The new standards require that all financial instruments within the scope of the standards, including all derivative instruments, be recognized on the balance sheet initially at fair value. Subsequent measurement of all financial assets and liabilities – except those in the held-for-trading and available-for-sale categories – must be determined at amortized cost using the effective interest rate method. Held-for-trading financial instruments are measured at fair value with changes in fair value recognized in earnings. Available-for-sale financial instruments are measured at fair value with changes in fair value recognized in comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

Under adoption of these new standards, the Company designated accounts receivable as "loans and receivables", which are measured at amortized cost. Marketable securities have been designated as "held-for-trading" which are measured at fair value with changes in such value included in earnings. Accounts payable and accrued liabilities and long-term debt are classified as "other financial liabilities" which are measured at amortized cost.

The Company also adopted as of January 1, 2007 new standards with respect to "comprehensive income". The new standards require a "statement of comprehensive income", if there are items that give rise to "comprehensive income or loss". The Company did not identify any such items giving rise to "comprehensive income or loss" in the three months ended March 31, 2007, or that would result in an adjustment to opening balances for accumulated other comprehensive income or loss.

The Company was also required to adopt new accounting standards with respect to hedging activities. As the Company does not currently have a hedging program that is impacted by this accounting standard, the adoption of these standards has no impact on the financial statements.

Two new Canadian accounting standards have been issued which will require additional disclosure in the Company's financial statements commencing January I, 2008 about the Company's financial instruments as well as its capital and how it is managed.

There were no changes in significant estimates in the quarter.

Changes in Internal Control over Financial Reporting

There were no changes in internal control over financial reporting that occurred during the Company's most recent interim period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. For further discussion of internal controls over financial reporting, refer to the Company's Annual Report for the year ended December 31, 2006.

The information in the Management's Discussion and Analysis (MD&A) contains certain forward-looking statements. These statements relate to future events or our future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "would" and similar expressions. These statements involve substantial known and unknown risks and uncertainties, certain of which are beyond the Company's control, including: the impact of general economic conditions; industry conditions; changes in laws and regulations and changes in how they are interpreted and enforced; fluctuations in foreign exchange and interest rates; stock market volatility and market valuations; competition for, among other things, capital and skilled personnel; incorrect assessments of the value of acquisitions; stock market volatility and market valuations and changes in income tax laws. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits the Company will derive from them. Except as required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statements.

Consolidated Balance Sheets (unaudited)

