Hemisphere GPS®

Q3 INTERIM REPORT • SEPTEMBER 30, 2007

Message to Shareholders

I'm pleased to be reporting on a very strong third quarter. Total revenues of $9.5 million for the quarter were approximately 70% higher than our third quarter last year, despite a dramatic increase in the Canadian dollar. In US dollars – the actual currency of our revenues – revenue growth was 80% during the third quarter.

The third quarter came in as we anticipated with strong sales growth from all of our product lines of air, marine, and agriculture in both North America and internationally. The cash flow crunch many farming operations were experiencing in the second quarter began to reverse as we predicted this quarter. As the first agricultural harvests were sold during the summer, increased cash flow came into the hands of farming operations supporting further investment. According to the Nebraska Business Forecast Council, farm income is forecasted to rise 28% in 2007. We are seeing the impact of this as other agricultural equipment providers have been reporting on their third quarter sales and posting increased sales.

For Hemisphere GPS, year to date growth has been 18%. Taking foreign exchange into account, the actual growth in US dollar revenues for the year has been 21%. This is in line with our formal guidance of 20% growth for the entire year. Twelve month rolling growth rates for revenue are also 21% or 24% taking foreign exchange into account. All business lines are healthy and we expect another strong year in 2008. International sales increased significantly in the third quarter including South America and Australia which benefited from higher commodity prices earlier in 2007 following the southern hemisphere harvest. International sales delivered healthy growth of 92% (103% in US dollars) in the third quarter compared to 2006. North American sales also delivered significant growth of 57% (67% in US dollars) compared to the third quarter of 2006 as a result of the cash flow impact of stronger grain prices and the timing of early harvests.

Part of our international growth is a result of our secondary OEM (Original Equipment Manufacturer) approach to market and the strengthening of the relationships we have with the Claas Group based in Germany and Stara in Brazil, who represent our largest and second largest OEM customers respectively. Our relationships with, and continued pursuit of Tier 1 and Tier 2 OEM's and integrators, is a great complement to our after-market strategy.

We are also pleased to enter our final quarter of the year with a strong balance sheet carrying $10 million in cash, $24 million in working capital and no debt.

A welcome development during the quarter was the awarding of a non-infringement judgment in the patent infringement lawsuit initiated by Trimble Navigation Ltd. in 2002. Following this positive decision, a settlement agreement was concluded between Hemisphere and Trimble, and all other outstanding patent infringement lawsuits between the two companies have been dismissed, including the counter claims we had filed against Trimble. We are very pleased to have reached a mutually agreeable settlement in these matters. We believe the agreement provides for significant long term value for our shareholders and we are happy to be putting these matters behind us and instead focus our energies in the competitive market.

We have completed 11 new products so far in 2007, including the new guidance and autosteering products, boom control, antennas, and our new Eclipse dual frequency receiver platform; we plan on launching more products before the end of this year. The launch of our new S-Lite™ product illustrates our strategy of positioning the right product to the right segment of the agriculture market rather than a "one size fits all" approach.

Our new Outback Finance program is a great addition to our after-market business – allowing farmers to finance larger ticket products such as the BaselineHD™ and to mitigate the impacts of future increases in input costs. With our new portfolio additions, we are very well positioned to capitalize on the opportunities in our agriculture, marine, and air markets, as well growth into new vertical markets.

The recent bio-fuel momentum along with international food demand has maintained strong prices for most agricultural commodities including grain, corn, and soybeans. With 30-year low inventories, prices are expected to remain high for the foreseeable future. This would translate into unprecedented wealth inflow into rural America, and for that matter, rural markets globally. With the still low penetrations of GPS in precision agriculture, this is a very good environment for Hemisphere GPS. The 2007 harvest is the first harvest to benefit from higher commodity prices and the impact of this new wealth in the northern hemisphere is now being witnessed. We believe the next several years will provide continued strength in disposable income for farming operations to invest in new equipment, including new GPS guidance technology to further increase the profitability of their farming operations.

Given the still early penetrations of GPS, the independence of the agriculture economy from the macro U.S. economy, and strong value proposition of our Outback product line based on increased yield management and operating efficiencies, we expect continued strength in our second half. As a result, we continue to anticipate growing the business at least 20% this year.

I'd like to thank you for your continued support and look forward to reporting to you again following our year end results.

