Message to Shareholders

For the third quarter we posted healthy year over year growth – in line with our expectations of an overall strong back half to the year. We indeed saw a strong quarter, which was a record in terms of revenues for a third quarter - and we anticipate continued strength into the remainder of the year. Hemisphere GPS reported a 46% increase in revenues to $13.2 million compared to $9.1 million in the third quarter of 2009.

This is the highest Q3 revenue level ever reported by Hemisphere GPS, driven primarily by sales to the Agriculture segment. Total sales of ground-based agriculture products grew by 54% from the third quarter of 2009 while revenues for air-based agriculture products grew by 16%. Ground agriculture product sales to international distributors, OEMs and systems integrator customers were particularly strong during the quarter as a result of new products and improved market conditions. The third quarter is typically the seasonally lowest revenue for Hemisphere GPS based on the buying cycle in the agricultural markets. Revenues from the Company's Precision Products segment grew by 39% versus the third quarter of 2009 with strength in sales of GPS receivers, Vector heading sensor products and GPS boards sold to OEM customers.

North American demand showed improvement with revenues up by 17% following a decline of 17% over the first half of 2010. International revenues continued to show strong growth, increasing 84% compared to the third quarter of 2009. Sales to customers in Europe increased by 62% and sales in Australia increased by 194% compared to the third quarter of 2009. The introduction of the US Outback Guidance distribution model into the Australian market has contributed to growing Australian sales. Sales to other markets, including South America and Asia, were up by over 95% compared to the third quarter of 2009 continuing the strong growth seen in the second quarter.

Throughout 2010 we communicated expectations for a stronger than usual closing six months to our year based on new product releases, increased order backlog strength, new strategic customer opportunities, improving monthly performance relative to 2009, continued strength in South America, Australia and Asia and more recently from improved optimism related to commodity prices. The third quarter growth reflects these factors, further supported by strong international demand for our new products. We are encouraged that North American demand has begun to show improvement. North America has recovered at a slower pace than our International markets, however, significant strengthening in grain commodity prices during the quarter may support improved confidence and demand from these customers.

In addition to higher commodity prices, our improved outlook is based on many new product releases, backlog strength, and new strategic customer opportunities. The agriculture sector, in general, may be experiencing renewed confidence and demand partly due to the recent strengthening in grain commodity prices. In late August, the US Department of Agriculture increased its projection for net farm income to $77.1 billion, up from its February projection of $63 billion, and up by 24% from 2009. This would make 2010 the fourth highest year ever in the United States.

In terms of new products, we announced more new products in the past quarter, than ever, since the company's inception. This is the result of our commitment to Research & Development, which we have consistently stated was imperative to continue investing in during the economic downturn. New products increase our competitiveness, improve our margins, and open up new customer and incremental revenue opportunities for increased growth and diversification.

Our new Outback eDriveX delivers a higher level of precision steering and control performance in the industry and opens up new market segments for our portfolio. eDriveX steers more demanding farming practices, including high precision planting, strip tilling and bedding, requiring centimeter-level accuracy at a wide range of speeds. End-user feedback on eDriveX has been very positive. Auto-steering is the number one revenue generator for our business. We expect this to continue as adoption rates for auto-steering still lag guidance installation numbers, making all of our auto-steering products well positioned to up-sell to both new and existing customers.

We recently announced the integration of eDriveX into a very important relationship with Stara of Brazil. We market eDriveX in Brazil under the Stara brand, named SPEED DRIVEx. Stara, one of the world's fastest growing agricultural equipment manufacturers, is offering SPEED DRIVEx as a part of its precision automated steering solutions throughout Stara's distribution network that includes over 1,100 resellers. Systems will ship in volume to Stara during the fourth quarter of 2010. Over the coming weeks and into 2011, we expect to make more announcements of global OEM's standardizing on the eDriveX platform.

Our foray into the Earthworks market moved forward during the quarter with new product announcements, including the Earthworks X300 excavator guidance system, which leverages our proven technology solutions perfected from other vertical markets, to provide a three-dimensional excavator positioning display to operators, vastly improving excavation proficiency and accuracy and greatly reducing rework. We also added new Earthworks dealers in North America.

Our Earthworks product line is focused on machine guidance and control of earth moving machinery, inclusive of snow cats for ski resorts. While Earthworks is still in a preliminary stage of channel development and revenue generation, we can develop our Earthworks product line by leveraging the expertise and experience from our proven technology applications currently used in agriculture and marine markets, to meet the needs of the Earthworks sector. This is a high value niche market for us.

We are also testing a new market by applying our guidance technology to the Oil and Gas Industry. The resulting product, the S3-S Navigator for Summit Liability Solutions, provides a drilling waste disposal solution that manages the ever-increasing regulatory pressure to be environmentally compliant.

