



Q3 Interim Report

September 30, 2008

Message to Shareholders

For our 2008 third quarter, we reported 46% year over year revenue growth in our financial results, continuing our high growth rates for 2008. From a business segment perspective this was fueled from our Ground Agriculture business which grew 62% compared to the third quarter of 2007. From a regional perspective, it was fueled by international growth of 107% compared to the third quarter of 2007. On this growth we increased our gross margin for the third quarter to 52%, from 46% last year. This is in line with our target range for gross margin, and we were pleased to see this in a quarter which is traditionally less strong for agriculture purchasing.

For the first nine months of 2008, we reached \$62 million and delivered \$0.16 per share in earnings. We intend to add further to earnings in the last quarter of 2008. Our twelve month trailing revenues are now at \$76 million, illustrating growth of 61% over the comparable twelve month period. This growth is being driven in all product categories and all geographic markets. This includes our ground agriculture products including our Outback portfolio, and our precision products division.

While the third quarter was a good quarter for our business, it was a staggering quarter for global financial markets. Indexes have plunged, and commodity prices have severely declined. Commodities and agriculture equities have been caught in the downdraft of the market sell-off and lower grain prices. Grain prices have come off approximately 35% of their summer highs. As we've seen with many equities, declines have gone beyond any fundamental concerns. The valuation of our share price had gotten so low, in fact, that we initiated a normal course issuer bid to buy back some of our shares at what we believe are undervalued prices.

Currently, as demonstrated by our third quarter results, strength in the global agriculture sector has continued. Despite market declines, long term agriculture fundamentals remain intact. The global supply and demand dynamic for grain remains imbalanced and grain supplies remain chronically low. We believe that ultimately the fundamentals will matter again, and grain prices will rise. Over the long term, the macro economic fundamentals point to a strong agriculture sector.

In the more visible near-term, for the United States we are seeing one of the biggest harvests in history today, albeit one of the latest harvests on record. And due to the higher contracted prices for corn and other grains during the year, there is the potential for the largest cash inflow in Agriculture history. The USDA is forecasting the second largest corn harvest on record, the fourth largest soybean harvest, and net farm income at record levels. Despite the record input cost increases experienced this year, farm incomes are forecasted by the USDA to be at least 10% higher than last year. That means a lot of new farm cashflow that is available for reinvestment into improving farm efficiency and profitability.

The USDA projects global grain production will hit an all-time high this growing season, up 4.2% year-over-year, while global grain consumption will reach a record high, up 3.4% year-over-year. According to the USDA's recent update, we remain near the lowest supply ratio in more than 30 years.

With regards to the credit crisis, we have seen some evidence of caution, particularly from international distributors looking to manage their inventory levels more aggressively. However, in North America, we are not seeing evidence of a concerning credit situation with our farmer end customers. People around the world continue to eat. We are further encouraged that the newly passed US Farm Bill also provides some insurance against the world economic situation significantly impacting US Agriculture.

International sales are growing as the acceptance of GPS and auto-steering within precision agriculture continues to be at an all time high. Outback product sales showed strong growth over 2007, particularly our Outback S-Lite and S3 products, which were introduced less than a year

ago, and the Outback eDrive, which continues to be our largest single revenue producing product.

Increasing international sales growth reflects the impact of strong global farm incomes. Worldwide adoption of GPS and auto-steering is improving productivity in the face of increasing input costs, such as fuel, seed, and fertilizer. This is helping drive those record farming incomes.

South American markets remain an exciting growth region for us. We continue to focus on international growth; to complement our recent expansion in the Southern Hemisphere, in places like Brazil, Argentina, Australia, we are also focusing on inroads into Eastern Europe and Russia, China, and India.

On September 22, 2008, Hemisphere GPS' common shares were added to Standard & Poor's Canadian SmallCap Index. Over the past 12-months, Hemisphere's increased share price, improved trading liquidity and increased market capitalization were important factors in meeting the criteria for the index inclusion. Also in September Hemisphere GPS was honored with the Deloitte Technology Green 15 Award, which recognized companies creating innovative, important and economically viable intellectual property in the burgeoning field of green technology.

Our success was further recognized in October, when we were awarded the Alberta Science and Technology (ASTech) Leadership Foundation Award for our outstanding commercial achievement in science and technology in the businesses over \$25 million category. The ASTech Awards are among the highest honors available to individuals and organizations whose outstanding work has had an impact on science, technology, business, medicine, the environment and the lives of people in Alberta and worldwide.

We also received the Canadian Manufacturers and Exporters ("CME") Canadian Innovation Award for new technology for the Company's Crescent® L1 GPS receiver technology. The CME Innovation Award recognizes innovative excellence in the development, adoption and application of new technology in processes or products by Canadian manufacturers and exporters. Hemisphere GPS' Crescent technology is a leading L1 GPS technology known for its superior accuracy and robustness with exclusive patented techniques. Hemisphere GPS has shipped over 100,000 GPS receivers with the Crescent technology into a multitude of precision positioning, navigation and machine control applications.

Hemisphere GPS continues its intense focus on innovation driving multiple new product announcements, patent awards and increasing growth and profitability. We are proud of also being recognized externally for our achievements in this area.

We expect continued momentum in the agriculture market over the foreseeable future and remain optimistic, though cautiously, on continued strong growth for Hemisphere GPS as we now move back into the core buying seasons for agriculture.

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

A handwritten signature in black ink, appearing to read "S. Koles", written in a cursive style.