Steven Koles
President and Chief Executive Officer
October 25, 2007

Interim Management Discussion and Analysis

The following discussion and analysis is effective as of October 25, 2007 and should be read together with the unaudited interim consolidated financial statements and the accompanying notes. Additional information relating to Hemisphere GPS Inc. ("Hemisphere GPS" or the "Company"), including the Company's Annual Information Form, can be found on SEDAR (www.sedar.com) which is supplemental to unaudited interim consolidated financial statements and notes for the three and nine month periods ended September 30, 2007.

Overview

Hemisphere GPS Inc. was formerly named CSI Wireless Inc., but received shareholder approval to change the name of the company from CSI Wireless Inc. to Hemisphere GPS Inc. at the Special and Annual General Meeting of its shareholders on May 9, 2007. The Company 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. Hemisphere GPS has three primary product lines: ground agriculture products, aerial agriculture products and precision products for GIS and marine markets.

Results of Operations

Quarter Ended September 30, 2007 versus Quarter Ended September 30, 2006

Revenue

For the three months ended September 30, 2007, revenue was $9.5 million, up 69% from revenues of $5.6 million for the same period of 2006. Significant revenue growth was realized in all product lines and regions – with particular strength seen in International and agriculture-related product sales. Revenue growth is being driven by strong fundamentals in the agriculture market, together with new products introduced in the Company's Precision Products line – targeted primarily at non-agricultural markets.

Because the Company's revenues are substantially all denominated in United States dollars, the Company's Canadian dollar revenues have been negatively impacted by the continued strengthening of the Canadian dollar against the United States dollar. The Company's revenue growth in United States dollars was approximately 80% compared to the third quarter of 2006, illustrating the true growth of the business in the quarter.

Gross Margin

Gross margins for the quarter of $4.4 million and 46% are up from $1.1 million and 19% for the same quarter of 2006. In 2006 normalized gross margins were 37%, prior to the impact of inventory adjustments of approximately $1 million. The increase in 2007 gross margins compared to normalized 2006 gross margins is a result of stronger margins in all product lines arising from new product introductions and the impact of cost reduction initiatives in design and in the supply chain – including the outsourcing of certain elements of the manufacturing process.

The continued strengthening of the Canadian dollar relative to the United States dollar has had a negative impact on gross margins. Revenues earned by the Company are substantially all denominated in United States dollars. However, as the Company operates a manufacturing facility in Calgary, Canada, cost of sales are incurred in both Canadian and United States dollars. At third quarter revenue levels, the Company estimates that movement in the average foreign exchange rate has had a negative impact on third quarter gross margins of approximately 1.4% when compared to the average foreign exchange rate in the third quarter of 2006.

Expenses

During the third quarter, Hemisphere GPS was awarded a non-infringement judgment in a patent infringement lawsuit initiated by Trimble Navigation Ltd. in 2002. Following this positive decision, a confidential settlement agreement was concluded between Hemisphere GPS and Trimble, whereby all other outstanding patent infringement lawsuits between the companies were dismissed, including the counter claims filed by Hemisphere GPS. During the quarter, the Company incurred $1.4 million of legal expenses related to this matter, however, no further legal costs associated with this matter are expected to be incurred. Effective with the current quarter, the

Company has reclassified the legal expenses associated with the Trimble legal action in the Consolidated Statements of Operations in order to reflect the impact of these costs on past financial results.

Expenses were $5.3 million, an increase of $0.3 million, or 7%, compared to the third quarter of 2006. This increase is a result of increased investment in research and development, as well as increases in sales and marketing and general and administrative expenses arising from the growth of the Company, however, such growth is moderate relative to the growth in third quarter revenues of 69%, illustrating the scalability of the Company's business model.

Research and development expenses increased by approximately 14% compared to the third quarter of 2006 as a result of growth as well as increased project costs associated with new product developments. 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.

Sales and marketing expenses increased from the third quarter of 2006 by $165 thousand and general and administrative expenses increased by $158 thousand primarily as a result of growth associated with increased revenues.

Other

The Company incurred a foreign exchange loss of $422 thousand during the third quarter of 2007 compared to a loss of $648 thousand in 2006. Foreign exchange gains and losses arise from a variety of sources, but are driven primarily by 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 and received a hedging payment of $829 thousand at the end of the third quarter that is netted against the foreign exchange loss. During the quarter, the Canadian dollar strengthened by 7% - which is a dramatic change for such a short period.

In the third quarter of 2007, the Company recorded interest income of $104 thousand compared to interest income of $84 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.

