Hemisphere GPS

Q2 INTERIM REPORT • JUNE 30, 2007

Message to Shareholders

This is perhaps the most exciting time in Hemisphere GPS' history, with the strong momentum and outlook for our largest customer base - North American farming operations. 85% of our revenues are derived from sales to the agriculture market, which is currently investing to produce record crops this harvest and leverage the high prices for agriculture commodities. This suggests a substantial increase in farming income and cash flows following the harvest of 2007, and is also widely expected to continue for the next several years. However, during the spring of 2007, an increased level of up-front cash investment for North American farming was used for expanded planting and increased costs of farm inputs, including seed, fertilizer and fuel, leaving less cash available for new farming equipment and technology in the second quarter. Current cashflow for farmers has also been impacted by record low inventory levels, which limits the ability of farmers to generate cash by selling inventory. This has resulted in marginal Q2 growth for most Ag equipment suppliers in North America. This is anticipated to change significantly towards 2008 as the benefits of substantially higher grain prices for the 2007 harvest are realized and reinvested into increasing crop yields.

Hemisphere GPS' international sales, including southern hemisphere markets such as South America and Australia which have already been reaping harvest at the higher commodity prices, delivered healthy sales growth of over 50% in the second quarter compared to 2006, and over 60% year to date.

The strength of the agriculture market, as well as market demand from the marine and air business units, has helped propel our sales revenues to record levels in the first half of 2007. Recent increases in agricultural commodity prices and other macro-economic factors, such as low inventory levels and demand for bio-fuels, are leading to broad expectations for several years of profit growth within the agriculture sector and rural populations. Higher farming profits are anticipated to result in increased investment in farm equipment and technologies such as GPS that improve farming efficiencies, crop yields and cash flow.

2007 will be Hemisphere GPS' first full year as a pure-play GPS company. The Company is the market share leader in the growing market for precision agriculture guidance technology and products, as well as in other markets such as marine. Hemisphere GPS owns the widely recognized and respected brand names associated with precision agriculture; Outback®, Satloc® and Del Norte™.

Our second quarter revenues of $15.9 million, were below the $16.9 million in revenues for the second quarter of 2006. However our Q2 results are not indicative of the growth opportunity in front of us over the next several years and should not be misinterpreted. In 2006, some Q1 sales were delayed until the Q2, resulting in a stronger looking Q2. Similarly, this year, approximately $1 million in Q2 sales will be recorded in Q3 in adherence to Generally Accepted Accounting Rules, resulting in a weaker looking Q2 for 2007. Also, we experienced a very large quarterly swing in foreign exchange in Q2 2007 with the stronger Canadian dollar. The net result of normalizing these impacts illustrates a real growth level of 13% year-to-date 2007 compared to 2006. While this is below our stated goals of 20% growth for 2007, the variance is due to flat North American sales in the second quarter. Viewing our results without taking these normalized factors into consideration would suggest a year over year weakening of the business, which is not accurate. We are reiterating our growth forecast of 20% for 2007 as the second half of the year is expected to be very strong compared to past years.

The majority of Hemisphere GPS' revenues are derived from sales to the North American agriculture market. With the projected health of this year's harvest and continued expectations of high demand and strong commodity prices, we are excited about the robust years ahead of us in agriculture. Bio-energies have become a key factor in the functioning of agriculture markets, lifting prices on international markets above their average of the last 10 years. The extra bio-fuel demand, combined with low stocks worldwide due to poor harvests last year and fears of possible damage to the upcoming crops have sent global grain and oilseed prices to historic highs in 2007. Prices are expected to remain high in the coming years even without a sharp rise in bio-fuel demand because of the recent drop in output in many parts of the world. Made of grain, oilseeds and sugar, the "green" fuels are expected to reduce dependence on fossil fuels, cut carbon dioxide emissions -- one of the main causes for climate change -- and raise farm revenues. Some of the key factors impacting the agriculture markets in 2007 include:

- World grain inventories are at 30-year lows, driving robust grain prices.
- Bio-fuel demand has generated substantial demand for corn and soybeans, resulting in increased prices. The ethanol industry is now feeding American cars, not just its people and livestock. This year, more than a quarter of the Iowa corn crop will go to feed ethanol plants, up 20 per cent from last year.

- Demand for agricultural products is growing from nations such as China and India. With continued population growth in these regions, the market is expected to continue to grow for many years.
- In South America, the countries best able to respond to the growing agricultural demand, by increasing output, are Argentina and Brazil. The agricultural boom enjoyed by South American countries such as Argentina, Brazil, Paraguay and Uruguay, can be partly explained by the investment made in recent years in technology and infrastructure.