Steven Koles
President & CEO
November 4, 2008

Hemisphere GPS Inc.
Interim Management Discussion and Analysis
Nine Month period ended September 30, 2008



The following discussion and analysis is effective as of November 4, 2008 and should be read together with the unaudited interim consolidated financial statements of Hemisphere GPS Inc. ("Hemisphere GPS" or the "Company") for the nine month period ended September 30, 2008 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 nine month period ended September 30, 2008.

Overview

Hemisphere GPS Inc. is engaged in the design, manufacture and sale of innovative, cost-effective GPS products for positioning, guidance and machine control applications in agriculture, marine and other markets. Hemisphere GPS has three primary product lines: Ground Agriculture products, Air products and Precision products for non-agriculture markets, including marine and geographic information systems.

On December 20, 2007, the Company announced that it had closed the acquisition of all of the outstanding shares of Beeline Technologies Pty Ltd. ("Beeline"), which complemented the Ground Agriculture product line in addition to providing technology with application in new vertical markets. The consolidated financial results for the first nine months of 2008 include the financial results for Beeline.

Prior to 2006, the Company also carried out activities through its Wireless Business Unit, which included two primary product lines: Fixed Wireless Telephones and Telematics products. In 2006, the Company divested the Wireless product lines and as a result, those activities were treated as discontinued operations in the financial statements for 2006 and 2007. In 2008, the Wireless activities have largely wound down, and it is anticipated that there will be no significant further financial impact from such activities.

The Company elected to adopt the US dollar as its reporting currency effective January 1, 2008. The Company continues to have a Canadian dollar measurement currency for its consolidated operations. As a result of this change, all financial information referenced in this Management Discussion and Analysis is denominated in US dollars, unless otherwise indicated.

Results of Operations

Quarter Ended September 30, 2008 versus Quarter Ended September 30, 2007

Revenue

For the three months ended September 30, 2008, revenue was \$13.2 million, up 46% from revenues of \$9.1 million for the same period of 2007. Revenues from Ground Agriculture product sales have been particularly strong during the third quarter. Revenues from the Company's operating segments were as follows in the third quarter of 2008 and 2007:

(000's)	Q3 2008	Q3 2007
Ground Agriculture	\$ 9,021	\$ 5,585
Air	1,125	1,276
Precision	3,055	2,208
	\$ 13,201	\$ 9,069

Revenue growth for Ground Agriculture products of 62% in the third quarter was driven by strong agriculture market fundamentals leading into the quarter including higher farm incomes. The Outback Guidance® product sales showed strong growth from 2007, particularly the Company's Outback S-Lite™ and S3™ products, which were introduced in the fourth quarter of 2007 and the first quarter of 2008 respectively, as well as the Outback eDriveTC™, the Company's largest revenue producing product. In addition, the acquisition of Beeline in December 2007 contributed to the increase in revenues during the quarter.

In the third quarter of 2008, growth in North American revenues was 16% while non-North American revenue growth was 107% - reflecting the impact of strong 2008 global farm incomes from higher grain prices and a growing international recognition of the need for improved efficiency and productivity in the face of increasing input costs. In the quarter, non-North American revenues were 46% of total revenues, an increase from 32% in 2007.

Consistent with other global commodity prices, grain has recently seen a substantial decline in prices from their peaks which were realized mid-2008. Although these price changes will have an impact on 2008 farm incomes, the Company's management believes that revenues during the third quarter were not significantly impacted by these price changes. The Company's products help to reduce input costs, such as fuel, seed, fertilizer and labour, therefore, declining grain prices may provide a greater incentive to farmers to purchase in order to increase efficiency in their operations.

Revenues from the Company's Precision products line – focused on non-agriculture markets - showed strong growth of 38% in the third quarter and have grown by 60% year-to-date. The growth in this product line in the third quarter was driven by strong demand for the Company's differential GPS receivers and GPS components sold to original equipment manufacturers ("OEM's") and system integrators.

Gross Margin

Gross margins for the quarter of \$6.8 million and 51.6% are up from \$4.2 million and 46.3% in the third quarter of 2007.

Gross margins have improved as a result of initiatives focused on margin improvement including pricing programs, the outsourcing of higher volume components and finished goods to third-party manufacturing overseas, product mix and the inclusion of software revenues from the Beeline acquisition which generate very high gross margins.

Expenses

Operating expenses were \$7.4 million in the third quarter, an increase of \$2.3 million, or 46% compared to the third quarter of 2007.

- Incremental expenses from Beeline, including amortization of the acquired intangibles, were approximately \$1.1 million in the quarter, accounting for an increase in operating expenses of 22% relative to the same quarter last year.
- Strong year-to-date corporate financial performance resulted in the requirement to accrue expected incentive payments under the Company's incentive plan. No corresponding accrual was required in 2007 for financial performance at September 30, 2007.

Research and development expenses increased by approximately 57% compared to the third quarter of 2007 as a result of the Beeline acquisition, the accrual of expected incentive plan payments and investment in additional engineering resources. The investment in research and development activities is critical for the Company to maintain and build its position in current and targeted markets and the Company is targeting to spend at least 10% on such activities on an annualized basis. During 2007, and in 2008, the Company has made a number of significant new hires continuing to build the strength of its

research and development capabilities. The acquisition of Beeline added approximately 20 engineering employees, greatly strengthening the Company's software engineering capability.