Legal fees associated with the patent infringement lawsuit initiated by Trimble Navigation Limited were $1.4 million during the quarter, compared to $156 thousand in the third quarter of 2006. These legal fees arose from third quarter activity relating to the lawsuit, including the application for dismissal of the infringement claims, preparation for trial, and the negotiation of the settlement. In addition, in prior quarters, 50% of the legal fees related to this matter were indemnified by RHS, Inc., the vendor in the 2005 Outback business acquisition. However, at the end of the second quarter, the indemnification cap of US$1.5 million was reached. As a result, Hemisphere GPS bore 100% of the legal fees in the third quarter. As discussed previously, this matter has now been settled and no further legal fees are anticipated.

Discontinued Operations

During 2006, the Company carried out activities to dispose of 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.

In addition to the above transactions, on July 28, 2006, the Company announced that it had signed an asset purchase agreement to sell its Location Tag Telematics product line to Trace Technologies, LLC. Prior to the third quarter of 2007, the agreement had not closed due to circumstances impacting Trace and which were out of the control of the Company. During the third quarter, the Company entered an agreement to terminate the asset purchase agreement and releasing a deposit of $125 thousand that had been paid by Trace and was being held in escrow. This deposit was received by the Company during the third quarter.

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 $107 thousand for the quarter ended September 30, 2007 compared to a loss of $2.0 million in 2006.

Expenses from discontinued operations reflect legal expenses. The Company recorded an impairment of fixed assets associated with the Location Tag product line given the termination of the related asset purchase agreement. The Company continues to incur 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	
(000's)	September 30 2007	September 30 2006
Sales	$ –	$ 4,894
Gross margin	–	930
	–	19%
Expenses	116	2,913
Loss before undernoted items	(116)	(1,983)
Impairment of property and equipment	(116)	–
Other income	125	–
Interest (income) expense	–	(4)
Loss from discontinued operations	$ (107)	$ (1,979)

Net Income (Loss)

The continuing operations of the Hemisphere GPS product lines incurred a loss of $2.6 million, or $0.06 per share (basic and diluted) in the third quarter of 2007 compared to $3.8 million, or $0.08 per share (basic and diluted) in the third quarter of 2006. Legal expenses related to the Trimble legal action and foreign exchange were responsible for approximately $1.8 million of the net loss from continuing operations in the third quarter.

The Company incurred a net and comprehensive loss of $2.7 million, or $0.06 per share (basic and diluted) in the third quarter of 2007, compared to a net and comprehensive loss of $5.8 million, or $0.13 per share (basic and diluted) in the third quarter of 2006.

Quarter Ended September 30, 2007 versus Quarter Ended June 30, 2007

Revenue

Revenue in the quarter of $9.5 million was down 40% from revenue of $15.9 million in the second quarter of 2007. 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. In the third quarter of 2007, the impact of seasonality was not as strong as realized in previous years as a result of increased sales in the Southern Hemisphere and strong grain prices in the agriculture markets driving increased purchasing.

Gross Margin

Gross margins of $4.4 million were down from $7.4 million in the second quarter of 2007 due to the impact of seasonality on revenues. Percentage gross margins of 46% were down slightly from 47% in the second quarter primarily as a result of the strengthening of the Canadian dollar relative to the United States dollar.

As outlined earlier, gross margins are impacted by foreign exchange rate changes because a portion of cost of sales are incurred in Canadian dollars while revenues are largely denominated in United States dollars. The Company estimates that at third quarter revenue levels, the movement in the average foreign exchange rate for the quarter has had a negative impact on third quarter gross margins of approximately 1.0% when compared to the average foreign exchange rate for the second quarter of 2007.

Expenses

Expenses of $5.3 million for the three months ended September 30, 2007 decreased $531 thousand, or 9%, from the second quarter. Sales and marketing expenses decreased by $266 thousand relating primarily to lower commissions expense. General and administrative costs decreased by $232 thousand as the second quarter included a higher level of public company costs - such as regulatory filings and the annual meeting.

Other

The Company incurred a foreign exchange loss of $422 thousand in the third quarter of 2007 versus a loss of $273 thousand in the second quarter of 2007 relating primarily to the translation of US dollar denominated working capital. The third quarter foreign exchange loss is net of a hedging payment received at the end of the third quarter of $829 thousand.