We have commercialized our next-generation Eclipse II GNSS receiver technology and launched the Eclipse II OEM receiver board and R320 receiver, both of which are powered by the Eclipse II platform. Based on new Hemisphere GPS firmware and ASIC designs, Eclipse II provides improved RTK performance, adds support for the GLONASS satellite constellation from Russia, supports Omnistar and other satellite based augmentation, as well as reduced power consumption. The powerful new digital ASIC can process five separate GNSS frequencies and up to 90 separate satellite signals at one time. Eclipse II receivers offer the most optimal combination of performance and value in the marketplace. In addition, the miniEclipse was unveiled, providing a compact dual-frequency GPS OEM receiver board that incorporates the same digital and analog ASIC design as the Eclipse II OEM board. The miniEclipse is the smallest precision dual-frequency (L1/L2) OEM module available in the market today, making integration even easier. MiniEclipse is a drop-in board replacement for Hemisphere GPS' very successful Crescent board. Existing Crescent module integrators can easily transition to dual frequency by replacing it with miniEclipse. Providing advanced dual-frequency GPS performance in a small-form factor board provides integrators with a powerful new option for designing compact GPS solutions.

Finally, we also launched the R131 receiver, which is a rack-mountable addition to the R100 Series of DGPS receivers. The R131 allows for consistent sub-meter performance with standard differential and Hemisphere GPS’ exclusive COAST technology which maintains accuracy during temporary loss of differential signal. This addition to the already successful R100 Series of receivers has already resulted in a major order from India, with the R131 being the major component of the order.

In terms of outlook for our business, we are anticipating that Hemisphere GPS has gone through the bottom of the economic and agriculture downturn. And in the long term view, there will be more people on the earth, increasing the demand for food, while the amount of arable land remains the same. The agriculture sector is under pressure to continually increase yields without increasing costs – only innovation and technology help solve this.

In terms of the health of the precision agriculture industry, and our largest segment, we continue to see elements of a positive agriculture cycle, even super cycle, in gradual development. Commentary from our customers, and industry competitors, support our continued improvement in the precision agriculture market throughout the remainder of the year and into 2011.

Our objectives for Q4 are to maximize the revenue opportunity, capture the emerging upside agriculture cycle, and create a path back to profitability. Our Outback business model being tied directly to real time market order flow bodes well for Hemisphere GPS to continue to see this market upside first and take the appropriate market share gains. We believe this was demonstrated in the third quarter versus other competitor comparables, where we posted company growth of 46%, and discrete ground agriculture growth of 54%. We expect to continue this growth in Q4 and finish off the year consistent with our previous forecast of approximately 10% revenue growth for the full 2010 fiscal year.

As we move into 2011, we intend to drive more revenue traction at record levels from new products, continue our international expansion, and generate more commercialization success with strategic customers. This revenue traction is key to our path back to profitability. We will also continue to prudently manage costs. In fact we have implemented a new approach to our expense budgeting against revenue budgets, and we are working to scale our growth against expense levels which will be managed as firmly as possible, thereby generating more efficiency from operations. This will accelerate our return to profitability, as we carry our revenue momentum into 2011.

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

Steven Koles
President & CEO

Interim Management Discussion and Analysis

Three and nine month period ended September 30, 2010

The following discussion and analysis is effective as of November 8, 2010 and should be read together with the unaudited interim consolidated financial statements of Hemisphere GPS Inc. ("Hemisphere GPS" or the "Company") for the three and nine month period ended September 30, 2010 and the accompanying notes. Additional information relating to Hemisphere GPS, including the Company's Annual Information Form, can be obtained from documents filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") on the internet at www.sedar.com and which is supplemental to the unaudited interim consolidated financial statements and notes for the three and nine month periods ended September 30, 2010.

Overview

Hemisphere GPS designs, manufactures and sells innovative, cost-effective GPS products for positioning, guidance and machine control applications in agriculture, marine and other markets. Hemisphere GPS carries out its activities through two business units: Agriculture (ground and air agriculture markets) and Precision Products (non-agriculture markets including marine and geographic information systems). The primary vertical market for the Company's products is agriculture representing over 80% of its revenues. Approximately 60% of 2010 year-to-date revenues were from customers in North America.

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

Economic and Market Trends

Financial and Agriculture Markets

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

In particular, the agriculture sector has shown recent strength following significant increases in pricing during the third quarter. In August, the US Department of Agriculture ("USDA") increased its projection for *net farm income* – which includes both crop and livestock farms – to $77.1 billion, up from its February projection of $63 billion, and up by 24% from 2009. This would make 2010 the fourth highest year ever in the United States. In Canada, wet weather resulted in lower seeded acres and is expected to negatively impact grain production in 2010.

Following record price levels in 2008, grain prices declined in 2009 and remained soft during the first half of 2010. In July, grain prices began to increase and continued through the quarter. At September 30th, for example, corn and wheat prices were over 50% higher than in June. Strong grain prices appear to be driven by lower grain inventory levels and increasing demand from a variety of sources including global population growth, the changing diets of emerging economies, as well as from demand for ethanol and other grain-based biofuels.