Sales and marketing expenses increased from the third quarter of 2007 by 47%, or \$0.9 million. Increased expenses are driven by higher revenues (and the associated higher activity levels), incentive plan accruals and an increased focus on advertising, marketing and promotion activities.

General and administrative ("G&A") expenses increased by 28%, or \$0.4 million compared to the third quarter of 2007. Incremental operating expenses related to the Beeline acquisition and the accrual for expected payments under the incentive plan represent the primary increases compared to the same quarter in 2007.

Other

In the third quarter of 2008, the Company recorded net interest income of \$89 thousand compared to net interest income of \$100 thousand in 2007. This is primarily interest earned on the Company's cash balances.

The Company realized a foreign exchange gain of approximately \$0.2 million during the third quarter of 2008 compared to a loss of \$0.4 million in the corresponding quarter of 2007. 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 (which is the Company's measurement currency). During the quarter, the Canadian dollar weakened by about 4% from June 30, 2008. The Company has a foreign exchange risk management program with the objective of mitigating the impact of foreign exchange fluctuations on the Company's US dollar working capital. The Company made a hedging payment of \$0.9 million at the end of the third quarter that is netted against the foreign exchange gain.

In the third quarter of 2007, the Company incurred \$1.3 million of legal fees associated with a patent infringement lawsuit which was settled in the Company's favor during the third quarter of 2007. No legal fees related to this matter were incurred in 2008 and no further legal expenses related to this matter are anticipated.

Income Taxes

The Company recorded no current income tax expense during the quarter. In the first two quarters, US alternative minimum tax ("AMT") was accrued on the Company's US earnings. AMT is payable on US alternative minimum taxable income, in spite of the availability of tax losses which fully shelter US taxable income for ordinary corporate tax purposes. AMT payable will be fully creditable against future US corporate income taxes, however, at September 30, 2008, no benefit for this potential recovery has been recorded as an asset in these financial statements.

Discontinued Operations

In the third quarter of 2007, the Company incurred costs of \$102 thousand associated with the divested Wireless activities. There were no significant costs associated with these activities in the third quarter of 2008.

Net Income

Hemisphere GPS realized a net loss of \$0.2 million, or nil per share (basic and diluted) in the third quarter of 2008 compared to a loss of \$2.6 million, or \$0.06 per share (basic and diluted) in the third quarter of 2007.

Quarter Ended September 30, 2008 versus Quarter Ended June 30, 2008

Revenue

Revenue in the third quarter of \$13.2 million was down 43% from revenue of \$23.0 million in the second quarter of 2008. The Company's revenues are seasonal as a result of the significant portion of revenue that is earned from the North American agriculture market. The third quarter is historically the least strong quarter, whereas the first half of the calendar year is the strongest part of the agriculture buying season as farmers prepare for planting.

Gross Margin

Gross margins of \$6.8 million were down from \$12.1 million in the second quarter of 2008 due to the impact of seasonality on revenues and consequently, gross margins. Percentage gross margins of 51.6% were down from 52.5% in the second quarter primarily as a result of the impact of fixed manufacturing costs and a lower revenue level.

Expenses

Expenses of \$7.4 million for the three months ended September 30, 2008 were down by \$1.2 million, or 14%, from the second quarter. Sales and marketing expenses were down by \$0.6 million as a result of lower variable selling costs such as sales commissions, travel and promotion. General and administrative costs were \$0.5 million lower than the second quarter. The second quarter includes many regulatory-related administrative costs such as regulatory filings and the annual meeting, among others.

Other

Interest income, net of interest expense, of \$89 thousand in the third quarter decreased from \$92 thousand in the second quarter.

The Company realized a foreign exchange gain of \$0.2 million in the third quarter of 2008 versus a loss of \$0.3 million in the second quarter relating primarily to the translation of US dollar denominated working capital. The Canadian dollar weakened in the third quarter resulting in a gain, whereas it strengthened in the second quarter. The Company has a foreign exchange risk management program with the objective of mitigating the impact of foreign exchange fluctuations on the Company's US dollar working capital. The Company made a hedging payment of \$0.9 million at the end of the third quarter that is netted against the foreign exchange gain.

Income Taxes

The Company recorded no current income tax expense during the quarter, whereas tax expense relating to AMT on its US operations was \$62 thousand in the second quarter.

Net Income (Loss)

Hemisphere GPS realized loss of \$0.2 million, or nil per share (basic and diluted) in the third quarter of 2008 compared to net income of \$3.2 million, or \$0.06 per share (basic and diluted) in the second quarter.

Nine months Ended September 30, 2008 versus Nine months Ended September 30, 2007

Revenue

Revenue in the nine months ended September 30, 2008 was \$62.1 million which was an increase of 55% from revenue of \$40.2 million in the corresponding period of 2007. The increase is a result of strong agriculture-related sales as well as strong sales of the Company's products to non-agriculture markets.

International revenues continue to grow as a percentage of total revenues, with such sales representing 30% of third quarter year-to-date revenues compared to 26% in the similar period for 2007.

Gross Margin

Gross margins of \$32.0 million and 51.5% were up from \$19.2 million and 47.8% in the first nine months of 2007. Gross margins have improved as a result of new products, pricing programs, the inclusion of software revenues associated with the Beeline acquisition, and the outsourcing of higher-volume components and finished goods to third-party manufacturing overseas. These improvements have been offset to some extent by the strengthening of the Canadian dollar and correspondingly higher cost for Canadian dollar denominated manufacturing costs. On a year-to-date basis, the Canadian dollar has strengthened approximately 8% compared to the first nine months of 2007.