	March 31, 2007	December 31, 2006
	2007	2000
Assets		
Current assets:		
Cash	\$ 12,776,999	\$ 11,160, 4 05
Marketable securities	639,208	-
Accounts receivable	9,306,594	4,995,204
Inventories	12,203,294	11,479,139
Deferred commissions	152,675	111,619
Prepaid expenses and deposits	376,607	550,530
Current assets of discontinued operations (note 5)	519,029	1,360,735
	35,974,406	29,657,632
Deferred commissions	326,769	246,414
Property and equipment	8,234,092	8,507,990
Intangible assets	4,152,515	4,332,591
Goodwill	22,961,432	22,961, 4 32
Assets of discontinued operations (note 5)	116,380	116,380
	\$ 71,765,594	\$ 65,822,439
Liabilities and Shareholders' Equity		
Current liabilities:		
Current liabilities: Accounts payable and accrued liabilities	\$ 8,916,125	
Current liabilities: Accounts payable and accrued liabilities Deferred revenue	\$ 8,916,125 871,329	773,527
Current liabilities: Accounts payable and accrued liabilities Deferred revenue Current portion of long-term debt	871,329 -	773,527 300,517
Current liabilities: Accounts payable and accrued liabilities Deferred revenue Current portion of long-term debt Current portion of capital leases	871,329 - 293,189	773,527 300,517 291,057
Current liabilities: Accounts payable and accrued liabilities Deferred revenue Current portion of long-term debt	871,329 - 293,189 746,681	773,527 300,517 291,057 974,505
Current liabilities: Accounts payable and accrued liabilities Deferred revenue Current portion of long-term debt Current portion of capital leases	871,329 - 293,189	773,527 300,517 291,057 974,505
Current liabilities: Accounts payable and accrued liabilities Deferred revenue Current portion of long-term debt Current portion of capital leases	871,329 - 293,189 746,681	773,527 300,517 291,057 974,505 8,125,107
Current liabilities: Accounts payable and accrued liabilities Deferred revenue Current portion of long-term debt Current portion of capital leases Current liabilities of discontinued operations (note 5)	871,329 - 293,189 746,681 10,827,324	773,527 300,517 291,057 974,505 8,125,107
Current liabilities: Accounts payable and accrued liabilities Deferred revenue Current portion of long-term debt Current portion of capital leases Current liabilities of discontinued operations (note 5) Deferred revenue	871,329 - 293,189 746,681 10,827,324 2,200,283	773,527 300,517 291,057 <u>974,505</u> 8,125,107
Current liabilities: Accounts payable and accrued liabilities Deferred revenue Current portion of long-term debt Current portion of capital leases Current liabilities of discontinued operations (note 5) Deferred revenue Capital lease obligations	871,329 - 293,189 746,681 10,827,324 2,200,283	773,527 300,517 291,057 974,505 8,125,107 1,672,116 101,714
Current liabilities: Accounts payable and accrued liabilities Deferred revenue Current portion of long-term debt Current portion of capital leases Current liabilities of discontinued operations (note 5) Deferred revenue Capital lease obligations Shareholders' equity:	871,329 - 293,189 746,681 10,827,324 2,200,283 51,269	773,527 300,517 291,057 974,505 8,125,107 1,672,116 101,714
Current liabilities: Accounts payable and accrued liabilities Deferred revenue Current portion of long-term debt Current portion of capital leases Current liabilities of discontinued operations (note 5) Deferred revenue Capital lease obligations Shareholders' equity: Share capital (note 3)	871,329 - 293,189 746,681 10,827,324 2,200,283 51,269 104,029,563	773,527 300,517 291,057 974,505 8,125,107 1,672,116 101,714
Current liabilities: Accounts payable and accrued liabilities Deferred revenue Current portion of long-term debt Current portion of capital leases Current liabilities of discontinued operations (note 5) Deferred revenue Capital lease obligations Shareholders' equity: Share capital (note 3) Contributed surplus	871,329 - 293,189 746,681 10,827,324 2,200,283 51,269 104,029,563 2,992,380	773,527 300,517 291,057

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations and Deficit

Three months ended March 31, 2007 and 2006 (unaudited)

		2007		2006
Sales	\$ I	9,504,861	\$	15,514,035
Cost of sales		9,842,566		9,311,614
		9,662,295		6,202,421
Expenses:				
Research and development		1,266,363		1,170,136
Sales and marketing		3,092,129		2,819,069
General and administrative		1,965,172		1,330,029
Stock-based compensation (note 3(d))		219,798		143,303
Amortization		603,128		586,926
		7,146,590		6,049,463
Earnings before undernoted items		2,515,705		152,958
Foreign exchange (gain) loss	(46,853)		66,61	
Interest income		(73,816)		(15,827)
Earnings from continuing operations		2,636,374		102,175
Loss from discontinued operations (note 5)		104,890		9,256,998
Net earnings (loss) and comprehensive income		2,531,484		(9,154,823)
Deficit, beginning of period	(5	0,866,709)		(30,980,146)
Deficit, end of period	\$ (48	3,335,225)	\$	(40,134,969)
Earnings per common share from continuing operations:				
Basic and diluted	\$	0.06	\$	0.00
Earnings per common share:	_		_	()
Basic and diluted	\$	0.05	\$	(0.20)
Weighted average shares outstanding:				
Basic and diluted		46,139,053		45,899,354

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Three months ended March 31, 2007 and 2006 (unaudited)