Although high levels of income were generated by farmers in both 2008 and 2009 recessionary conditions, lower grain prices and wet weather in many regions of North America are believed to have resulted in lower spending by agricultural customers in 2009 and during the first half of 2010. Stronger grain prices and signs of economic recovery are believed to have contributed to stronger purchasing during the third quarter with Company revenues growing by 46% compared to the third quarter of 2009.

While there are encouraging indications that the markets in which the Company sells its products are recovering, it remains uncertain how these factors will impact farmer sentiment and agriculture equipment purchases through the remainder of 2010.

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

Currency Markets

The Company's financial results are impacted by foreign currency volatility – particularly the Canadian/US dollar exchange rate. The Company sells products in US dollars. A portion of the Company's expenses are incurred in Canadian and Australian dollars and therefore increase, reducing earnings, when the US dollar weakens. In addition to the direct impact on the Company's expenses, changes in foreign currency rates further impact the Company's working capital as it is held in both Canadian and in US dollars. As the Company's measurement currency is the Canadian dollar, fluctuations in the Canada/US foreign exchange rate results in foreign exchange gains or losses arising from the translation of US dollar working capital into Canadian dollars. Prior to foreign exchange risk management transactions, a weakening US dollar gives rise to foreign exchange translation losses and a stronger US dollar gives rise to foreign exchange translation gains – both dependent on the size of the US dollar denominated working capital. In the third quarter, US dollar working capital was estimated to be approximately $11 million.

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

	Quarter Ended							
	Dec 31 2008	Mar 31 2009	Jun 30 2009	Sep 30 2009	Dec 31 2009	Mar 31 2010	Jun 30 2010	Sept 30 2010
Quarterly average	$ 1.2125	$ 1.2453	$ 1.1671	$ 1.0974	$ 1.0563	$ 1.0409	$ 1.0276	$ 1.0388
Quarter end	$ 1.2246	$ 1.2602	$ 1.1625	$ 1.0722	$ 1.0466	$ 1.0156	$ 1.0606	$ 1.0298

Results of Operations

Summary of Quarterly Results

(000's)	Dec 31 2008	Mar 31 2009	Jun 30 2009	Sep 30 2009	Dec 31 2009	Mar 31 2010	Jun 30 2010	Sep 30 2010
	For the Quarter Ended							
Sales	$10,518	$17,955	$ 14,465	$ 9,069	$12,149	$15,068	$15,557	$13,208
Gross margin	4,826	9,407	7,283	3,901	5,267	6,808	6,655	6,090
	46%	52%	50%	43%	43%	45%	43%	46%
Expenses:								
Research and development	2,324	2,101	1,996	2,345	2,410	2,384	2,531	2,673
Sales and marketing	2,683	3,225	2,832	2,514	2,474	3,271	3,100	2,852
General and administrative	1,399	1,575	1,769	1,684	1,608	1,726	1,836	1,674
Stock-based compensation	161	217	206	219	78	168	196	217
Amortization	728	713	763	831	839	866	821	621
	7,295	7,831	7,566	7,593	7,409	8,415	8,484	8,037
Earnings (loss) before undernoted items	(2,469)	1,576	(283)	(3,692)	(2,142)	(1,607)	(1,829)	(1,947)
Foreign exchange (gain) loss	(112)	(10)	173	76	(1)	114	(142)	34
Interest income	(109)	(9)	(7)	(2)	(2)	(2)	(4)	(3)
Legal fees on settlement of lawsuit	151	–	–	–	–	–	–	–
Restructuring costs	251	–	812	–	64	–	208	–
Earnings (loss) before income tax	(2,650)	1,595	(1,261)	(3,766)	(2,203)	(1,719)	(1,891)	(1,978)
Income tax	–	–	–	–	254	–	–	–
Net Earnings (loss)	(2,650)	1,595	(1,261)	(3,766)	(2,457)	(1,719)	(1,891)	(1,978)
Net earnings (loss) per common share *:								
Basic and diluted	$ (0.05)	$ 0.03	$ (0.02)	$ (0.07)	$ (0.04)	$ (0.03)	$ (0.03)	$ (0.04)

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

Sales by segment on a quarterly basis are as follows:

	For the Quarter Ended							
(000's)	Dec 31 2008	Mar 31 2009	Jun 30 2009	Sep 30 2009	Dec 31 2009	Mar 31 2010	Jun 30 2010	Sep 30 2010
Agriculture	$ 8,417	$ 15,755	$ 11,794	$ 6,385	$ 9,567	$ 12,481	$ 12,740	$ 9,486
Precision Products	2,100	2,200	2,671	2,684	2,582	2,587	2,817	3,722
	$10,517	$ 17,955	$ 14,465	$ 9,069	$12,149	$15,068	$15,557	$13,208

Quarter Ended Sept 30, 2010 versus Quarter Ended Sept 30, 2009

Revenue

For the three months ended September 30, 2010, revenue was $13.2 million, up 46% from revenues of $9.1 million for the same period of 2009. Revenues from the Company's operating segments were as follows in the third quarter of 2010 and 2009:

(000's)	**Q3 2010**	**Q3 2009**	**Change**
Agriculture	$ 9,486	$ 6,385	+49%
Precision Products	3,722	2,684	+39%
	$ 13,208	$ 9,069	+46%

In the Agriculture segment, sales of ground agriculture products grew by 54% from the third quarter of 2009 while revenues for air-based agriculture products grew by 16%. Ground agriculture product sales to international distributors, OEMs and systems integrator customers were particularly strong during the quarter. During the quarter, sales in the United States grew compared to 2009 following lower sales in the first half.