Expenses

Operating expenses of \$24.1 million for the nine months ended September 30, 2008 have increased by \$8.2 million compared to the first nine months of 2007. Operating expenses associated with the Beeline acquisition in December 2007 comprised approximately \$3.2 million of this increase. In addition, other drivers of these increases include higher activity and staffing levels associated with increased revenues, the impact of a stronger average Canadian dollar on Canadian dollar denominated expenses and the accrual of expected incentive plan payments in 2008.

Other

In the first nine months of 2008, the Company realized a foreign exchange gain of \$0.5 million (2007 – loss of \$0.6 million), interest income (net of interest expense) of \$0.3 million (2007 - \$0.3 million) and other income of \$0.3 million (2007 – loss of \$35 thousand).

Income Taxes

The Company recorded \$0.2 million of current income tax expense relating to AMT on its US operations. There was no corresponding income tax expense in the first nine months of 2007.

Discontinued Operations

In the first nine of 2007, the Company recorded a loss from discontinued operations of \$0.3 million associated with the divested Wireless activities. There were no significant costs associated with these activities in the first nine months of 2008.

Net Earnings (loss)

The Company earned net income in the first nine months of 2008 of \$8.7 million, or \$0.16 per share (basic and diluted), compared to a loss of \$0.2 million, or \$0.01 per share (basic and diluted) in the first nine months of 2007.

Summary of Quarterly Results

(000's of US dollars)	For the Quarter Ended							
	Dec 31 2006	Mar 31 2007	Jun 30 2007	Sep 30 2007	Dec 31 2007	Mar 31 2008	Jun 30 2008	Sep 30 2008
Sales	\$ 6,908	\$ 16,648	\$ 14,473	\$ 9,069	\$ 13,471	\$ 25,909	\$ 23,037	\$ 13,201
Gross margin	2,529 37%	8,247 50%	6,752 47%	4,198 46%	6,079 45%	13,074 50%	12,088 53%	6,815 52%
Expenses:								
Research and development	1,062	1,081	1,181	1,240	1,449	1,804	2,026	1,943
Sales and marketing	2,082	2,638	2,006	1,854	2,741	3,298	3,299	2,728
General and administrative	1,479	1,137	1,440	1,290	1,725	1,965	2,168	1,657
Stock-based compensation	187	188	168	126	133	128	221	190
Amortization	583	515	511	559	673	928	912	861
	5,393	5,559	5,306	5,069	6,721	8,123	8,626	7,379
Earnings (loss) before underrated items	(2,864)	2,688	1,446	(871)	(642)	4,951	3,462	(564)
Foreign exchange (gain) loss	(46)	(40)	249	404	27	(594)	323	(242)
Interest income	(24)	(63)	(133)	(100)	(94)	(115)	(92)	(89)
Legal fees on settlement	33	541	966	1,347	96	—	—	—
Other income	—	—	—	—	—	(263)	—	—
Loss (gain) on sale of marketable securities	(922)	—	35	—	—	—	—	—
Earnings (loss) from continuing operations before taxes	(1,905)	2,250	329	(2,522)	(671)	5,923	3,232	(233)
Current tax expense	—	—	—	—	—	114	62	—
Earnings (loss) from continuing operations	(1,905)	2,250	329	(2,522)	(671)	5,809	3,170	(233)
Loss from discontinued operations	(511)	(89)	(111)	(102)	29	—	—	—
Net earnings (loss)	\$ (2,416)	\$ 2,161	\$ 218	\$ (2,624)	\$ (642)	\$ 5,809	\$ 3,170	\$ (233)
Earnings (loss) per common share from continuing operations *:								
Basic	\$ (0.04)	\$ 0.05	\$ 0.01	\$ (0.05)	\$ (0.01)	\$ 0.11	\$ 0.06	\$ —
Diluted	\$ (0.04)	\$ 0.05	\$ 0.01	\$ (0.05)	\$ (0.01)	\$ 0.11	\$ 0.06	\$ —
Net earnings (loss) per common share *:								
Basic	\$ (0.05)	\$ 0.05	\$ 0.00	\$ (0.06)	\$ (0.01)	\$ 0.11	\$ 0.06	\$ —
Diluted	\$ (0.05)	\$ 0.05	\$ 0.00	\$ (0.06)	\$ (0.01)	\$ 0.11	\$ 0.06	\$ —

* Calculated using quarterly weighted average number of shares outstanding.

Liquidity and Capital Resources

Hemisphere GPS held cash of \$20.8 million at the end of the third quarter compared to a balance of \$13.5 million at December 31, 2007 and \$21.8 million at June 30, 2008. The primary items impacting the cash balance during the third quarter were:

- Cash generated from operations, prior to working capital changes, was \$0.8 million, an improvement of \$2.7 million from the third quarter of 2007.
- Total capital spending during the third quarter of 2008 was \$0.6 million compared to \$0.4 million in 2007. Capital additions during the quarter include amounts incurred for research and development equipment, computer equipment, leasehold improvements and furniture and fixtures.
- As of September 30, 2008, there were 56,272,176 common shares outstanding. During the third quarter, 52,500 stock options were exercised for proceeds of \$0.1 million.
- On September 10, 2008 the Company announced a Normal Course Issuer Bid to purchase for cancellation, from time to time, up to 2,822,204 of its issued and outstanding common shares (being no greater than 5% of the issued and outstanding common shares at September 10, 2008) on the open market through the facilities of the Toronto Stock Exchange. During the third quarter the Company purchased and cancelled 181,600 common shares at an average price of Cdn \$2.46.