Interest income, net of interest expense, of $104 thousand in the third quarter decreased from $146 thousand in the quarter ended June 30, 2007 as a result of a lower average cash balance during the quarter. The Company earns interest income on its cash balance, offset by interest expense on capital leases.

Legal fees associated with the patent infringement lawsuit initiated by Trimble Navigation Limited were $1.4 million during the quarter, compared to $1.1 million in the second quarter of 2007. As discussed previously, this matter has been settled and no further legal fees are anticipated.

Discontinued Operations

The Company recorded a loss from discontinued operations of $107 thousand for the quarter ended September 30, 2007 compared to $122 thousand in the second quarter of 2007. 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:

(000's)	Quarter Ended September 30 2007	June 30 2007
Sales	$ –	$ –
Gross margin	–	–
Expenses	116	122
	(116)	(122)
Impairment of property and equipment	(116)	–
Other income	125	–
Loss from discontinued operations	$ (107)	$ (122)

Expenses of $116 thousand relate to legal expenses and impairment of fixed assets as previously described.

Net Income (Loss)

The Company incurred a loss from continuing operations of $2.6 million or $0.06 per share (basic and diluted) in the third quarter of 2007 compared to net income of $0.4 million or $0.01 per share (basic and diluted) in the second quarter of 2007.

The Company incurred a net and comprehensive loss in the third quarter of $2.7million, or $0.01 per share (basic and diluted), compared to net and comprehensive income of $0.2 million, or $0.01 per share (basic and diluted) in the second quarter of 2007.

Nine Months Ended September 30, 2007 versus Nine Months Ended September 30, 2006

Revenue

Revenue in the nine months ended September 30, 2007 was $44.9 million up by 18% from revenue of $38.0 million in the corresponding period of 2006. When measured in United States dollars, revenue growth for the year has been approximately 21%.

The increase in revenues is a result of strong sales in all product lines, and growth in international sales. In 2007, the Company's international revenues have increased by over 70% relative to the first nine months of 2006. The Company believes that strong grain prices have already translated into cash flow to farming operations in the Southern Hemisphere, resulting in strong demand for the Company's products in those markets.

Gross Margin

Gross margins of $21.5 million and 48% are up from $15.6 million and 41% in 2006. Margins have been positively impacted by new product introductions and product cost reductions. These benefits have been offset to some extent by the impact of the strengthening Canadian dollar on gross margins.

Expenses

Expenses of $17.6 million for the nine months ended September 30, 2007 have increased by $0.8 million from the first nine months of 2006. The increase is primarily due to increased costs associated with the growth of the Company. While revenues have increased by 18% from 2006, operating expenses have increased by just 5% illustrating the scalability of the Company's business model.

Other

The Company has incurred a foreign exchange loss of $648 thousand (2006 - $695 thousand), interest income (net of interest expense) of $325 thousand (2006 - $194 thousand), and a loss on sale of marketable securities of $39 thousand (2006 - $ nil) in the first nine months of 2007.

Legal expenses relating to the patent infringement lawsuit initiated by Trimble Navigation Limited totaled $3.1 million for the nine month period ended September 30, 2007. In 2006, comparable legal expenses were $0.2 million. As discussed previously, this matter has been settled and no further legal fees are anticipated.

Discontinued Operations

The Company recorded a loss from discontinued operations of $334 thousand for the first nine of 2007 compared to a loss of $14.2 million in the comparable period in 2006. In 2007, the results primarily reflect legal fees associated with legal matters that arose prior to the divestment of the wireless operations.

Net Income (Loss)

Net income from continuing operations was $363 thousand ($0.01 per share basic and diluted) in the nine month period ended September 30, 2007 compared to a loss from continuing operations of $3.0 million ($0.06 per share - basic and diluted) in 2006.

The Company earned net and comprehensive income in the first nine months of 2007 of $29 thousand ($0.00 per share - basic and diluted), compared to a loss of $17.1 million ($0.37 per share – basic and diluted) in the same period of 2006.