Revenues from the Precision Products segment grew by 39% versus the third quarter of 2009 with strength in sales of GPS receivers, Vector heading sensor products and GPS boards sold to OEM customers.

During the quarter, total North American revenues were up by 17% following a decline of 17% over the first half. International revenues continued to show strong growth of 84% compared to the third quarter of 2009. Sales to customers in Europe increased by 62% and sales in Australia increased by 194% compared to third quarter of 2009. The introduction of the US Outback Guidance distribution model into the Australian market has contributed to growing Australian sales. Sales to other markets, including South America and China, were up by over 95% compared to the third quarter of 2009 continuing the strong growth seen in the second quarter.

Gross Margin

Third quarter gross margins of $6.1 million were up from $3.9 million for the same quarter of 2009. On a percentage basis, gross margins were 46.1% compared to 43.0% in 2009. Margins were up year over year primarily as a result of a lower impact from foreign exchange on the cost of sales.

As reported in prior quarters, the impact of a stronger historical US dollar when inventory was acquired in 2009 has resulted in lower margins since the third quarter of 2009. This issue has largely been resolved and the Company estimates that this issue had a negative impact on gross margins for the quarter of approximately 1%, whereas the impact was approximately 4% in the third quarter of 2009.

Expenses

Operating expenses were $8 million in the third quarter, an increase of $0.4 million, or 5.8%, compared to the third quarter of 2009.

Approximately 45% of the Company's operating expenses are denominated in Canadian and Australian dollars. The average US dollar foreign exchange rate for the third quarter weakened by about 5% compared to the Canadian dollar relative to the third quarter of 2009 and by 8% against the Australian dollar. These changes have a negative impact on reported operating expenses as the Canadian and Australian dollar expenses are converted and reported in US dollars at a weaker rate. The estimated impact of these foreign exchange rate changes on US dollar translated operating expenses was an increase of about $0.2 million.

Total headcount at September 30, 2010 was 233 employees, down by 3% from 240 at September 30, 2009. The impact of these reductions on operating expenses has been substantially offset by the impact of the weakening US dollar on translated expenses.

Research and development expenses increased by $0.3 million or approximately 14% compared to 2009. The investment in research and development activities is critical for the Company to maintain and build its position in current and targeted markets. The increase in expenses compared to 2009 is a result of higher material costs associated with development projects and from the translation of Canadian and Australian based expenses at stronger foreign exchange rates as compared to the US dollar.

Sales and marketing expenses increased from the third quarter of 2009 by 13%. Higher sales drove increased variable sales and marketing costs including advertising, promotions and travel costs.

General and administrative ("G&A") expenses decreased by 0.6% compared to the third quarter of 2009. Reductions in G&A expenses arise from the impact of a weaker US dollar and from focused cost control initiatives.

Other

In the third quarter of 2010, the Company recorded net interest income of $3 thousand compared to interest income of $2 thousand in 2009.

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

The Company has a foreign currency risk management program to mitigate the impact of foreign currency fluctuations on US dollar working capital. Prior to the impact of risk management transactions, the Company realized a loss from foreign exchange of $358 thousand in the third quarter. A gain from foreign currency risk management transactions of $324 thousand is netted against this loss to arrive at the reported loss of $34 thousand.

Loss

Hemisphere GPS realized a loss of $2 million, or ($0.04) per share (basic and diluted) in the third quarter of 2010 compared to a loss of $3.8 million, or ($0.07) per share (basic and diluted) in the third quarter of 2009.

Quarter Ended September 30, 2010 Versus Quarter Ended June 30, 2010

Revenue

Revenue in the third quarter of 2010 of $13.2 million was down by 15% from revenue of $15.6 million in the second quarter.

Typically, the third quarter is the weakest revenue quarter for the Company – driven by the buying patterns of the agricultural markets in the Northern hemisphere. The decline of 15% compares favorably with a sequential decline of 37% in the third quarter of 2009.

Gross Margin

Gross margins of $6.1 million were down slightly from $6.7 million in the second quarter. Percentage gross margins of 46.1% were up from 42.8% in the second quarter primarily due to a lower impact from the foreign currency translation of inventories as described earlier in this MD&A and in prior quarters.

Expenses

Expenses of $8 million for the third quarter decreased by $0.5 million from the second quarter of 2010. Lower variable costs associated with lower revenues and reduced G&A expenses associated with regulatory filings and obligations are contributors to this decline.

Other

Net interest income of $3 thousand in the third quarter was down from $4 thousand in the second quarter.