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.

During the second quarter, the Company made its final payments on outstanding capital leases. As a result, there are no outstanding capital leases.

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.

Effective January 1, 2008, the Company adopted the new accounting standard CICA Handbook Section 3031 – “Inventories”. Prior to the adoption of this standard, the Company’s policies related to inventories were largely consistent with the requirements of the new standard. However, the new standard requires the inclusion of the amortization related to manufacturing activities in the overhead allocated to inventories, which Hemisphere GPS has not done in the past. The Company has adopted this policy retrospectively as of January 1, 2008 as provided for in the standard.

As of January 1, 2008, the Company has also adopted CICA Handbook Section 1535, “Capital Disclosures”, Section 3862, “Financial Instruments – Disclosures”, and Section 3863, “Financial Instruments – Presentation”. The new standards have been adopted on a prospective basis with no restatement of prior periods. Section 1535 and 3862 require additional disclosures regarding the Company’s capital management; financial instruments and the nature, extent and management of risks arising from financial instruments to which the Company may be exposed. The adoption of Section 3863 had no effect on the presentation of the Company’s financial instruments.

Update on the Conversion to International Financial Reporting Standards

The Company has not yet completed the development of a plan for the conversion of its financial statements from Canadian generally accepted accounting principles ("GAAP") to International Financial Reporting Standards ("IFRS") which will be required in its financial reporting for the 2011 fiscal year. This plan will include, among other things, the project structure and governance, resourcing requirements, training plans, analysis of key accounting policy differences, review of the impact on data systems and internal controls, and analysis of the potential for exemption under IFRS 1.

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, 2007.

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.

Three and nine month periods ended September 30, 2008 and 2007

(unaudited - expressed in U.S. dollars)

HEMISPHERE GPS INC.

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

	September 30, 2008	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 20,810,066	\$ 13,455,779
Accounts receivable	7,741,449	7,128,751
Inventories	14,300,092	15,325,088
Deferred commissions	250,662	262,945
Prepaid expenses and deposits	1,100,710	637,009
Current assets of discontinued operations	—	398,402
	44,202,979	37,207,974
Deferred commissions	232,641	257,546
Property and equipment	8,140,371	8,200,232
Intangible assets	8,658,650	10,905,247
Goodwill	40,406,479	43,247,897
	\$ 101,641,120	\$ 99,818,896
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 7,407,453	\$ 8,437,776
Deferred revenue	1,639,473	1,607,063
Current portion of capital leases	—	102,939
Notes payable (note 2)	—	327,963
Current liabilities of discontinued operations	—	58,477
	9,046,926	10,534,218
Deferred revenue	1,490,192	1,716,973
Shareholders' equity:		
Share capital (note 3)	109,111,564	86,592,382
Performance warrants	—	5,296,681
Contributed surplus	2,737,708	2,685,651
Warrants	—	16,237,045
Deficit	(31,582,255)	(40,469,714)
Accumulated other comprehensive income	10,836,985	17,225,660
	91,104,002	87,567,705
	\$ 101,641,120	\$ 99,818,896

See accompanying notes to consolidated financial statements.

HEMISPHERE GPS INC.

Consolidated Statements of Operations and Deficit
(unaudited – expressed in U.S. dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Sales	\$ 13,200,562	\$ 9,069,425	\$ 62,146,093	\$ 40,190,470
Cost of sales	6,385,168	4,870,961	30,168,245	20,992,624
	6,815,394	4,198,464	31,977,848	19,197,846
Expenses:				
Research and development	1,942,851	1,239,537	5,773,259	3,501,127
Sales and marketing	2,728,792	1,854,614	9,326,253	6,500,002
General and administrative	1,657,301	1,291,037	5,790,951	3,867,272
Stock-based compensation (note 3(c))	190,056	125,875	538,847	481,742
Amortization	860,883	558,597	2,699,949	1,584,886
	7,379,883	5,069,660	24,129,259	15,935,029
Earnings (loss) before undernoted items	(564,489)	(871,196)	7,848,589	3,262,817
Foreign exchange loss (gain)	(242,180)	403,737	(513,973)	612,660
Net interest income	(88,978)	(99,971)	(296,252)	(296,343)
Legal fees on the settlement of lawsuit	–	1,346,678	–	2,853,802
Loss on sale of marketable securities	–	–	–	35,342
Other income	–	–	(263,036)	–
Earnings (loss) before income taxes	(233,331)	(2,521,640)	8,921,850	57,356
Current income taxes	–	–	175,903	–
Earnings (loss) from continuing operations	(233,331)	(2,521,640)	8,745,947	57,356
Loss from discontinued operations	–	102,352	–	303,121
Net earnings (loss)	(233,331)	(2,623,992)	8,745,947	(245,765)
Deficit, beginning of period	(31,340,301)	(37,203,566)	(40,469,714)	(39,581,793)
Adjustment due to adoption of new accounting policy (note 1)	–	–	150,135	–
Adjustment due to Normal Course Issuer Bid	(8,623)	–	(8,623)	–
Deficit, end of period	\$(31,582,255)	\$(39,827,558)	\$(31,582,255)	\$(39,827,558)
Earnings (loss) per common share from continuing operations:				
Basic and diluted	\$ –	\$ (0.05)	\$ 0.16	\$ –
Earnings (loss) per common share:				
Basic and diluted	\$ –	\$ (0.06)	\$ 0.16	\$ (0.01)
Weighted average shares outstanding:				
Basic	56,223,363	46,345,867	54,482,290	46,225,372
Diluted	56,484,373	46,566,090	54,898,548	46,317,060

See accompanying notes to consolidated financial statements.