2007 is shaping up to be a very healthy year for the farming industry as the USDA forecasts to be the largest year-over-year percentage increase in crop receipts since 1980. Continued strength for agricultural commodities such as corn and wheat bodes well for increasing farm incomes, which in turn enables demand for agriculture equipment.

GPS guidance is now one of the fastest-moving sectors of agriculture. With only 20-25% of North American farmers using GPS and under 5% using autosteer to improve yields and lower input costs, we anticipate several years of healthy growth ahead of us. In take-up terms, other international markets are still years behind North America, but quickly looking to catch up. In the US, autosteer penetration is now beginning to rapidly increase and complement guidance-only systems. We see autosteer as a tremendous growth opportunity and we are very well positioned to capture that opportunity.

We are currently developing some very exciting next generation products in our agriculture, marine and air markets, and we are well positioned for 2008 and beyond to represent our breakout years.

Steven Koles
President & CEO
August 1, 2007

Interim Management Discussion and Analysis

The following discussion and analysis is effective as of August 2, 2007 and should be read together with the unaudited interim consolidated financial statements and the accompanying notes. Additional information relating to Hemisphere GPS Inc. ("Hemisphere GPS" or the "Company"), including the Company's Annual Information Form, can be found on SEDAR (www.sedar.com) which is supplemental to unaudited interim consolidated financial statements and notes for the three and six month periods ended June 30, 2007.

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

Results of Operations

Quarter Ended June 30, 2007 versus Quarter Ended June 30, 2006

Revenue

For the three months ended June 30, 2007, revenue was $15.9 million, down 6% from revenues of $16.9 million for the same period of 2006. North American revenues were lower in the second quarter of 2007 relative to 2006, primarily in the ground agriculture product line. Production capacity limitations in the first quarter of 2006 deferred some sales of the Company's Outback ground agriculture products into the second quarter which resulted in a particularly strong second quarter in 2006. International sales have been strong with growth of over 50% in the second quarter compared to 2006, and over 60% year to date.

The majority of Hemisphere GPS's revenues are derived from sales to the North American agriculture market. Year to date, North American sales of ground agriculture products have been relatively flat compared to 2006. Severe weather conditions in some U.S. regions impacted sales promotions activity and, the Company believes, farm purchasing decisions. The North American agriculture market has also been impacted by higher farm input costs, such as fuel, fertilizer and seed – which are incurred at the front end of the farming cycle, whereas higher grain prices are not realized until the crop is harvested and sold. As a result, the impact of higher grain prices is expected to be seen when 2007 crops are harvested and sold later in the year.

Gross Margin

Gross margins for the quarter of $7.4 million are down from $8.4 million for the same quarter of 2006. In percentage terms, gross margins have decreased to 47% from 50% in 2006. Gross margins were lower due primarily to a higher mix of international and OEM sales, as well as certain promotional pricing targeted to mitigating the inventory exposure associated with an end of life product.

Expenses

Total operating expenses of $6.9 million increased by $1.0 million, or 17%, compared to the second quarter of 2006. This increase is primarily a result of higher legal expenses.

Research and development expenses increased by approximately 6% compared to the second quarter of 2006. On an annual basis, the Company has a target for research and development costs of 10% of revenue. The investment in research and development activities is critical for the Company to maintain and build its position in current and targeted markets.

Sales and marketing expenses were lower in the second quarter of 2007 by $139 thousand as a result of lower commissions expense associated with the decrease in revenues. General and administrative expenses increased by $1.1 million compared to the second quarter of 2006. The increase is primarily attributable to increased legal expenses associated with a patent infringement lawsuit relating to the Company's GPS products. The Company does not believe that its products infringe upon the referenced patent and is aggressively defending its position.

Other

The Company incurred a foreign exchange loss of $273 thousand during the second quarter of 2007 compared to a loss of $762 thousand in 2006. Foreign exchange gains and losses arise primarily from the impact of a variable US dollar foreign exchange rate on the translation of US dollar denominated working capital into Canadian dollars. Management has implemented a foreign exchange risk management program to hedge the Company's US dollar working capital against exchange rate fluctuations and received a hedging payment of $1 million at the end of the second quarter that is netted against the foreign exchange loss. During the quarter, the Canadian dollar strengthened by 8% - which is a dramatic change for such a short period.

In the second quarter of 2007, the Company recorded interest income of $146 thousand compared to interest income of $94 thousand in 2006. The Company earns interest income on its cash balance, which was offset by interest expense on capital leases and long-term debt.

During the second quarter of 2007, the Company sold the common shares of Telular Corporation that it had received in connection with the first phase of the earn-out provisions included in the agreement under which the Company's Fixed Wireless Telephone business was sold to Telular in the second quarter of 2006. Net proceeds of disposition for the sale were $600 thousand, giving rise to a loss on sale of approximately $39 thousand.