The Company realized a foreign exchange gain loss of $34 thousand in the third quarter of 2010 versus a gain of $142 thousand in the second quarter relating primarily to the translation of US dollar denominated working capital.

Loss

Hemisphere GPS realized a loss of $2 million, or ($0.04) per share (basic and diluted) in the third and second quarter of 2010.

Nine Months Ended September 30, 2010 Versus Nine Months Ended September 30, 2009

Revenue

Sales by Operating Segment (000's)	**Nine months ended September 2010**	**September 2009**	**Change**
Agriculture	$ 34,708	$ 33,934	+2%
Precision Products	9,126	7,555	+21%
	$ 43,834	$ 41,489	+6%

Revenue in the nine months ended September 30, 2010 of $43.8 million increased by 6% from revenue of $41.5 million in the corresponding period of 2009. Third quarter revenue growth in both the Agriculture and Precision Products segment gives strong indication that the markets are recovering.

Year-to-date International revenues have seen growth of 45% from 2009 with South America, China, Australia and India contributing. North American revenues were lower by 11% from 2009 reflecting cautionary agricultural purchasing in the first half of the year as a result of a very wet planting season and lower grain prices. This trend reversed in the third quarter with North American revenue growth of 17% compared to 2009.

Gross Margin

Gross margins of $19.6 million (45%) in the first nine months of 2010 were down from $20.6 million (50%) in the first nine months of 2009 as a result of the impact of foreign exchange rates, product mix and program-related pricing discounts.

Expenses

Operating expenses of $24.9 million for the nine months ended September 30, 2010 have increased by $1.9 million from the same period of 2009. Although average headcount over the nine month period of 2010 was lower than in 2009, the impact of stronger Canadian and Australian dollar exchange rates versus the US dollar has more than offset the savings. This issue has resulted in an increase in operating expenses of $1.2 million. In addition, material expenses related to product development projects has increased in 2010.

Other

In the first nine months of 2010, the Company realized a foreign exchange loss of $5 thousand compared to a loss of $245 thousand in 2009.

Interest income of $9 thousand was earned during the nine month period of 2010 – versus $19 thousand in 2009. Restructuring costs of $0.2 million were incurred in 2010 –compared to $0.8 million in 2009.

Income Taxes

There was no income tax expense reported in the first nine months of 2010 or 2009.

Loss

The Company realized a loss in the first nine months of 2010 of $5.5 million, or ($0.10) per share (basic and diluted), compared to net loss of $3.4 million, or ($0.06) per share (basic and diluted) in the first nine month of 2009.

Liquidity and Capital Resources

Hemisphere GPS held cash and cash equivalents of $7.8 million at the end of the third quarter down from $7.9 million at June 30, 2010. The primary items impacting the cash balance during the third quarter were:

- Cash used in operations, prior to non-cash operating working capital changes, was $0.9 million compared to cash used in operations of $2.1 million in the third quarter of 2009. After considering non-cash operating working capital changes, $0.1 million of cash was generated from operations in the third quarter of 2010 compared to $0.5 million used in the third quarter of 2009.
- Inventory increased by $1.9 million during the third quarter.
- Total capital spending in the third quarter of 2010 was $0.2 million compared to $0.5 million in 2009. Capital costs in 2010 include computer equipment, production equipment, and leasehold improvements.
- During the third quarter, no stock options were exercised.

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

Inventories consist of components, work in process and finished goods related to the products manufactured and sold by the Company. Inventory levels were high in early 2009 as recessionary conditions resulted in revenues lower than forecasted. Since that time, the Company has drawn down inventory, however, the weakening US dollar has offset this trend to some extent for reported inventory levels. Quarter-end inventory has reflected the following levels and rates:

	Measurement Currency	**FX Rate**	**Reporting Currency**
Mar 31, 2009	Cdn$22.6 million	$1.2602	US$17.9 million
Jun 30, 2009	Cdn$21.6 million	$1.1625	US$18.6 million
Sep 30, 2009	Cdn$20.7 million	$1.0722	US$19.3 million
Dec 31, 2009	Cdn$18.6 million	$1.0466	US$17.8 million
Mar 31, 2010	Cdn$17.7 million	$1.0156	US$17.4 million
Jun 30, 2010	Cdn$16.4 million	$1.0606	US$15.5 million
Sep 30, 2010	Cdn$18.0 million	$1.0298	US$17.4 million

Update on the Conversion to International Financial Reporting Standards

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

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

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

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

The Company has reviewed all accounting policies and has made preliminary decisions relating to elections and accounting policies under IFRS. Based on these preliminary decision, Management has begun to prepare a set of financial statements that reflect those elections and policies.

Following is a summary of the preliminary IFRS policy decision and significant accounting differences based on the current standards. At this time, these decisions are tentative subject to further research and review.

IFRS 1

The company has evaluated the impact of IFRS 1, First-time Adoption of International Financial Reporting Standards (IFRS 1). IFRS 1 sets forth guidance for the initial adoption of IFRS and provides various optional and mandatory exemptions from retrospective application of IFRS standards at the transition date. The Company is currently expecting to apply the following exemptions to its opening statement of financial position dated January 1, 2010.