Summary of Quarterly Results

	For the Quarter Ended							
(000's)	Dec 31 2005	Mar 31 2006	Jun 30 2006	Sep 30 2006	Dec 31 2006	Mar 31 2007	Jun 30 2007	Sep 30 2007
Sales	$ 5,625	$ 15,514	$ 16,907	$ 5,617	$ 7,870	$ 19,505	$ 15,893	$ 9,474
Gross margin	1,943	6,202	8,379	1,055	2,881	9,662	7,415	4,386
	35%	40%	50%	19%	37%	50%	47%	46%
Expenses:								
Research and development	990	1,170	1,227	1,134	1,209	1,266	1,296	1,295
Sales and marketing	1,818	2,819	2,342	1,772	2,372	3,092	2,203	1,937
General and administrative	1,351	1,290	1,498	1,191	1,684	1,331	1,581	1,349
Stock-based compensation	211	143	186	215	213	220	185	131
Amortization	592	587	619	638	666	603	562	584
	4,962	6,009	5,872	4,950	6,144	6,512	5,827	5,296
Earnings (loss) before undernoted items	(3,019)	193	2,507	(3,895)	(3,263)	3,150	1,588	(910)
Legal fees on settlement	36	40	34	156	37	634	1,061	1,407
Foreign exchange (gain) loss	145	67	762	(133)	(53)	(46)	273	422
Interest income	(38)	(16)	(94)	(84)	(27)	(74)	(146)	(104)
Loss (gain) on sale of marketable securities	–	–	–	–	(1,050)	–	39	–
Restructuring costs	–	–	1,043	–	–	–	–	–
Earnings (loss) from continuing operations	(3,162)	102	762	(3,834)	(2,170)	2,636	361	(2,634)
Loss from discontinued operations	(3,302)	(9,257)	(2,929)	(1,978)	(582)	(105)	(122)	(107)

Net earnings (loss)	$ (6,464)	$ (9,155)	$ (2,167)	$ (5,812)	$ (2,752)	$ 2,531	$ 239	$ (2,741)
Earnings (loss) per common share from continuing operations *:								
Basic and diluted	$ (0.07)	$ 0.00	$ 0.02	$ (0.08)	$ (0.05)	$ 0.06	$ 0.01	$ (0.06)
Net earnings (loss) per common share *:								
Basic and diluted	$ (0.15)	$ (0.20)	$ (0.05)	$ (0.13)	$ (0.06)	$ 0.05	$ 0.01	$ (0.06)

** Calculated using quarterly weighted average number of shares outstanding.*

Liquidity and Capital Resources

Hemisphere GPS held cash of $9.6 million at the end of the third quarter compared to a balance of $12.4 million at June 30, 2007. The primary items impacting the cash balance during the third quarter were:

- Cash used in continuing operations, prior to working capital changes, was $2.0 million compared to $3.0 million in the third quarter of 2006.
- Inventories increased by $1.7 million during the quarter related primarily to new products that will be launched during the fourth quarter and the impact of a level load manufacturing program building product to support the first half selling season of 2008.
- Accounts payable decreased by $0.6 million during the third quarter relating to lower activity levels associated with the seasonally lower third quarter.
- Total capital spending related to continuing operations in the third quarter of 2007 was $368 thousand primarily related to the expansion of manufacturing capacity in the Calgary manufacturing location as well as production and computer equipment. The expanded facility in Calgary, together with the outsourcing of certain high volume manufacturing activities to Asia, should meet the Company's forecasted capacity requirements for at least three years.
- Cash used in discontinued operations in the third quarter was $58 thousand. Payment of legal expenses and accounts payable was offset by the receipt of $125,000 relating to the termination of the Trace asset purchase agreement as previously discussed.
- During the third quarter, 60,038 stock options were exercised for proceeds of $107 thousand.
- As of October 25, 2007 there were 46,362,926 common shares outstanding.

Hemisphere GPS 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 Hemisphere GPS's capital lease obligations at September 30, 2007:

	Payments Due by Period		
	Total	less than 1-year	1 to 3 years
Capital lease obligations	$ 195,856	$ 195,856	$ –

Financial Instruments

The Company uses forward contracts as an economic hedge to offset the impact of fluctuations in foreign currency exchange rates on certain foreign currency denominated current assets and liabilities. At September 30, 2007, the Company has forward contracts in place for the sale of United States dollars that mature on December 31, 2007 and with a total principal value of US$13.0 million. The foreign currency exchange rate on these forward contracts is Cdn$0.9951/US$1.0000.

Critical Accounting Policies and Estimates

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

Effective January 1, 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 and nine month periods ended September 30, 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. The Company uses forward contracts to hedge certain foreign currency denominated assets and liabilities against fluctuations in foreign currency exchange rates. The Company does not use forward contracts for trading or speculative purposes.

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.

The CICA issued new accounting standards for measurement and disclosure requirements for inventories which are applicable for fiscal years beginning on or after January 1, 2008. The Company does not expect any significant effect on its financial statements due to the application of these standards.

