



Q1 Interim Report

March 31, 2010



Message to Shareholders

For the first quarter ended March 31, 2010, Hemisphere GPS reported a 16% decrease in revenues to \$15.1 million, versus \$18.0 million in the first quarter of 2009. Hemisphere GPS reported a net loss of \$1.7 million, or \$(0.03) per share (basic and diluted), in the first quarter of 2010 compared to net earnings of \$1.6 million, or \$0.03 per share (basic and diluted), in the first quarter of 2009.

Revenues from our Precision Products segment grew by 18% in the first quarter lead by increased sales of Vector heading sensor products, as well as GPS boards, to OEM customers. Precision Products revenues include sales to marine, GIS, OEMs and other customers. Revenues for these products continue to benefit from a focus on expanding and improving the quality of Precision Products sales channels around the world as well as the introduction of new products, including dual frequency GPS products.

Agriculture segment revenues decreased by 21% as a result of weakened agricultural equipment spending in North America, Europe and Australia. North American sales were 22% lower in the first quarter of 2010 compared to the first quarter of 2009. Similarly, European and Australian sales were 32% and 38% lower respectively. Combined, North America and Europe account for approximately 84% of our revenues from the agriculture market. When these markets move in a particular direction it is also reflected directionally in our revenues.

In North America weaker commodity prices reduced customer optimism and purchasing. There were also varied regional weather conditions in North America during Q1. In some regions, weather was quite favorable, and this resulted in farmers being engaged in the fields early with planting and field work, causing them to be unavailable for purchasing. According to the USDA, at the end of April, 68% of the nation's corn had already been planted. This is 36 percentage points ahead of last year and 28 points ahead of the 5-year average. The previous record for this time was 63% in 2004. This is ultimately positive for the Company since planting will be completed earlier this year leaving more time in the second quarter and rest of year for efficiency planning.

In contrast to market conditions in North America during the first quarter, we saw relative strength out of the South American markets, particularly Brazil and Argentina. Year over year sales to Brazil were up 338% and South American as a whole was up 212%. These regions are becoming a larger part of our aggregate revenues, but are not yet large enough to offset weakness in our North American and European markets. However, international revenues did grow to a record portion of our overall revenues for the first quarter, at 30%.

We are still just scratching the surface of market penetration in Brazil, Argentina, as well as China and Eastern Europe. We have also made inroads into Russia and India. We expect these markets to generally deliver higher growth numbers than North America and Western Europe as the newer markets catch up.

We entered the second quarter initiating full commercial shipping of the new eDriveX™ auto-steering system, which delivers a new level of precision steering and control performance. eDriveX steers more demanding farming practices including high-precision planting, strip tilling and bedding, requiring centimeter-level accuracy at a wide range of speeds.

Auto-steering has become the number one revenue generator of our business. We expect this strength to continue as adoption rates for auto-steering still lag guidance, making all of our auto-steering products well positioned to upsell to new and existing customers. Our installed base of Outback guidance units today is well over 60,000 units. The pull through effect from auto-steering for other parts of our portfolio is also very positive, including other new products such as dual frequency receivers, guidance systems, and integrated section controls.

We recently diversified the company with the launched our new Earthworks business unit that designs and manufactures products for the construction market. The Earthworks product line is focused on machine guidance and control of earth-moving machinery. We adapted our proven technology and applications currently used in agriculture, aerial application, marine and survey markets, to meet the needs of the construction industry.

Our first Earthworks product, the Earthworks X200 excavator machine guidance system, improves operator accuracy, simplifies machine operations and reduces excavation rework. The X200 guides the operator with a graphical and numeric display of the excavator bucket relative to the desired grade.

As part of our initiatives in this new market we also have an alliance with Prolec Ltd. We are integrating our technology with Prolec's machine guidance, safety and on-board weighing technology for the construction, road and rail industries.

Other new offerings coming soon in Earthworks will include the X300 three dimensional excavator guidance system, blade applications, as well as additional Earthworks partnerships. With a very significant addressable market opportunity, Earthworks will become a large part of our future growth capability, and with very incremental R&D investment.

For the remainder of 2010 we have been seeing an increase in orders and backlog. These numbers are ahead of last year at this time, indicating an unusually strong back half to the year, which we expect to more than offset the soft first quarter sales levels.

The outlook for the North American farming sector is improving. According to the latest report from the USDA, corn planting status looks not only to be ahead of previous years but also to be healthy planting as well. Corn farms represent our biggest single market so these metrics bode very well for our outlook. Accordingly, the price of corn is also important to this market and the recent increases starting in late April for corn commodity prices is also positive. We are seeing similar results for soybean planting.