Business combination exemption – Under IFRS 1, a first time adopter may elect not to apply IFRS 3, *Business Combinations,* retrospectively to business combinations that occurred prior to the transition date. HEM is planning to apply this exemption to its opening statement of financial position.

Share based payment transaction exemption – Under IFRS 1, a first time adopter may elect not to apply IFRS 2, *Share-based Payments,* to equity instruments granted before November 7, 2002 or granted after November 7, 2002 and vested before the date of transition to IFRS. HEM is planning to apply this exemption to its opening balances at the transition date.

Cumulative translation differences – IFRS 1 allows a first time adopter to eliminate cumulative translation differences in its statement of financial position and adjust the retained earning by the same amount at transition date.

Fair value as deemed cost exemption – IFRS 1 allows a first time adopter to use the fair value of any item of property and equipment as the deemed cost of such property and equipment at the date of transition. Management is reviewing its property and equipment and plans to make a decision on this issue during the fourth quarter of 2010.

In addition to IFRS 1 exemptions, following are Management's comments on the impact of the preliminary accounting policy decisions under IFRS compared to current accounting under Canadian GAAP.

Revenue Recognition – General criteria for revenue recognition are similar under IFRS and Canadian GAAP. Management does not anticipate significant changes in the Company's current policy under Canadian GAAP and under IFRS.

Provisions – Under IFRS, provisions are measured under managements' best estimate of the amount to settle the obligation. IFRS provides a lower recognition threshold for the recognition of provisions as compared to Canadian GAAP. Management will assess the impact of the IFRS recognition and measurement criteria for provisions related to inventory, bad debt, warranty and other items during the fourth quarter of 2010.

Impairment of assets – IFRS presents one impairment model covering property, plant and equipment, intangible assets and goodwill. Assets are evaluated either individually or grouped in cash generating units for purposes of impairment testing. Assets are tested, and any resulting impairment charges are measured using a one step test that compares an asset or cash generating unit's carrying value to its recoverable amount. Since discounting is factored into the fair value determinations under IFRS, and assets groups are expected to be smaller under IFRS compared to Canadian GAAP, it is expected that companies are more likely to have impairments under IFRS than under Canadian GAAP. Under IFRS, impairment losses (except where recorded against goodwill) may also be reversed in subsequent periods if the circumstances that led to the impairment have changed. Management plans to review the impact of these IFRS standards during the fourth quarter of 2010.

Property and equipment – IFRS requires individual components of property and equipment to be recorded and depreciated separately if they have different useful lives. This is expected to increase the number of components being traced and assessed for impairment. Management is in the process of evaluating the impact of these IFRS standards during the fourth quarter of 2010.

Stock options – Under IFRS 2, the Black-Scholes Options Valuation model is allowed for the calculation of the fair value of stock options - similar to Canadian GAAP. However, IFRS 2 requires the use of a graded vesting model, which was optional under Canadian GAAP. It is expected that this requirement will result in higher stock based compensation expense in the early periods of a stock options life as compared to the later periods. Management has implemented a system to calculate stock based compensation under these IFRS standards and plans to determine the impact during the fourth quarter of 2010.

Cash flow statement – The presentation of the cash flow statement under IFRS is different compared to the presentation required under Canadian GAAP.

Notes and reconciliations – Under IFRS note disclosure requirements are more detailed in a variety of areas than currently required under Canadian GAAP. In addition, IFRS 1 requires that a variety of reconciliations be presented at the date of transition from IFRS comparing the IFRS presentation to Canadian GAAP.

Functional currency – Management has completed preliminary review of the functional currency of the Company as required under IAS 21 guidelines. Subject to the approval of the Senior Management and the Board of Directors of the Company, the functional currency may be changed to United States dollar from Canadian dollar. The change in the functional currency will be applied retrospectively as of the transition date on January 1, 2010.

Hemisphere GPS' external auditors plan to commence the audit of the opening IFRS balance sheet during the fourth quarter of 2010. During this audit, and as a result of the continued evaluation of the impact of IFRS policies, and the continued evolution of IFRS standards, additional differences between Canadian GAAP and IFRS may be identified or different final decisions may be made by the Company. As a result, the preliminary policy decisions described above may change prior to adoption of IFRS on January 1, 2011.

Management will conduct additional review and analysis, and plans to seek approval from the Company's Senior Management and Audit Committee in regard to the accounting policy choices under IFRS during the fourth quarter of 2010 and first quarter of 2011. As IFRS evolves during the coming months, the impact on the opening balance sheet will also evolve. This may result in additional policies changes which may be significant as at the transition date.

Internal Control over Financial Reporting

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

There were no changes in internal control over financial reporting that occurred during the Company's most recent interim period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. For further discussion of internal controls over financial reporting, refer to the Company's Annual Report for the year ended December 31, 2009.