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 Financial Statements of

HEMISPHERE GPS INC.

(formerly CSI Wireless Inc.)
Three and nine month periods ended September 30, 2007 and 2006

HEMISPHERE GPS INC.

(formerly CSI Wireless Inc.)
Consolidated Balance Sheets
(unaudited)

	September 30, 2007	December 31, 2006
Assets		
Current assets:		
Cash	$ 9,624,505	$ 11,160,405
Accounts receivable	7,168,035	4,995,204
Inventories	14,530,512	11,479,139
Deferred commissions	224,757	111,619
Prepaid expenses and deposits	477,236	550,530
Current assets of discontinued operations (note 4)	387,877	1,360,735
	32,412,922	29,657,632
Deferred commissions	290,181	246,414
Property and equipment	8,196,428	8,507,990
Intangible assets	3,834,929	4,332,591
Goodwill	22,961,432	22,961,432
Assets of discontinued operations (note 4)	–	116,380
	$ 67,695,892	$ 65,822,439
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 7,166,743	$ 5,785,501
Deferred revenue	1,344,958	773,527
Current portion of long-term debt	–	300,517
Current portion of capital leases	195,856	291,057
Current liabilities of discontinued operations (note 4)	139,274	974,505
	8,846,831	8,125,107
Deferred revenue	1,941,911	1,672,116
Capital lease obligations	–	101,714
Shareholders' equity:		
Share capital (note 2)	104,616,683	104,013,743
Contributed surplus	3,127,943	2,776,468
Deficit	(50,837,476)	(50,866,709)
	56,907,150	55,923,502
	$ 67,695,892	$ 65,822,439

See accompanying notes to consolidated financial statements.

HEMISPHERE GPS INC.

(formerly CSI Wireless Inc.)
Consolidated Statements of Operations and Deficit
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Sales	$ 9,474,224	$ 5,617,430	$ 44,871,875	$ 38,037,987
Cost of sales	5,088,368	4,562,414	23,409,037	22,401,843
	4,385,856	1,055,016	21,462,838	15,636,144
Expenses:				
Research and development	1,294,862	1,134,299	3,857,759	3,531,915
Sales and marketing	1,937,392	1,772,476	7,232,476	6,933,442
General and administrative	1,348,660	1,190,929	4,261,162	3,978,800
Stock-based compensation (note 2(c))	131,493	215,168	536,060	544,285
Amortization	583,529	637,533	1,748,334	1,843,437
	5,295,936	4,950,405	17,635,791	16,831,879
Earnings (loss) before undernoted items	(910,080)	(3,895,389)	3,827,047	(1,195,735)
Foreign exchange (gain) loss	421,757	(132,998)	648,236	695,376
Loss on sale of marketable securities	–	–	38,809	
Interest and other income	(104,433)	(84,005)	(324,700)	(193,781)
Restructuring costs	–	–	–	1,043,000
Legal fees on settlement of lawsuit (note 7)	1,406,785	155,580	3,101,504	229,262
Earnings (loss) from continuing operations	(2,634,189)	(3,833,966)	363,198	(2,969,592)
Loss from discontinued operations (note 4)	(106,920)	(1,978,404)	(333,965)	(14,164,667)
Net earnings (loss) and comprehensive income (loss)	(2,741,109)	(5,812,370)	29,233	(17,134,259)
Deficit, beginning of period	(48,096,367)	(42,302,035)	(50,866,709)	(30,980,146)
Deficit, end of period	$(50,837,476)	$(48,114,405)	$(50,837,476)	$(48,114,405)
Earnings (loss) per common share from continuing operations:				
Basic and diluted	$ (0.06)	$ (0.08)	$ 0.01	$ (0.06)
Loss per common share:				
Basic and diluted	$ (0.06)	$ (0.13)	$ –	$ (0.37)
Weighted average shares outstanding:				
Basic	46,345,867	46,086,642	46,225,372	45,992,887
Diluted	46,566,090	49,340,921	46,317,060	49,340,921

See accompanying notes to consolidated financial statements.

HEMISPHERE GPS INC.