In addition to an improved outlook for the overall agriculture markets for the remainder of 2010, with several of our key new products shipping in the second and third quarters, initial demand indicates additional incremental revenue for the year.

We thank you for your support of Hemisphere GPS and look forward to reporting to you on our progress following the close of the second quarter of 2010.

A handwritten signature in black ink, appearing to read "Steven Koles". The signature is stylized and cursive, with a large initial "S" and "K".

Steven Koles
President & CEO



Interim Management Discussion and Analysis

Three month period ended March 31, 2010

The following discussion and analysis is effective as of May 11, 2010 and should be read together with the unaudited interim consolidated financial statements of Hemisphere GPS Inc. ("Hemisphere GPS" or the "Company") for the three month period ended March 31, 2010 and the accompanying notes. Additional information relating to Hemisphere GPS, including the Company's Annual Information Form, can be obtained from documents filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") on the internet at www.sedar.com and which is supplemental to the unaudited interim consolidated financial statements and notes for the three month period ended March 31, 2010.

Overview

Hemisphere GPS designs, manufactures and sells innovative, cost-effective GPS products for positioning, guidance and machine control applications in agriculture, marine and other markets. Hemisphere GPS carries out its activities through two business units: Agriculture (ground and air agriculture markets) and Precision Products (non-agriculture markets including marine and geographic information systems). The primary vertical market for the Company's products is agriculture representing over 80% of its revenues. Approximately 70% of 2009 year-to-date revenues were from customers in North America.

Hemisphere GPS uses the US dollar as its reporting currency, however has a Canadian dollar measurement currency. All financial information referenced in this Management Discussion and Analysis is denominated in US dollars, unless otherwise indicated.

Economic and Market Trends

Financial and Agriculture Markets

While there remains uncertainty and volatility in the financial markets, following the recent global financial crisis and weak economic conditions it is anticipated by many that a subdued recovery will strengthen throughout 2010.

In its December 2009 report *Agricultural Income and Finance Outlook*, the US Department of Agriculture ("USDA") projects that *net farm income* – which includes both crop and livestock farms – will be \$57.0 billion for 2009, down by 34.5% from record 2008 net farm income of \$87.1 billion.

Grain prices declined from 2008 highs during 2009 and remained soft in the first quarter of 2010. Looking longer term, grain prices are high by historical standards - driven by lower grain inventory levels and increasing demand from a variety of sources including global population growth, the changing diets of emerging economies, as well as from demand for ethanol and other grain-based biofuels.

Although high levels of income were generated by farmers in both 2008 and 2009, volatile financial markets, caution from recessionary conditions, and lower grain prices are believed to have resulted in lower spending by agricultural customers in 2009 and during the first quarter of 2010. Company revenues declined by 16% compared to the first quarter of 2009. It remains uncertain how these factors will impact farmer sentiment and agriculture equipment purchases in 2010.

Company Management view the fundamentals of the global agriculture markets to be positive for the mid to longer term driven by the following key factors: population growth, limited arable land, the need for increased output, and a relatively low global penetration of precision agriculture technologies such as GPS and auto-steering.

Currency Markets

The Company's financial results are impacted by changes in foreign currency rates – particularly the Canadian/US dollar exchange rate. After weakening by approximately one-third from 2002 to 2007, the US dollar stabilized and began to strengthen against the Canadian dollar during 2008. The US dollar plateaued in the first quarter of 2009, with an average rate of \$1.2453, however, weakened through the remainder of the year – averaging \$1.1415 for 2009. The average foreign exchange rate in the first quarter of 2010 was \$1.0409 Cdn/US, down by 16% from the average first quarter 2009 rate of \$1.2453.

From a purely financial perspective, a weaker US dollar is negative for the Company's earnings as a portion of the Company's expenses are incurred in Canadian and Australian dollars – and such expenses are higher when translated at a weaker US dollar foreign exchange rate. However, from a business perspective, the weaker US dollar relative to global currencies reduces the net price of the Company's products to international customers as sales are made in US dollars – which could result in higher sales.