		2007		2006
Cash flows from operating activities:				
Earnings from continuing operations	\$	2,636,374	\$	102,175
Items not involving cash:	·	, ,	•	ŕ
Amortization		603,128		586,926
Stock-based compensation		219,798		143,303
Unrealized foreign exchange loss		_		13,928
Cash from continuing operations		3,459,300		846,332
Change in non-cash operating working capital:				
Accounts receivable		(4,311,390)		(1,329,415)
Inventories		(724,155)		959,590
Prepaid expenses and deposits		173,923		(30,691)
Accounts payable and accrued liabilities		3,130,624		3,129,899
Deferred revenue		97,802		1,739,359
		1,826,104		5,315,074
Cash used in discontinued operations (note 5)		(130,216)		(5,007,179)
		1,695,888		307,895
Cash flows from (used in) financing activities:				
Deferred commissions		(121,411)		(141,310)
Deferred revenue		528,167		942,101
Long-term debt		(300,517)		(128,881)
Capital leases		(48,313)		(66,614)
Issue of share capital, net of share issue costs		11,934		92,724
Cash used in discontinued operations (note 5)		_		(299,396)
		69,860		398,624
Cash flows used in investing activities:		(1.40.15.4)		(510.200)
Purchase of property and equipment		(149,154)		(510,299)
Business acquisition, net		_		(959,302)
Cash used in discontinued operations (note 5)		(149,154)		(71,598 <u>)</u> (1,541,199)
		(117,131)		(1,511,177)
Increase (decrease) in cash position		1,616,594		(834,680)
Cash, beginning of period		11,160,405		12,595,354
Cash, end of period	\$	12,776,999	\$	11,760,674
Supplemental disclosure:				
• •	ď	21 491	Œ	28,920
Interest paid Interest received	\$	21,691 95,381	\$	69,206
interest received		73,301		07,206

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Three months ended March 31, 2007 and 2006 (unaudited)

I. Basis of presentation:

The accompanying unaudited consolidated financial statements for CSI Wireless Inc. (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. The financial information included herein is unaudited. The disclosures in these interim financial statements are incremental to those included within the annual financial statements and should be read in conjunction with those annual statements. These interim financial statements follow the same accounting policies and methods of application as the most recent annual audited financial statements dated December 31, 2006, except for the following changes in accounting policies.

On January 1, 2007, the Company adopted the new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") regarding the recognition, measurement, disclosure and presentation of financial instruments. Under these standards, financial instruments must be classified into one of five categories: (i) held-for-trading, (ii) held-to-maturity, (iii) loans and receivables, (iv) available-for-sale, and (v) other financial liabilities. The new standards require that all financial instruments within the scope of the standards, including all derivative instruments, be recognized on the balance sheet initially at fair value. Subsequent measurement of all financial assets and liabilities – except those in the held-for-trading and available-for-sale categories – must be determined at amortized cost using the effective interest rate method. Held-for-trading financial instruments are measured at fair value with changes in fair value recognized in earnings. Available-for-sale financial instruments are measured at fair value with changes in fair value recognized in comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

Under adoption of these new standards, the Company designated accounts receivable as "loans and receivables", which are measured at amortized cost. Marketable Securities have been designated as "held-for-trading", which are measured at fair value with changes in such value included in earnings. Accounts payable and accrued liabilities are classified as "other financial liabilities" which are measured at amortized cost.

The Company also adopted as of January I, 2007 new standards with respect to comprehensive income. The new standards require a statement of comprehensive income, if there are items that give rise to comprehensive income or loss. The Company did not identify any such items giving rise to comprehensive income or loss in the three months ended March 31, 2007, or that would result in an adjustment to opening balances for accumulated other comprehensive income or loss.

The Company was also required to adopt new accounting standards with respect to hedging activities. As the Company does not currently have a hedging program that is impacted by this accounting standard, the adoption of these standards has no impact on the financial statements.

Two new Canadian accounting standards have been issued which will require additional disclosure in the Company's financial statements commencing January 1, 2008 about the Company's financial instruments as well as its capital and how it is managed.

2. Business acquisition:

Notes to Consolidated Financial Statements, page 2

Three months ended March 31, 2007 and 2006 (unaudited)

On January 19, 2006, the Company, through its wholly-owned subsidiary Hemisphere GPS LLC ("Hemisphere GPS"), completed the acquisition of the business assets of Del Norte Technology, Inc. ("Del Norte"). The acquisition has been accounted for using the purchase method and the allocation of the purchase price based on fair values was as follows:

Cash	\$	157,659
Current assets	Ψ	148,379
Property and equipment		95,146
Intangible assets		277,704
Goodwill		566,634
Current liabilities		(128,560
	\$	1,116,962
Consideration paid consisted of:		
Cash	\$	1,087,674
Transaction costs		29,288
	\$	1,116,962