HEMISPHERE GPS INC.

Consolidated Statements of Comprehensive Income
(unaudited - expressed in U.S. dollars)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Net earnings (loss)	\$ (233,331)	\$ (2,623,992)	\$ 8,745,947	\$ (245,765)
Translation of assets and liabilities into U.S. dollar reporting currency	(3,703,837)	3,596,469	(6,388,675)	8,703,150
	\$ (3,937,168)	\$ 972,477	\$ 2,357,272	\$ 8,457,385

See accompanying notes to consolidated financial statements.

HEMISPHERE GPS INC.

Consolidated Statements of Cash Flows
(unaudited – expressed in U.S. dollars)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Cash flows from (used in) operating activities:				
Earnings (loss) from continuing operations	\$ (233,331)	\$ (2,521,640)	\$ 8,745,947	\$ 57,356
Items not involving cash:				
Amortization	860,883	558,597	2,699,949	1,584,886
Stock-based compensation	190,056	125,875	538,847	481,742
Loss on sale of marketable securities	–	–	–	35,342
	817,608	(1,837,168)	11,984,743	2,159,326
Change in non-cash operating working capital:				
Accounts receivable	347,111	1,837,924	(851,777)	(2,188,449)
Inventories	(496,205)	(1,646,213)	1,140	(2,817,609)
Prepaid expenses and deposits	(711,953)	(51,735)	(508,795)	54,289
Deferred commissions	42,318	(7,792)	436	(136,330)
Accounts payable and accrued liabilities	1,122,323	(656,596)	(504,883)	1,047,004
Notes payable	–	–	(322,680)	–
Deferred revenue	(292,776)	44,159	43,331	732,464
	828,426	(2,317,421)	9,841,515	(1,149,305)
Cash used in discontinued operations	–	(55,882)	–	(104,617)
	828,426	(2,373,303)	9,841,515	(1,253,922)
Cash flows from (used in) financing activities:				
Long-term debt	–	–	–	(256,501)
Capital lease obligations	–	(63,482)	(101,003)	(179,657)
Issue of share capital, net	40,992	102,627	980,932	385,300
Purchased and cancelled common shares	(428,854)	–	(428,854)	–
	(387,862)	39,145	451,075	(50,858)
Cash flows from (used in) investing activities:				
Purchase of property and equipment	(638,272)	(352,163)	(1,492,802)	(863,851)
Business acquisition, net (note 2)	–	–	(92,654)	–
Proceeds on sale of marketable securities	–	–	–	546,761
	(638,272)	(352,163)	(1,585,456)	(317,090)
Increase (decrease) in cash and cash equivalents	(197,708)	(2,686,321)	8,707,134	(1,621,870)
Effect of currency translation on cash balances and cash flows	(848,263)	656,992	(1,352,847)	1,704,837
Cash, beginning of period	21,856,037	11,689,577	13,455,779	9,577,281
Cash and cash equivalents, end of period	\$ 20,810,066	\$ 9,660,248	\$ 20,810,066	\$ 9,660,248
Cash and cash equivalents consist of:				
Cash	3,884,666	9,660,248	3,884,666	9,660,248
Term deposits	16,925,400	–	16,925,400	–
Supplemental disclosure:				
Interest paid	\$ 7,687	\$ 3,370	\$ 22,122	\$ 29,908

See accompanying notes to consolidated financial statements.

HEMISPHERE GPS INC.

Notes to Consolidated Financial Statements

Three and nine month periods ended September 30, 2008 and 2007
(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, 2007, except for the following changes in accounting policies.

As of January 1, 2008, the Company has adopted newly issued accounting standard CICA Handbook Section 3031, “*Inventories*”, relating to the method of accounting for inventory and the related disclosures. The Company had adopted this accounting standard retrospectively, without restatement of prior year results, resulting in a decrease in the opening deficit of \$150,135.

As of January 1, 2008, the Company also adopted CICA Handbook Section 1535, “*Capital Disclosures*”, Section 3862, “*Financial Instruments – Disclosures*”, and Section 3863, “*Financial Instruments – Presentation*”. The new standards have been adopted on a prospective basis with no restatement of prior periods. Section 1535 requires additional disclosures regarding the Company’s capital management (note 6), while Section 3862 addresses financial instruments and the nature, extent and management of risks arising from financial instruments to which the Company may be exposed (note 5). The adoption of Section 3863 had no effect on the presentation of the Company’s financial instruments.

The CICA issued new accounting standards Section 3064 “*Goodwill and Intangible Assets*”, which are applicable for fiscal years beginning on or after October 1, 2008. The Company does not expect any significant effect on its financial statements due to the application of these standards.

The Company has elected to adopt the US dollar as its reporting currency effective January 1, 2008. The Company continues to have a Canadian dollar measurement currency for its consolidated operations.

HEMISPHERE GPS INC.