Canadian and US dollar exchange rates prevailing over the last eight quarters are as follows:

	Quarter Ended							
	Jun 30 2008	Sep 30 2008	Dec 31 2008	Mar 31 2009	Jun 30 2009	Sep 30 2009	Dec 31 2009	Mar 31 2010
Quarterly average	\$ 1.0100	\$ 1.0418	\$ 1.2125	\$ 1.2453	\$ 1.1671	\$ 1.0974	\$ 1.0563	\$ 1.0409
Quarter end	\$ 1.0186	\$ 1.0599	\$ 1.2246	\$ 1.2602	\$ 1.1625	\$ 1.0722	\$ 1.0466	\$ 1.0156

Results of Operations

Summary of Quarterly Results

(000's)	For the Quarter Ended							
	Jun 30 2008	Sep 30 2008	Dec 31 2008	Mar 31 2009	Jun 30 2009	Sep 30 2009	Dec 31 2009	Mar 31 2010
Sales	\$ 23,037	\$ 13,201	\$10,518	\$17,955	\$ 14,465	\$ 9,069	\$12,149	\$15,068
Gross margin	12,088	6,815	4,826	9,407	7,283	3,901	5,267	6,808
	53%	52%	46%	52%	50%	43%	43%	45%
Expenses:								
Research and development	2,026	1,943	2,324	2,101	1,996	2,345	2,410	2,384
Sales and marketing	3,299	2,729	2,683	3,225	2,832	2,514	2,474	3,271
General and administrative	2,168	1,657	1,399	1,575	1,769	1,684	1,608	1,726
Stock-based compensation	221	190	161	217	206	219	78	168
Amortization	911	861	728	713	763	831	839	866
	8,626	7,380	7,295	7,831	7,566	7,593	7,409	8,415
Earnings (loss) before undernoted items	3,462	(564)	(2,469)	1,576	(283)	(3,692)	(2,142)	(1,607)
Foreign exchange (gain) loss	323	(242)	(112)	(10)	173	76	(1)	114
Interest income	(92)	(89)	(109)	(9)	(7)	(2)	(2)	(2)
Legal fees on settlement of lawsuit	–	–	151	–	–	–	–	–
Restructuring costs	–	–	251	–	812	–	64	–
Earnings (loss) before income tax	3,232	(233)	(2,650)	1,595	(1,261)	(3,766)	(2,203)	(1,719)
Income tax	62	–	–	–	–	–	254	–
Net Earnings (loss)	3,170	(233)	(2,650)	1,595	(1,261)	(3,766)	(2,457)	(1,719)
Net earnings (loss) per common share *:								
Basic and diluted	\$ 0.06	\$ (0.00)	\$ (0.05)	\$ 0.03	\$ (0.02)	\$ (0.07)	\$ (0.04)	\$ (0.03)

* Calculated using quarterly weighted average number of shares outstanding.

Sales by segment on a quarterly basis are as follows:

(000's)	For the Quarter Ended							
	Jun 30 2008	Sep 30 2008	Dec 31 2008	Mar 31 2009	Jun 30 2009	Sep 30 2009	Dec 31 2009	Mar 31 2010
Agriculture	\$ 20,047	\$ 10,146	\$ 8,417	\$ 15,755	\$ 11,794	\$ 6,385	\$ 9,567	\$ 12,481
Precision Products	2,990	3,055	2,100	2,200	2,671	2,684	2,582	2,587
	\$ 23,037	\$ 13,201	\$ 10,517	\$ 17,955	\$ 14,465	\$ 9,069	\$ 12,149	\$ 15,068

Quarter Ended March 31, 2010 versus Quarter Ended March 31, 2009

Revenue

For the three months ended March 31, 2010, revenue was \$15.1 million, down 16% from revenues of \$18.0 million for the same period of 2009. Revenues from the Company's operating segments were as follows in the first quarter of 2010 and 2009:

(000's)	Q1 2010	Q1 2009	Change
Agriculture	\$ 12,481	\$ 15,755	-21%
Precision Products	2,587	2,200	+18%
	\$ 15,068	\$ 17,955	-16%

Revenues from the Precision Products segment grew by 18% in the first quarter with sales of Vector heading sensor products, as well as GPS board sales to OEM customers showing strong growth from 2009.

In the Agriculture segment, sales of air agriculture products grew by 5% from the first quarter of 2009, however, revenues for ground-based agriculture products were down. Continued cautious purchasing related to the global economic climate, weather, and lower grain prices are believed to have impacted purchases of ground agriculture products during the quarter.

During the quarter, total North American revenues were down by 22% whereas international revenues were up by 1% over 2009. Sales to customers in South America and China were up by over 200% in the quarter, whereas sales to Europe and Australian customers declined by 32% and 38%, respectively.

Gross Margin

First quarter gross margins of \$6.8 million were down from \$9.4 million for the same quarter of 2009. On a percentage basis, gross margins were 45.2% compared to 52.4% in 2009. Margins were down year over year primarily as a result of the impact of the significant weakening of the US dollar over last year, product mix and program-related pricing discounts.