In the second quarter of 2006, the Company incurred restructuring costs related to changes in the senior management team and corporate restructuring associated with the transition to a pureplay GPS company. No such costs were incurred in 2007.

Discontinued Operations

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

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

The Company recorded a loss from discontinued operations of $122 thousand for the quarter ended June 30, 2007 compared to a loss of $2.9 million in 2006. As previously described, these amounts represent the results of operations of the Fixed Wireless Telephone and Telematics product lines.

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

Summarized results for the discontinued operations are as follows:

	Quarter Ended	
(000's)	June 30 2007	June 30 2006
Sales	$ –	$ 2,515
Gross margin	–	422
	–	17%
Operating expenses	122	1,528
Loss before undernoted items	(122)	(1,106)
Gain on sale of product line	–	(190)
Interest (income) expense	–	(8)
Severance and wind-down costs	–	2,021
Loss from discontinued operations	$ (122)	$ (2,929)

Net Income (loss)

The continuing operations of the Hemisphere GPS product lines generated net income of $361 thousand, or $0.01 per share (basic and diluted) in the second quarter of 2007 compared to $762 thousand, or $0.02 per share (basic and diluted) in the second quarter of 2006.

The Company earned net income of $239 thousand, or $0.01 per share (basic and diluted) in the second quarter of 2007, compared to a net loss of $(2.2) million, or ($0.05) per share (basic and diluted) in the second quarter of 2006.

Quarter Ended June 30, 2007 versus Quarter Ended March 31, 2007

Revenue

Revenue in the quarter of $15.9 million was down by 18% from revenue of $19.5 million in the first quarter of 2007. The decline is primarily related to North American agricultural sales as sales to non-North American markets were flat relative to the first quarter. It is believed that the severe weather conditions experienced in regions of the U.S., and concerns driven by higher costs impacted farm purchasing decisions.

Historically, the first quarter is the strongest quarter for revenues in the agricultural markets. In 2006, the second quarter was stronger than the first quarter as a result of production capacity constraints that impacted sales in the first quarter and deferred such sales into the second quarter.

Gross Margin

Gross margins of $7.4 million were down from $9.7 million in the first quarter of 2007 due to lower sales. Percentage gross margins of 47% were down from 50% in the first quarter as a result of a higher mix of international sales and from the product mix.

Expenses

Operating expenses of $6.9 million for the three months ended June 30, 2007 decreased $259 thousand, or 4%, from the first quarter. Sales and marketing expenses decreased by $889 thousand relating to lower commissions expense. General and administrative costs increased by $677 thousand as a result of higher legal expenses and increased public company costs, such as regulatory filings and the annual meeting, in the second quarter.

Other

The Company incurred a foreign exchange loss of $273 thousand in the second quarter of 2007 versus a gain of $46 thousand in the first quarter of 2007 relating to translation of US dollar denominated working capital. The second quarter foreign exchange loss is net of a hedging payment received at the end of the second quarter of $1.0 million.

Interest income, net of interest expense, of $146 thousand in the second quarter increased from $74 thousand in the quarter ended March 31, 2007 due to a higher average level of cash during the quarter. The Company earns interest income on its cash balance, offset by interest expense on capital leases and long-term debt.

Discontinued Operations

The Company recorded a loss from discontinued operations of $122 thousand for the quarter ended June 30, 2007 compared to $105 thousand in the first quarter of 2007. As previously described, these amounts represent the results of operations of the divested Fixed Wireless Telephone and Telematics product lines.

Summarized results for the discontinued operations are as follows:

	Quarter Ended	
(000's)	June 30 2007	March 31 2007
Sales	$ –	$ –
Gross margin	–	–
Operating expenses	122	105
Loss from discontinued operations	$ (122)	$ (105)

Operating expenses of $122 thousand relate primarily to legal expenses as previously described.

Net Earnings

Income from continuing operations was $361 thousand or $0.01 per share (basic and diluted) in the second quarter of 2007 compared to $2.6 million or $0.06 per share (basic and diluted) in the first quarter of 2007.

The Company earned net income in the second quarter of 2007 of $239 thousand, or $0.01 per share (basic and diluted), compared to a net income of $2.5 million, or $0.05 per share (basic and diluted) in the first quarter of 2007.

Six Months Ended June 30, 2007 versus Six Months Ended June 30, 2006

Revenue

Revenue in the six months ended June 30, 2007 of $35.4 million increased by 9% from revenue of $32.4 million in the prior corresponding period of 2006. The increase is a result of stronger international agriculture-related sales and stronger sales of the Company's air products.

Gross Margin

Gross margins of $17.1 million and 48% were up from $14.6 million and 45% in the first half of 2006. In 2006, gross margins were negatively impacted by the amortization of the acquisition inventory step-up costs related to inventory acquired at the time of the Outback business acquisition in April 2005.