(formerly CSI Wireless Inc.)
Consolidated Statements of Cash Flows
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Cash flows from (used in) operating activities:				
Earnings (loss) from continuing operations	$(2,634,189)	$ (3,833,966)	$ 363,198	$ (2,969,592)
Items not involving cash:				
Amortization	583,529	637,533	1,748,334	1,843,437
Stock-based compensation	131,493	215,168	536,060	544,285
Loss on sale of marketable securities	–	–	38,809	–
Unrealized foreign exchange gain	–	8,855	–	4,748
	(1,919,167)	(2,972,410)	2,686,401	(577,122)
Change in non-cash operating working capital:				
Accounts receivable	1,919,895	(118,395)	(2,812,038)	(467,047)
Inventories	(1,719,634)	(179,430)	(3,051,373)	304,107
Prepaid expenses and deposits	(54,042)	(270,458)	73,294	(47,790)
Deferred commissions	(8,140)	(17,952)	(156,905)	(277,391)
Accounts payable and accrued liabilities	(685,880)	380,024	1,381,242	822,322
Deferred revenue	46,128	119,699	841,226	1,846,676
	(2,420,840)	(3,058,922)	(1,038,153)	1,603,755
Cash used in discontinued operations (note 4)	(58,374)	(1,875,884)	(79,958)	(7,888,870)
	(2,479,214)	(4,934,806)	(1,118,111)	(6,285,115)
Cash flows from (used in) financing activities:				
Long-term debt	–	(125,884)	(300,517)	(381,772)
Capital lease obligations	(66,313)	(45,734)	(196,915)	(212,121)
Issue of share capital, net of share issue costs	107,204	66,560	418,355	397,259
Cash from discontinued operations (note 4)	–	–	–	2,977,665
	40,891	(105,058)	(79,077)	2,781,031
Cash flows from (used in) investing activities:				
Purchase of property and equipment	(367,869)	(745,821)	(939,110)	(1,445,911)
Business acquisition, net	–	–	–	(959,303)
Proceeds on sale of marketable securities	–	–	600,398	–
Cash from (used in) discontinued operations (note 4)	–	–	–	(117,035)
	(367,869)	(745,821)	(338,712)	(2,522,249)
Decrease in cash position	(2,806,192)	(5,785,685)	(1,535,900)	(6,026,333)
Cash, beginning of period	12,430,697	12,354,706	11,160,405	12,595,354
Cash, end of period	$ 9,624,505	$ 6,569,021	$ 9,624,505	$ 6,569,021
Supplemental disclosure:				
Interest paid	$ 3,521	$ 16,448	$ 30,492	$ 71,059
Interest received	$ 117,069	$ 98,542	$ 340,286	$ 298,118

See accompanying notes to consolidated financial statements.

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, 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 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 and nine month periods ended September 30, 2007, or that would result in an adjustment to opening balances for accumulated other comprehensive income or loss.

1. Basis of presentation (continued):

The Company also adopted new accounting standards with respect to hedging activities. The Company uses forward contracts to hedge certain foreign currency denominated assets and liabilities against fluctuations in foreign currency exchange rates. The Company does not use forward contracts for trading or speculative purposes.

The CICA plans to adopt International Financial Reporting Standards (IFRS) over a transition period expected to end in 2011. The impact of the transition to IFRS on the Company's financial statements is not yet determinable.

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.

The CICA issued new accounting standards for measurement and disclosure requirements for inventories which are applicable for fiscal years beginning on or after January 1, 2008. The Company does not expect any significant effect on its financial statements due to the application of these standards.

2. 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	170,355	328,125
Share issue costs	–	(16,974)
Transfer from contributed surplus on exercise of stock options	–	136,520
Balance, June 30, 2007	46,295,971	$ 104,461,414
Issued on exercise of stock options	60,038	107,204
Transfer from contributed surplus on exercise of stock options	–	48,065
Balance, September 30, 2007	46,356,009	$ 104,616,683

(c) Stock options:

At September 30, 2007 there were 2,808,435 stock options outstanding. During the current quarter, the Company granted nil stock options and recorded $131,493 (2006 – $256,006, including discontinued operations) as compensation expense. For the nine months ended September 30, 2007, the Company granted 275,000 stock options and recorded $536,060 (2006 – $688,224, including discontinued operations) as compensation expense.

3. Segmented information:

(a) Sales by geographic segment:

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
United States	$ 4,478,000	$ 2,995,000	$ 20,900,000	$ 20,558,000
Canada	1,371,000	730,000	11,848,000	10,394,000
Europe	1,674,000	904,000	5,119,000	3,145,000
Other	1,951,000	988,000	7,005,000	3,941,000

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

(b) Assets by geographic segment:

	September 30, 2007	December 31, 2006
United States	$ 30,018,000	$ 45,476,000
Canada	37,678,000	20,346,000

4. 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.