As in the last half of 2009, the weakening of the US dollar had a significant impact on gross margins for the quarter. As outlined in prior quarters' MD&A, the majority of US dollar inventory sold or held by the Company over the last half of the year was acquired during the first and second quarter of 2009 when the US dollar was substantially stronger. As the Company has a Canadian dollar measurement currency, US dollar revenues earned in the first quarter are recorded in Canadian dollars using the Q1 average foreign

exchange rate – which was \$1.04. However, when US dollar inventories are sold and brought into Canadian dollar cost of sales, they are recorded at the weighted average historical foreign exchange rate applicable when those inventories were acquired – the 2009 first half average rate was about \$1.21. The Company estimates that this had a negative impact on gross margins for the quarter of approximately 4% - in part because the first quarter of 2009 realized an opposite impact from FX rates. This issue has had a less pronounced impact in years prior to 2009 as significant foreign exchange rate moves have not been combined with the slower inventory movement.

During 2009, Management reduced headcount by 24% in its manufacturing department in response to lower revenues and activity. Lower fixed manufacturing overhead had a positive impact of about 1% on gross margins compared to the first quarter of 2009.

Expenses

Operating expenses were \$8.4 million in the first quarter, an increase of \$0.6 million, or 7%, compared to the first quarter of 2009.

Approximately 40% of the Company's operating expenses are denominated in Canadian and Australian dollars. The average US dollar foreign exchange rate for the first quarter weakened by about 16% compared to the Canadian dollar relative to the first quarter of 2009. Similarly, the US dollar foreign exchange rate weakened by about 27% against the Australian dollar during this same period. These changes have a negative impact on reported operating expenses as the Canadian and Australian dollar expenses are converted and reported in US dollars at a stronger rate. The estimated impact of these foreign exchange rate changes on US dollar translated operating expenses was an increase of about \$0.5 million.

Total headcount at March 31, 2010 was 227 employees, down by 35 from 262 at March 31, 2009 with a reduction of 17 employees in the manufacturing department and 18 employees in other functions. The impact of these reductions on operating expenses has been substantially offset by the impact of the weakening US dollar on translated expenses.

Research and development expenses increased by \$0.3 million or approximately 13% compared to 2009. The investment in research and development activities is critical for the Company to maintain and build its position in current and targeted markets. The increase in expenses compared to 2009 is primarily a result of the translation of Canadian and Australian based expenses at stronger foreign exchange rates.

Sales and marketing expenses increased from the first quarter of 2009 by 1%. Lower sales commission expenses from lower revenues and cost savings from the closure of the Company's Eules office during the second quarter of 2009 were offset by the negative impact of foreign exchange rates.

General and administrative ("G&A") expenses increased by 10% compared to the first quarter of 2009. Substantially all of this increase is related to the change in foreign exchange rates as the majority of G&A expenses are incurred in Canadian dollars.

Other

In the first quarter of 2010, the Company recorded net interest income of \$2 thousand compared to interest income of \$9 thousand in 2009. The Company earns interest income on its cash balance, offset by interest expense on capital leases.

The foreign exchange gains/losses reported in the Consolidated Statement of Operations arise primarily from the impact of the fluctuating US dollar on the translation of US dollar denominated working capital. While the US dollar was adopted as the Company's reporting currency, the measurement currency remains the Canadian dollar. As a result, the Company remains exposed to foreign currency translation and transaction gains and losses on US dollar denominated working capital.

The Company has a foreign currency risk management program to mitigate the impact of foreign currency fluctuations on US dollar working capital. Prior to the impact of risk management transactions, the Company realized a loss from foreign exchange of \$343 thousand in the first quarter. A gain from foreign currency risk management transactions of \$229 thousand is netted against this loss to arrive at the reported loss of \$114 thousand.

Net Income (Loss)

Hemisphere GPS realized a loss of \$1.7 million, or (\$0.03) per share (basic and diluted) in the first quarter of 2010 compared to net income of \$1.6 million, or \$0.03 per share (basic and diluted) in the first quarter of 2009.

Quarter Ended March 31, 2010 versus Quarter Ended December 31, 2009

Revenue

Revenue in the first quarter of 2010 of \$15.1 million was up by 24% from revenue of \$12.1 million in the fourth quarter of 2009. Growth of 30% was realized in Agriculture while Precision Products revenue was flat compared to the fourth quarter.