Notes to Consolidated Financial Statements, page 15

Three and nine month periods ended September 30, 2008 and 2007
(unaudited – expressed in U.S. dollars)

2. Business acquisition:

Beeline Technologies Pty Ltd:

On December 20, 2007, the Company, through a wholly-owned subsidiary incorporated in Australia, completed the acquisition of the shares and outstanding securities of Beeline Technologies Pty Ltd. (“Beeline”). The acquisition has been accounted for using the purchase method and the allocation of the purchase price based on fair values was as follows:

Current assets	\$ 333,298
Property and equipment	187,755
Intangible assets	7,218,500
Goodwill	14,576,266
Current liabilities	(279,630)
Notes payable	(320,568)
	<hr/>
	\$21,715,621

Consideration consisted of:

Cash	\$12,179,432
Common shares issued	8,500,000
Transaction costs	1,036,189
	<hr/>
	\$21,715,621

HEMISPHERE GPS INC.

Notes to Consolidated Financial Statements, page 16

Three and nine month periods ended September 30, 2008 and 2007
(unaudited – expressed in U.S. dollars)

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 common shares only, as follows;

	Number of Shares	Amount
Balance, December 31, 2007	48,819,341	\$ 86,592,382
Issued on exercise of stock options	526,307	1,009,660
Exercise of Special Warrants	5,555,600	17,446,061
Exercise of Performance Warrants	1,500,028	5,234,580
Share issue cost	–	(1,278,797)
Transfer from contributed surplus on exercise of stock options	–	445,731
Balance, June 30, 2008	56,401,276	\$109,449,617
Issued on exercise of stock options	52,500	91,020
Share issue cost	–	(50,032)
Transfer from contributed surplus on exercise of stock options	–	41,055
Purchased and cancelled under Normal Course Issuer Bid	(181,600)	(420,096)
Balance September 30, 2008	56,272,176	\$109,111,564

(c) Stock-based compensation:

At September 30, 2008 there were 3,316,347 stock options outstanding. During the current quarter, the Company granted nil stock options (2007 – nil) and recorded \$190,056 as compensation expense (2007 – \$125,875). For the nine months ended September 30, 2008, the Company granted 1,127,500 stock options (2007 – 275,000) and recorded \$538,847 (2007 – \$481,742) as compensation expense.

HEMISPHERE GPS INC.

Notes to Consolidated Financial Statements, page 17

Three and nine month periods ended September 30, 2008 and 2007
(unaudited – expressed in U.S. dollars)

3. Share capital (continued):

(d) Normal Course Issuer Bid:

On September 10, 2008 the Company made a Normal Course Issuer Bid to purchase for cancellation, from time to time, up to 2,822,204 of its issued and outstanding common shares (being no greater than 5% of the issued and outstanding common shares at September 10, 2008) on the open market through the facilities of the Toronto Stock Exchange. During the current quarter the Company purchased and cancelled 181,600 common shares at an average price of Cdn \$2.46.

4. Segmented information:

The Company has three 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.

All of the reportable operating segments derive their 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.

Three month period ended

September 30, 2008	Ground Ag	Air	Precision	Shared	Total
Sales	\$ 9,021,000	\$ 1,125,000	\$ 3,055,000	\$ –	\$ 13,201,000
Contribution (loss)	\$ 2,885,000	\$ (26,000)	\$ 1,012,000	\$ (4,104,000)	\$ (233,000)

September 30, 2007	Ground Ag	Air	Precision	Shared	Total
Sales	\$ 5,585,000	\$ 1,276,000	\$ 2,208,000	\$ –	\$ 9,069,000
Contribution (loss)	\$ (616,000)	\$ 272,000	\$ 893,000	\$ (3,071,000)	\$ (2,522,000)

HEMISPHERE GPS INC.

Notes to Consolidated Financial Statements, page 18

Three and nine month periods ended September 30, 2008 and 2007
(unaudited – expressed in U.S. dollars)

4. Segmented information (continued):

Nine month period ended

September 30, 2008	Ground Ag	Air	Precision	Shared	Total
Sales	\$ 48,078,000	\$ 5,274,000	\$ 8,794,000	\$ –	\$ 62,146,000
Contribution (loss)	\$ 19,328,000	\$ 1,226,000	\$ 2,739,000	\$ (14,547,000)	\$ 8,746,000

September 30, 2007	Ground Ag	Air	Precision	Shared	Total
Sales	\$ 31,038,000	\$ 3,662,000	\$ 5,490,000	\$ –	\$ 40,190,000
Contribution (loss)	\$ 7,152,000	\$ 881,000	\$ 1,000,000	\$ (8,976,000)	\$ 57,000

Sales by geographic segments:

	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
United States	\$ 5,022,000	\$ 4,519,000	\$ 30,100,000	\$ 18,981,000
Canada	2,106,000	1,620,000	13,412,000	10,760,000
Europe	2,825,000	1,597,000	8,005,000	4,650,000
Australia	447,000	329,000	3,331,000	1,915,000
Other	2,801,000	1,004,000	7,298,000	3,884,000

Assets by geographic segments:

	September 30, 2008	December 31, 2007
United States	\$53,191,000	\$ 45,961,000
Canada	28,206,000	31,658,000
Australia	20,244,000	22,200,000

HEMISPHERE GPS INC.

Notes to Consolidated Financial Statements, page 19

Three and nine month periods ended September 30, 2008 and 2007
(unaudited – expressed in U.S. dollars)

5. Financial instruments and financial risk management:

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these instruments. All capital lease obligations with variable interest rates are assumed to be at fair value and therefore are not revalued.