Forward-Looking Information

The information in the Management's Discussion and Analysis ("MD&A") contains certain forward-looking statements. These statements relate to future events or our future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "would" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. We believe the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A and except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements.

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

- financial results;
- new and emerging markets;
- impact of market conditions;
- forecast net farm income;
- changes in foreign currency rates;
- losses available to reduce future taxable income;

- customer adoption of technology and products;
- processes implemented to mitigate weaknesses in internal controls;
- implementation of International Financial Reporting Standards;
- technological developments;
- expectations regarding the ability to raise capital; and
- research and capital expenditures programs.

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

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

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

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

Consolidated Financial Statements of

Hemisphere GPS

Three and nine months ended September 30, 2010 and 2009

(unaudited - expressed in U.S. dollars)

HEMISPHERE GPS INC.

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

	September 30, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents (note 2)	$ 7,806,146	$ 8,397,418
Accounts receivable	7,240,592	5,986,781
Inventories	17,434,439	17,751,949
Deferred commissions	138,348	187,436
Prepaid expenses and deposits	636,755	628,023
	33,256,280	32,951,607
Deferred commissions	94,054	158,171
Property and equipment	7,458,132	7,905,708
Intangible assets	6,294,469	7,386,776
Goodwill	41,587,519	40,919,957
	$ 88,690,454	$ 89,322,219
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 7,768,613	$ 4,030,075
Deferred revenue	920,152	1,242,573
Current portion of capital lease	96,786	89,637
	8,785,551	5,362,285
Deferred revenue	604,911	819,888
Capital lease	189,325	258,426
Shareholders' equity:		
Share capital (note 3)	107,708,468	107,708,468
Contributed surplus	4,434,147	3,853,826
Deficit	(45,709,397)	(40,121,337)
Accumulated other comprehensive income	12,677,449	11,440,663
	79,110,667	82,881,620
	$ 88,690,454	$ 89,322,219

See accompanying notes to consolidated financial statements.

Approved by the Board:

Paul Cataford, Director

Michael Lang, Director

HEMISPHERE GPS INC.

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

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Sales	$ 13,208,451	$ 9,068,537	$ 43,833,959	$ 41,488,850
Cost of sales	7,118,829	5,167,702	24,280,343	20,898,199
	6,089,622	3,900,835	19,553,616	20,590,651
Expenses:				
Research and development	2,672,942	2,344,818	7,588,349	6,441,726
Sales and marketing	2,851,790	2,514,406	9,223,702	8,571,404
General and administrative	1,674,873	1,684,214	5,236,663	5,022,275
Stock-based compensation (note 3(c))	216,596	218,699	580,321	641,205
Amortization	620,674	830,972	2,308,214	2,307,422
	8,036,875	7,593,109	24,937,249	22,984,032
Loss before undernoted items	(1,947,253)	(3,692,274)	(5,383,633)	(2,393,381)
Foreign exchange loss	33,564	76,320	5,046	245,110
Interest income	(2,539)	(2,163)	(8,604)	(18,843)
Restructuring costs	–	–	207,985	812,186
Net loss	(1,978,278)	(3,766,431)	(5,588,060)	(3,431,834)
Deficit, beginning of period	(43,731,119)	(33,897,596)	(40,121,337)	(34,232,193)
Deficit, end of period	$(45,709,397)	$(37,664,027)	$(45,709,397)	$(37,664,027)
Loss per common share:				
Basic and diluted	$ (0.04)	$ (0.07)	$ (0.10)	$ (0.06)
Weighted average shares outstanding:				
Basic and diluted	55,561,667	55,561,667	55,561,667	55,561,667

See accompanying notes to consolidated financial statements.

HEMISPHERE GPS INC.

Consolidated Statements of Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (Loss)
(unaudited - expressed in U.S. dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Net loss	$ (1,978,278)	$(3,766,431)	$ (5,588,060)	$(3,431,834)
Translation of assets and liabilities into U.S. dollars reporting currency	2,334,658	6,673,750	1,236,786	10,812,506
Comprehensive Income (Loss)	$ 356,380	$ 2,907,319	$ (4,351,274)	$ 7,380,672
Accumulated Other Comprehensive Income (Loss), opening balance	$10,342,791	$ 2,756,823	$ 11,440,663	$(1,381,934)
Translation of assets and liabilities into U.S. dollars reporting currency	2,334,658	6,673,750	1,236,786	10,812,506
Accumulated Other Comprehensive Income, closing balance	$12,677,449	$ 9,430,573	$ 12,677,449	$ 9,430,573

See accompanying notes to consolidated financial statements.

HEMISPHERE GPS INC.