The increase from the fourth quarter is partly explained by the seasonality experienced by the Company. A large portion of the Company's revenues are generated from agricultural markets in the Northern Hemisphere. As a result, the Company's revenues are strongest during the heaviest buying season of such markets - which is the first half of the calendar year as farms prepare for the coming planting season.

Gross Margin

Gross margins of \$6.8 million were up from \$5.3 million in the fourth quarter of 2009 due to increased revenues. Percentage gross margins of 45.2% were up from 43.3% in the fourth quarter. The impact of foreign exchange rate changes, described earlier in this MD&A had a similar negative impact on both quarters.

Expenses

Expenses of \$8.4 million for the three months ended March 31, 2010 increased by \$1.0 million, or 14%, from the fourth quarter. Sales and marketing expenses increased primarily as a result of variable selling costs such as sales commissions, travel, advertising and other similar costs.

Other

Net interest income of \$2 thousand in the first quarter was largely unchanged from the fourth quarter.

The Company realized a foreign exchange loss of \$114 thousand in the first quarter of 2010 versus a gain of \$1 thousand in the fourth quarter of 2009 relating primarily to the translation of US dollar denominated working capital.

Net Income (Loss)

Hemisphere GPS realized loss of \$1.7 million, or (\$0.03) per share (basic and diluted) in the first quarter of 2010 compared to a loss of \$2.5 million, or (\$0.04) per share (basic and diluted) in the fourth quarter of 2009.

Liquidity and Capital Resources

Hemisphere GPS held cash of \$9.1 million at the end of the first quarter up from \$8.4 million at December 31, 2009. The primary items impacting the cash balance during the first quarter were:

- Cash used in operations, prior to non-cash operating working capital changes, was \$0.5 million compared to cash generated from operations of \$2.1 million in the first quarter of 2009. After considering non-cash operating working capital changes, \$0.9 million of cash was generated from operations in the first quarter of 2010, whereas cash of \$3.4 million was used in operations in 2009 – primarily driven by inventories.
- Inventories decreased by \$0.8 million during the first quarter of 2010 as expected given a larger than planned increase in inventory in early 2009.
- Accounts receivable and payable both increased from the fourth quarter as a result of the increase in activity in the first quarter.
- Total capital spending in the first quarter of 2010 was \$0.3 million compared to \$0.5 million in 2009. Capital costs in 2009 include computer equipment, production equipment and capitalized intangible costs associated with the development of integrated circuits that will be utilized in future product developments.
- During the first quarter, no stock options were exercised.

Hemisphere GPS has an unused operating line of credit with its bank with a maximum borrowing limit of Cdn\$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.

Inventories consist of components, work in process and finished goods related to the products manufactured and sold by the Company. Inventory levels increased from \$14.0 million at December 31, 2008 to \$17.4 million at the end of March 2010. Inventory was originally built in anticipation of strong sales during the first half of 2009, which is historically the strongest buying season for Hemisphere GPS. Softer than anticipated sales did not draw down inventory levels as expected. Physical inventory levels reported in the Company's Canadian dollar measurement currency peaked in March 2009 and have drawn down since. However, the weakening US dollar has offset this trend to some extent for reported inventory levels. Quarter-end inventory has reflected the following levels and rates:

	Measurement Currency	FX Rate	Reporting Currency
Mar 31, 2009	Cdn\$22.6 million	\$1.2602	US\$17.9 million
Jun 30, 2009	Cdn\$21.6 million	\$1.1625	US\$18.6 million
Sep 30, 2009	Cdn\$20.7 million	\$1.0722	US\$19.3 million
Dec 31, 2009	Cdn\$18.6 million	\$1.0466	US\$17.8 million
Mar 31, 2010	Cdn\$17.7 million	\$1.0156	US\$17.4 million

Critical Accounting Policies and Estimates

Hemisphere GPS prepares its consolidated financial statements in accordance with accounting principles generally accepted in Canada and has a Canadian dollar measurement currency and a US dollar reporting currency.

Update on the Conversion to International Financial Reporting Standards

The Canadian Accounting Standards Board (AcSB) has confirmed a strategic plan to converge Canadian GAAP with International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. IFRS is likely to result in a change in certain of the Company's accounting policies and may require restatements for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. In order to mitigate the impact of adoption to IFRS, the AcSB will continue to issue accounting standards that are converged with IFRS.

The Company has appointed a member of Management to lead the conversion process who has undertaken training relating to IFRS. A changeover plan has been developed. Under this plan, the Company is in the assessment and evaluation phase of the conversion. This phase of the project includes, among other things:

- identifying the differences between existing Canadian GAAP and IFRS,
- evaluating and making decisions regarding elections and accounting policies that are appropriate under IFRS,
- developing plans regarding the conversion of accounting and business processes associated with the changes, and
- preparing training plans for staff.