The nature of these instruments and the Company's operations expose the Company to the following risks:

(a) Credit risk:

Credit risk reflects the risk that the Company may be unable to collect amounts due to the Company from customers for its products or for other transactions that may be entered by the Company. The extent of the risk depends on the credit quality of the party from which the amount is due.

The Company employs established credit approval and monitoring practices to mitigate this risk, including reviewing the creditworthiness of new customers to establish credit limits, monitoring customer payment performance and, where considered appropriate, reviewing the financial condition of its existing customers and other debtors. The Company establishes an allowance for doubtful accounts that corresponds to the credit risk of its customers, historical trends and economic circumstances.

During the nine month period ended September 30, 2008, the Company recorded bad debt expense of \$212,000 to reflect accounts that may not be collectible and has a total reserve against accounts receivable totaling \$295,000 for such accounts.

(b) Interest rate risk:

The Company is exposed to interest rate risk on cash balances earning interest income and to the extent that it may draw on its operating line of credit or carry other forms of debt which calculate interest as a function of variable interest rates. At September 30, 2008, the Company does not carry material liabilities that are exposed to variable interest rates.

(c) Liquidity risk:

The Company may be exposed to liquidity risk if it is unable to collect its trade accounts receivable balances on a timely basis, which in turn could impact the Company's ability to meet commitments to creditors. The Company manages its liquidity risks by carrying a target level of cash on its balance sheet, by maintaining a conservative capital structure, by prudently managing its credit risks and by maintaining sufficient capacity within its credit facilities to meet any near-term liquidity requirements.

HEMISPHERE GPS INC.

Notes to Consolidated Financial Statements, page 20

Three and nine month periods ended September 30, 2008 and 2007
(unaudited – expressed in U.S. dollars)

5. Financial instruments and financial risk management (continued):

(d) Foreign exchange risk:

The Company is exposed to foreign exchange risk primarily in the following ways:

- i. Cashflow - the majority of the Company's revenues and a significant portion of its expenses are denominated in US dollars, however certain of its expenses are denominated in Canadian dollars and Australian dollars. Historically, Management has estimated that approximately 65 – 75% of its costs, including cost of sales, are denominated in US dollars.
- ii. Working capital – The Company has a Canadian dollar functional currency. As a result, the Company is exposed to foreign exchange risk for working capital items denominated in US dollars and Australian dollars. At September 30, 2008, working capital denominated in US dollars was approximately \$25 million. As a result, a 1% weakening of the Canadian dollar will result in foreign exchange gain of approximately \$265,000 and a 1% strengthening of the Canadian dollar will result in foreign exchange loss of approximately \$265,000.

The Company mitigates its exposure to foreign currency risk in the following ways:

- i. Cashflow – The Company mitigates its cashflow exposures by incurring costs, where practical, in US dollars to match the currency of the majority of its revenues. The Company has not in the past managed its cashflow foreign currency exposures through the use of financial instruments, however, may enter financial instruments to mitigate this exposure if considered appropriate.
- ii. Working capital – The Company enters into financial instruments designed to offset the exposure to US dollar denominated working capital. The Board of Directors has approved the execution of financial instruments with a maximum notional value of US\$40 million which have the objective of offsetting the exposure the Company faces by carrying positive US dollar working capital. When considered appropriate, the Company enters financial instruments which are settled for cash using the Bank of Canada noon day rate as the reference foreign exchange rate.

HEMISPHERE GPS INC.

Notes to Consolidated Financial Statements, page 21

Three and nine month periods ended September 30, 2008 and 2007
(unaudited – expressed in U.S. dollars)

6. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can continue to seek to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal structure to reduce the cost of capital and to facilitate the growth strategy of the Company.

The Company monitors its capital management through analysis of near-term and mid-term cashflow expectations to ensure an adequate amount of liquidity and through the monthly review of financial results and business expectations. The Company considers the shareholders' equity to be the capital of the Company.

Based upon the dynamic nature of the technology markets that the Company engages in, and the low level of tangible assets required, the capital strategy is to carry a very low level of debt (including capital leases and notes payable). Although a formal debt to equity ratio has not been established by the Company, the ratio of debt to equity has not exceeded 5% at period end in each of the last four years.

Where considered appropriate by Management and/or the Board of Directors, the Company may incur and carry long-term debt from time to time as a result of expansion activities, including acquisitions. In December 2007, the Company incurred a bridge financing loan of US\$8 million in order to facilitate the acquisition of Beeline. In keeping with the Company's capital strategy to maintain a low debt to equity ratio, the bank loan was repaid before the end of December 2007 with proceeds from a Special Warrants financing.

7. 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.

For more information please contact:

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

Hemisphere GPS

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

Arizona

844 N. 90th Street Suite #103 · Scottsdale · Arizona · 85258
Telephone: 480-348-9919 · Fax: 480-348-6370

Kansas

2207 Iowa Street · Hiawatha · Kansas · 66434
Telephone: 785-742-2976 · Fax: 785-742-2187

Texas

1100 Pamela Drive · Euless · Texas · 76040
Telephone: 817-267-3541 · Fax: 817-354-5762

Australia

West End Corporate Park · 305 Montague Road · West End · QLD 4101
Telephone: (07) 3004-6763 · Fax: (07) 3004-6799

www.hemispheregps.com