3. Share capital:

(a) Authorized:

Unlimited number of common shares

(b) Issued:

	Number of	_
	shares	Amount
Balance, December 31, 2006	46,125,616	\$ 104,013,743
Issued on exercise of stock options	19,453	28,908
Share issue costs	_	(16,974)
Transfer from contributed surplus on exercise		
of stock options	-	3,886
Balance, March 31, 2007	46,145,069	\$ 104,029,563

(c) Stock options:

At March 31, 2007 there were 2,971,615 stock options outstanding.

Notes to Consolidated Financial Statements, page 3

Three months ended March 31, 2007 and 2006 (unaudited)

3. Share capital (continued):

(d) Stock-based compensation:

During the first quarter of 2007 the Company granted 205,000 stock options. For the three months ended March 31, 2007, the Company recorded \$219,798 (2006 – \$197,900) as compensation expense, including the amount that is attributable to, and included in, the loss from discontinued operations in the first quarter of 2006. No portion of this amount was attributable to discontinued operations in 2007.

4. Segmented information:

Assets and sales by geographic segment:

	A	ssets	Sal	es
			Three mor	nths ended
	March 31, 2007	December 31, 2006	March 31, 2007	March 31, 2006
United States	\$ 45,227,000	\$ 45,476,000	\$ 10,542,000	\$ 9,902,000
Canada	26,539,000	20,346,000	4,721,000	3,214,000
Europe	_	_	2,028,000	935,000
Other	_	_	2,214,000	1,463,000

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

5. Discontinued operations:

As a result of the Company's decision to divest its Wireless product lines during 2006, the Telematics and the Fixed Wireless Telephone product lines of the Wireless Business Unit have been classified as discontinued operations in these financial statements.

Notes to Consolidated Financial Statements, page 4

Three months ended March 31, 2007 and 2006 (unaudited)

5. Discontinued operations (continued):

The results of the discontinued operations are as follows:

Three months ended March 31, 2007 and 2006

	2007	2006
Sales	\$ _	\$ 8,951,275
Cost of sales	_	7,679,632
	_	1,271,643
Expenses:		
Research and development	_	1,386,688
Selling	_	581,603
General and administrative	104,890	251,214
Stock-based compensation	_	54,597
Amortization	_	268,286
Loss before undernoted items	(104,890)	(1,270,745)
Interest income	_	(13,747)
Goodwill impairment	_	8,000,000
Loss from discontinued operations	\$ (104,890)	\$ (9,256,998)

Assets and liabilities presented in the consolidated balance sheet are recorded at fair value and include the following assets and liabilities of discontinued operations:

	March 31, 2007		ember 31, 2006
Current assets	519,029)	1,360,735
Property and equipment	116,380		116,380
Current liabilities	(746,681)	(974,505)
	\$ (111,272	.) \$	502,610

Notes to Consolidated Financial Statements, page 5

Three months ended March 31, 2007 and 2006 (unaudited)

5. Discontinued operations (continued):

The cash flows from discontinued operations are as follows:

Three months ended March 31, 2007 and 2006

		2007		2006
Cash flows used in operating activities:				
Net loss from discontinued operations	\$	(104,890)	\$	(9,256,998)
Items not involving cash:	•	(111,111)	•	(, = = = ,)
Amortization		_		268,286
Goodwill impairment		_		8,000,000
Stock-based compensation		_		54,597
		(104,890)		(934,115)
Change in non-cash operating working capital:		(, , , , , ,		(, , , , ,
Current assets		202,498		1,407,397
Current liabilities		(227,824)		(5,480,461)
		(130,216)		(5,007,179)
Cash flows used in financing activities:		(,)		(=,==,,)
Capital leases		_		(299,396)
Cash flows used in investing activities:				
Property and equipment		_		(71,598)
	\$	(130,216)	\$	(5,378,173)

6. Seasonality of Operations:

A large portion of the Company's revenues are derived from agricultural markets in the Northern Hemisphere. As a result, the Company's revenues are subject to seasonality associated with the heaviest buying season of such markets which takes place in the first half of the calendar year.