In carrying out this phase of the project, Management engaged its auditors, KPMG, LLP, to assist with the assessment of an evaluation comparing the Company's accounting policies to IFRS and identifying the key areas that need to be addressed in the IFRS conversion process. This evaluation was completed mid-2009. Subsequent to this evaluation, Management has acquired a Canadian-based third party software system that supports a more detailed evaluation of the Company's accounting policies and that supports the conversion project.

As of the date of this report, all accounting policies have been reviewed using the software tool referenced above. The Company has made preliminary decisions relating to elections and accounting policies under IFRS, however, at this point in time additional review and approvals by Management and the Company's Audit Committee are required before such decisions will be finalized. Related to certain of the preliminary decisions and analysis completed, Management is in the process of evaluating specific internal process changes that will be required to support accounting policy and disclosure provisions under IFRS.

Internal Control over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

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, 2009.

Forward-Looking Information

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 known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. We believe the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A and except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements.

In particular, this MD&A contains forward-looking statements pertaining to the following:

- financial results;
- new and emerging markets;
- impact of market conditions;
- forecast net farm income;
- changes in foreign currency rates;
- losses available to reduce future taxable income;
- customer adoption of technology and products;
- processes implemented to mitigate weaknesses in internal controls;
- implementation of International Financial Reporting Standards;
- technological developments;
- expectations regarding the ability to raise capital; and
- research and capital expenditures programs.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A:

- competition;
- departure of key personnel or consultants;
- inability to introduce new technology and new products in a timely manner;
- changes in the GPS network and other systems outside of our control;
- misappropriation of proprietary information;
- legal claims for the infringement of intellectual property and other claims;
- incorrect assessments of the value of acquisitions;
- fluctuation in foreign exchange or interest rates;
- uncertainties in the global economy;
- negative conditions in general economic and financial markets;
- reliance on key suppliers;
- availability of key supplies and components;
- dependence on major customers;
- losses from credit exposures;
- product liability;
- damage or loss of use of physical facilities;
- stock market volatility and market valuations;
- conflicts of interest;
- changes in income tax laws and other government regulations; and
- the other factors discussed under "Business and Market Risks".

With respect to forward-looking statements contained in this document, we have made assumptions regarding, among other things: future technological developments; availability of key supplies, components, services, networks and developments; future exchange rates; the cost of expanding Hemisphere GPS's product lines; the impact of increasing competition; the nature and outcome of legal proceedings; the continuity of existing business relationships; conditions in general economic and financial markets; and our ability to obtain financing on acceptable terms.

Management has included the above summary of risks and assumptions related to forward-looking information provided in this MD&A in order to provide shareholders and readers with a more complete perspective on the Company's current and future operations and such information may not be appropriate for other purposes. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Consolidated Financial Statements of



Three months ended March 31, 2010 and 2009

(expressed in U.S. dollars)

HEMISPHERE GPS INC.

Consolidated Balance Sheets
(unaudited - expressed in U.S. dollars)

	March 31, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 9,055,059	\$ 8,397,418
Accounts receivable	7,565,747	5,986,781
Inventories	17,407,480	17,751,949
Deferred commissions	173,739	187,436
Prepaid expenses and deposits	640,171	628,023
	<u>34,842,196</u>	<u>32,951,607</u>
Deferred commissions	109,366	158,171
Property and equipment	7,928,920	7,905,708
Intangible assets	7,148,361	7,386,776
Goodwill	42,168,991	40,919,957
	<u>\$ 92,197,834</u>	<u>\$ 89,322,219</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 6,244,966	\$ 4,030,075
Deferred revenue	1,153,621	1,242,573
Current portion of capital lease (note 5)	94,257	89,637
	<u>7,492,844</u>	<u>5,362,285</u>
Deferred revenue	729,777	819,888
Capital lease (note 5)	242,032	258,426
Shareholders' equity:		
Share capital (note 3)	107,708,468	107,708,468
Contributed surplus	4,021,570	3,853,826
Deficit	(41,839,977)	(40,121,337)
Accumulated other comprehensive income	13,843,120	11,440,663
	<u>83,733,181</u>	<u>82,881,620</u>
	<u>\$ 92,197,834</u>	<u>\$ 89,322,219</u>

See accompanying notes to consolidated financial statements.

Approved by the Board:



Paul Cataford, Director



Michael Lang, Director

HEMISPHERE GPS INC.