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

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Cash flows from (used in) operating activities:				
Loss from continuing operations	$ (1,978,278)	$ (3,766,431)	$ (5,588,060)	$ (3,431,834)
Items not involving cash:				
Amortization	685,019	895,748	2,535,865	2,486,938
Stock-based compensation	216,596	218,699	580,321	641,205
Unrealized foreign exchange loss	204,657	580,000	2,164	603,120
	(872,006)	(2,071,984)	(2,469,710)	299,429
Change in non-cash operating working capital:				
Accounts receivable	1,109,544	2,064,062	(1,151,985)	2,509,540
Inventories	(1,476,824)	813,500	572,053	(2,662,571)
Prepaid expenses and deposits	(179,436)	(14,151)	3,384	40,597
Deferred commissions	26,521	47,685	117,881	92,267
Accounts payable and accrued liabilities	1,712,856	(1,045,652)	3,626,429	(3,561,365)
Foreign currency contract	–	–	–	(3,270,000)
Deferred revenue	(199,704)	(322,232)	(567,035)	(557,097)
	120,951	(528,772)	131,017	(7,109,200)
Cash flows used in financing activities:				
Capital lease obligations	(22,800)	–	(67,243)	–
	(22,800)	–	(67,243)	–
Cash flows used in investing activities:				
Purchase of property and equipment	(188,516)	(290,169)	(614,432)	(951,817)
Intangible asset additions	(20,894)	(205,014)	(100,774)	(902,314)
	(209,410)	(495,183)	(715,206)	(1,854,131)
Decrease in cash position	(111,259)	(1,023,955)	(715,777)	(8,963,331)
Effect of currency translation on cash balances and cash flows	31,503	123,317	60,160	564,924
Cash and cash equivalents, beginning of period	7,885,902	8,790,906	8,397,418	16,288,675
Cash and cash equivalents, end of period	$ 7,806,146	$ 7,890,268	$ 7,806,146	$ 7,890,268
Cash and cash equivalents consist of:				
Cash	$ 3,806,146	$ 3,890,268	$ 3,806,146	$ 3,890,268
Term deposits	4,000,000	4,000,000	4,000,000	4,000,000
Supplemental disclosure:				
Interest paid	$ 40,739	$ 1,038	$ 69,772	$ 19,538

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, 2009.

2. **Cash and cash equivalents:**

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

3. **Share capital:**

(a) Authorized:

Unlimited common shares

Unlimited first preferred shares, issuable in series

Unlimited second preferred shares, issuable in series

(b) Issued:

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

(unaudited – expressed in U.S. dollars)

3. Share capital (continued):

(c) Stock-based compensation:

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

Three month period ended

	September 30, 2010		September 30, 2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Total options outstanding, beginning of period	4,509,449	$ 1.64	3,915,889	$ 1.76
Granted	–	–	40,000	0.99
Forfeited and expired	(141,518)	1.69	(115,000)	2.23
Stock options outstanding, end of period	4,367,931	$ 1.64	3,840,889	$ 1.74

Nine month period ended

	September 30, 2010		September 30, 2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Total options outstanding, beginning of period	4,831,609	$ 1.82	4,256,347	$ 1.84
Granted	261,246	0.82	70,000	1.04
Forfeited and expired	(724,924)	2.56	(485,458)	2.69
Stock options outstanding, end of period	4,367,931	$ 1.64	3,840,889	$ 1.74

(unaudited – expressed in U.S. dollars)

4. Segmented information:

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

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

Three month period ended September 30, 2010	Agriculture	Precision	Shared	Total
Sales	$ 9,486,000	$ 3,722,000	$ –	$ 13,208,000
Contribution (loss)	$ 1,148,000	$ 1,483,000	$ (4,609,000)	$ (1,978,000)

September 30, 2009	Agriculture	Precision	Shared	Total
Sales	$ 6,385,000	$ 2,684,000	$ –	$ 9,069,000
Contribution (loss)	$ (902,000)	$ 985,000	$ (3,849,000)	$ (3,766,000)

Nine month period ended September 30, 2010	Agriculture	Precision	Shared	Total
Sales	$ 34,708,000	$ 9,126,000	$ –	$ 43,834,000
Contribution (loss)	$ 6,227,000	$ 3,073,000	$ (14,888,000)	$(5,588,000)

September 30, 2009	Agriculture	Precision	Shared	Total
Sales	$ 33,934,000	$ 7,555,000	$ –	$ 41,489,000
Contribution (loss)	$ 4,478,000	$ 2,717,000	$ (10,627,000)	$ (3,432,000)

(unaudited – expressed in U.S. dollars)

4. Segmented information (continued):

Sales by geographic segments:

	Three months ended		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
United States	$ 4,706,000	$ 3,743,000	$ 18,684,000	$ 20,633,000
Canada	1,360,000	1,448,000	7,495,000	8,647,000
Europe	2,880,000	1,782,000	7,594,000	6,980,000
Australia	520,000	177,000	1,740,000	1,311,000
Other	3,742,000	1,919,000	8,321,000	3,918,000
	$ 13,208,000	$ 9,069,000	$ 43,834,000	$41,489,000

Assets by geographic segments:

	September 30, 2010	December 31, 2009
United States	$ 47,655,000	$ 50,637,000
Canada	22,836,000	20,070,000
Australia	18,199,000	18,615,000
	$ 88,690,000	$ 89,322,000

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. Comparative figures:

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