The results of discontinued operations are as follows:

	Three months ended September 30, 2007	Three months ended September 30, 2006	Nine month ended September 30, 2007	Nine month ended September 30, 2006
Sales	$ –	$ 4,893,581	$ –	$ 16,395,883
Cost of sales	–	3,963,980	–	13,736,281
	–	929,601	–	2,623,602
Expenses:				
Research and development	–	132,994	–	2,231,151
Sales and marketing	–	84,393	–	1,081,336
General and administrative	115,540	2,628,877	342,585	3,078,275
Stock-based compensation	–	40,838	–	143,939
Amortization	–	25,398	–	448,320
	115,540	2,912,500	342,585	6,983,021
Loss before undernoted items	(115,540)	(1,982,899)	(342,585)	(4,359,419)
Gain on sale of product line	–	–	–	(190,000)
Severance and wind-down costs	–	–	–	2,021,000
Interest income	–	(4,495)	–	(25,752)
Goodwill impairment	–	–	–	8,000,000
Impairment of property and equipment	(116,380)	–	(116,380)	–
Other income	125,000	–	125,000	–
Loss from discontinued operations	$ (106,920)	$(1,978,404)	$ (333,965)	$ (14,164,667)

Assets and liabilities presented in the consolidated balance sheet include the following assets and liabilities of discontinued operations:

	September 30, 2007	December 31, 2006
Current assets	$ 387,877	$ 1,360,735
Property and equipment	–	116,380
Current liabilities	(139,274)	(974,505)
	$ 248,603	$ 502,610

4. Discontinued operations (continued):

The cash flow from discontinued operations is as follows:

	Three months ended September 30, 2007	Three months ended September 30, 2006	Nine months ended September 30, 2007	Nine months ended September 30, 2006
Cash flows from (used in) operating activities:				
Loss from discontinued operations	$ (106,920)	$ (1,978,404)	$ (333,965)	$ (14,164,667)
Items not involving cash:				
Amortization	–	25,398	–	448,320
Impairment of property and equipment	116,380	–	116,380	–
Stock-based compensation	–	40,838	–	143,939
Goodwill impairment	–	–	–	8,000,000
Gain on sale of product line	–	–	–	(190,000)
	9,460	(1,912,168)	(217,585)	(5,762,408)
Change in non-cash operating working capital:				
Current assets	46,816	(514,512)	972,858	5,214,216
Current liabilities	(114,650)	550,796	(835,231)	(7,340,678)
	(58,374)	(1,875,884)	(79,958)	(7,888,870)
Cash flows from (used in) financing activities:				
Capital lease obligations	–	–	–	(346,812)
Proceeds on sale of product line, net of disposition costs	–	–	–	3,324,477
	–	–	–	2,977,665
Cash flows used in investing activities:				
Purchase of property and equipment	–	–	–	(117,035)
	$ (58,374)	$ (1,875,884)	$ (79,958)	$ (5,028,240)

5. 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.

6. Related Party Transactions:

Pursuant to the agreements relating to the purchase of the Outback business in April 2005, RHS, Inc., a company controlled by a director and former executive of the Company, has indemnified the Company for 50% of the costs associated with an outstanding patent infringement lawsuit up to a maximum of US$1.5 million. The indemnification is secured by 450,000 common shares of the Company that will remain in escrow until the earlier of the settlement of the associated claims or ten years after closing of the acquisition. At September 30, 2007, accounts receivable includes US$1.5

million owing from RHS, Inc. related to costs incurred by the Company and recoverable pursuant to this indemnification.

7. Legal fees on settlement of lawsuit:

During the third quarter of 2007, following the dismissal of the associated patent infringement claims by the U.S. District Court, the Company settled an outstanding legal action that had been initiated by a third party in 2002. As a result, all outstanding litigation with the third party has been discontinued and the Company does not expect to incur further legal costs associated with this matter. Effective with the current quarter, the Company has reclassified the legal expenses associated with this legal action in the Consolidated Statements of Operations in order to reflect the impact of these costs on past financial results.

8. Financial instruments:

At September 30, 2007, the Company has forward contracts in place for the sale of United States dollars that mature on December 31, 2007 with a total principal value of US$13.0 million. The foreign currency exchange rate on these forward contracts is Cdn$0.9951/US$1.0000.

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