Consolidated Statements of Operations and Deficit
 Three months ended March 31, 2010 and 2009
 (unaudited - expressed in U.S. dollars)

	2010	2009
Sales	\$ 15,068,403	\$ 17,955,052
Cost of sales	8,259,979	8,548,013
	6,808,424	9,407,039
Expenses:		
Research and development	2,383,976	2,101,362
Sales and marketing	3,271,446	3,224,684
General and administrative	1,725,689	1,575,204
Stock-based compensation (note 3(c))	168,124	216,868
Amortization	866,674	713,480
	8,415,909	7,831,598
Earnings (loss) before undernoted items	(1,607,485)	1,575,441
Foreign exchange loss (gain)	113,506	(10,463)
Interest income	(2,351)	(9,335)
Net earnings (loss)	(1,718,640)	1,595,239
Deficit, beginning of period	(40,121,337)	(34,232,193)
Deficit, end of period	\$ (41,839,977)	\$ (32,636,954)
Earnings per common share:		
Basic	\$ (0.03)	\$ 0.03
Diluted	(0.03)	0.03
Weighted average shares outstanding:		
Basic	55,561,676	55,561,676
Diluted	55,561,676	55,561,676

See accompanying notes to consolidated financial statements.

HEMISPHERE GPS INC.

Consolidated Statements of Comprehensive Income (loss) and Accumulated Other Comprehensive Income (loss)

Three months ended March 31, 2010 and 2009

(unaudited - expressed in U.S. dollars)

	2010	2009
Net earnings (loss)	\$ (1,718,640)	\$ 1,595,239
Translation of assets and liabilities into U.S. dollar reporting currency	2,402,457	(2,147,103)
Comprehensive Income (loss)	\$ 683,817	\$ (551,864)
Accumulated Other Comprehensive Income (loss), opening balance	\$ 11,440,663	\$(1,381,933)
Translation of assets and liabilities into U.S. dollar reporting currency	2,402,457	(2,147,103)
Accumulated Other Comprehensive Income (loss), closing balance	\$ 13,843,120	\$(3,529,036)

See accompanying notes to consolidated financial statements.

HEMISPHERE GPS INC.

Consolidated Statements of Cash Flows
 Three months ended March 31, 2010 and 2009
 (unaudited - expressed in U.S. dollars)

	2010	2009
Cash flows from (used in) operating activities:		
Earnings (loss) from operations	\$ (1,718,640)	\$ 1,595,239
Items not involving cash:		
Amortization	948,379	770,576
Stock-based compensation	168,124	216,868
Unrealized foreign exchange loss (gain)	137,239	(469,352)
Cash from operations	(464,898)	2,113,331
Change in non-cash operating working capital:		
Accounts receivable	(1,362,290)	(2,719,701)
Inventories	847,293	(4,361,864)
Prepaid expenses and deposits	6,851	(11,677)
Accounts payable and accrued liabilities	2,038,004	1,857,500
Foreign currency contract	-	(284,256)
Deferred revenue	(236,135)	(49,248)
Deferred commissions	71,277	30,982
	900,102	(3,424,933)
Cash flows used in financing activities:		
Capital leases	(21,854)	-
	(21,854)	-
Cash flows used in investing activities:		
Purchase of property and equipment	(212,145)	(287,504)
Intangible asset addition	(53,332)	(203,910)
	(265,477)	(491,414)
Increase (decrease) in cash position	612,771	(3,916,347)
Effect of currency translation on cash balances and cash flows	44,870	139,732
Cash and cash equivalents, beginning of period	8,397,418	16,288,684
Cash and cash equivalents, end of period	\$ 9,055,059	\$ 12,512,069
Cash and cash equivalents consist of:		
Cash	\$ 3,555,059	\$ 7,512,069
Term deposits	\$ 5,500,000	\$ 5,000,000
Supplemental disclosure:		
Interest paid	\$ 16,029	\$ 4,052
Income taxes paid	\$ -	\$ 212,000

See accompanying notes to consolidated financial statements.

HEMISPHERE GPS INC.

Notes to Consolidated Financial Statements
Three months ended March 31, 2010 and 2009
(unaudited - expressed in U.S. dollars)

1. Basis of presentation:

The accompanying unaudited consolidated financial statements for Hemisphere GPS 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, 2009.

2. Cash and cash equivalents:

Cash and cash equivalents consists of cash on hand and term deposits with a Canadian chartered bank with original maturity dates of three months or less.

3. Share capital:

(a) Authorized:

Unlimited common shares

Unlimited first preferred shares, issuable in series

Unlimited second preferred shares, issuable in series

(b) Issued:

Issued share capital consists of 55,561,676 common shares at \$107,708,468.

HEMISPHERE GPS INC.

Notes to Consolidated Financial Statements, page 20
Three months ended March 31, 2010 and 2009
(unaudited - expressed in U.S. dollars)

3. Share capital (continued):

(c) Stock-based compensation:

At March 31, 2010 there were 4,640,822 (2009 – 4,253,847) stock options outstanding. During the first quarter of 2010 the Company recorded \$168,124 (2008 – \$216,868) as compensation expense.

Changes in the number of options with their weighted average exercise price are summarized below:

	March 31, 2010		March 31, 2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Total options outstanding, beginning of period	4,831,609	\$ 1.82	4,256,347	\$ 1.84
Granted	57,246	0.81	–	–
Forfeited	(248,033)	2.99	(2,500)	2.04
Stock options outstanding, end of period	4,640,822	\$ 1.75	4,253,847	\$ 1.84

4. Segmented information:

The Company has two operating segments based upon the structure in which management has organized the operations of the Company for making operating decisions, resource allocation decisions and assessing financial performance. The operating segments have been defined primarily by the products, markets, distribution methods and customer composition associated with each segment.

Both of the reportable operating segments derive revenue from the sale of GPS guidance related products. Because of their shared nature, the Company does not allocate goodwill, property and equipment, capital expenditures or related amortization to its operating segments.

HEMISPHERE GPS INC.

Notes to Consolidated Financial Statements, page 21
 Three months ended March 31, 2010 and 2009
 (unaudited - expressed in U.S. dollars)

4. Segmented information (continued):

Three month period ended

March 31, 2010	Agriculture	Precision	Shared	Total
Sales	\$ 12,481,000	\$ 2,587,000	\$ -	\$ 15,068,000
Contribution (loss)	\$ 2,418,000	\$ 857,000	\$ (4,994,000)	\$(1,719,000)

March 31, 2009	Agriculture	Precision	Shared	Total
Sales	\$ 15,755,000	\$ 2,200,000	\$ -	\$ 17,955,000
Contribution (loss)	\$ 3,165,000	\$ 749,000	\$ (2,319,000)	\$ 1,595,000

Assets and sales by geographic segment:

	Assets		Sales	
	March 31, 2010	December 31, 2009	Three months ended	
	March 31, 2010	December 31, 2009	March 31, 2010	March 31, 2009
United States	\$ 50,576,000	\$ 50,637,000	\$ 7,963,000	\$ 10,513,000
Canada	22,668,000	20,070,000	2,628,000	2,995,000
Europe	-	-	2,090,000	3,089,000
Australia	18,954,000	18,615,000	369,000	596,000
Other	-	-	2,018,000	762,000
	\$ 92,198,000	\$ 89,322,000	\$ 15,068,000	\$ 17,955,000

HEMISPHERE GPS INC.

Notes to Consolidated Financial Statements, page 22
Three months ended March 31, 2010 and 2009
(unaudited - expressed in U.S. dollars)

5. Capital Lease:

The Company has certain computer equipment under capital lease expiring in 2013.

	Amount
2010	\$ 88,536
2011	118,048
2012	118,048
2013	59,024
Total future minimum capital lease payments	383,656
Less: interest portion (at a rate of 8.1%)	47,367
Net minimum lease payments	336,289
Less: current portion	94,257
	\$ 242,032

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.

7. Comparative figures:

Certain comparative information has been reclassified to conform with the current year's presentation.

Shareholder & Media Inquiries

Corbet Pala
E-Vestor Communications Inc.
Toll free: 1-877-657-5276
Tel: 416-657-2400
Fax: 416-657-2300
e-mail: cpala@evestor.com

Calgary, Alberta

4110 - 9th Street SE · Calgary · Alberta · T2G 3C4
Telephone: 403-259-3311 · Fax: 403-259-8866

Hiawatha

2207 Iowa Street · Hiawatha · Kansas · 66434
Telephone: 785-742-2976 · Fax: 785-742-4584

Scottsdale

8444 N. 90th Street Suite #130 · Scottsdale · Arizona · 85258
Telephone: 480-348-9919 · Fax: 480-348-6370

Brisbane, Australia

305 Montague Road · West End Corporate Park, Unit 2
West End · Queensland 4101 · Australia
Telephone: +61 (0)7 3004-6700 · Fax: +61 (0)7 3004-6799



www.hemispheregps.com