Expenses

Operating expenses of $14.0 million for the six months ended June 30, 2007 have increased by $2.0 million from the first half of 2006. The increase is primarily due to higher legal expenses associated with the patent infringement lawsuit previously discussed in this report.

Other

The Company incurred a foreign exchange loss of $226 thousand (2006 - $828 thousand), interest income (net of interest expense) of $220 thousand (2006 - $110 thousand), and a loss on sale of marketable securities of $39 thousand in the first half of 2007 (2006 - $ nil).

Discontinued Operations

The Company recorded a loss from discontinued operations of $227 thousand for the first half of 2007 compared to a loss of $12.2 million in the first half of 2006. In 2007, the results primarily reflect legal fees associated with certain legal matters that arose prior to the divestment of the wireless operations.

Net Earnings (loss)

Income from continuing operations was $3.0 million or $0.06 per share (basic and diluted) in the first half of 2007 compared to $864 thousand or $0.02 per share (basic and diluted) in the first half of 2006.

The Company earned net income in the first half of 2007 of $2.8 million, or $0.06 per share (basic and diluted), compared to a loss of $(11.3) million, or $(0.25) per share (basic and diluted) in the first half of 2006.

Summary of Quarterly Results

	For the Quarter Ended							
(000's)	Sep 30 2005	Dec 31 2005	Mar 31 2006	Jun 30 2006	Sep 30 2006	Dec 31 2006	Mar 31 2007	Jun 30 2007
Sales	$ 5,637	$ 5,625	$ 15,514	$ 16,907	$ 5,617	$ 7,870	$ 19,505	$ 15,893
Gross margin	2,106	1,943	6,202	8,379	1,055	2,881	9,662	7,415
	37%	35%	40%	50%	19%	37%	50%	47%
Expenses:								
Research and development	1,094	990	1,170	1,227	1,134	1,209	1,266	1,296
Sales and marketing	1,626	1,818	2,819	2,342	1,772	2,372	3,092	2,203
General and administrative	1,537	1,387	1,330	1,532	1,347	1,721	1,965	2,642
Stock-based compensation	244	211	143	186	215	213	220	185
Amortization	565	592	587	619	638	666	603	562
	5,066	4,998	6,049	5,906	5,106	6,181	7,146	6,888
Earnings (loss) before undernoted items	(2,960)	(3,055)	153	2,473	(4,051)	(3,300)	2,516	527
Foreign exchange (gain) loss	733	145	67	762	(133)	(53)	(46)	273
Interest income	(43)	(38)	(16)	(94)	(84)	(27)	(74)	(146)
Loss (gain) on sale of marketable securities	–	–	–	–	–	(1,050)	–	39
Restructuring costs	–	–	–	1,043	–	–	–	–
Earnings (loss) from continuing operations	(3,650)	(3,162)	102	762	(3,834)	(2,170)	2,636	361
Loss from discontinued operations	(2,138)	(3,302)	(9,257)	(2,929)	(1,978)	(582)	(105)	(122)
Net earnings (loss)	$ (5,788)	$ (6,464)	$ (9,155)	$ (2,167)	$ (5,812)	$ (2,752)	$ 2,531	$ 239
Earnings (loss) per common share from continuing operations *:								
Basic and diluted	$ (0.08)	$ (0.07)	$ 0.00	$ 0.02	$ (0.08)	$ (0.05)	$ 0.06	$ 0.01
Net earnings (loss) per common share *:								

Basic and diluted	$	(0.13)	$	(0.15)	$	(0.20)	$	(0.05)	$	(0.13)	$	(0.06)	$	0.05	$	0.01

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

Liquidity and Capital Resources

Hemisphere GPS held cash of $12.4 million at the end of the second quarter compared to a balance of $12.8 million at March 31, 2007. The primary items impacting the cash balance during the second quarter were:

- Cash generated by continuing operations, prior to working capital changes, was $1.1 million compared to $1.5 million in the second quarter of 2006.
- During the quarter, the Company sold the marketable securities held on the balance sheet at March 31, 2007 for proceeds of $600 thousand.
- Inventories increased to $12.8 million at June 30, 2007 from $12.2 million at March 31, 2007. This increase arises due to lower sales to North American agricultural markets than anticipated.
- Accounts payable decreased by $1.1 million during the second quarter relating to lower activity levels associated with the end of the strongest agricultural buying season.
- Total deferred revenue increased by $169 thousand during the second quarter, relating to sales proceeds received from customers for the Company's three year Extended Service Program ("ESP") on sales of Outback products, net of amortization for ESP contracts. The ESP program was first introduced in November 2005 and enables customers to extend their warranty from the standard one year warranty to three years. The revenue is amortized into income over the second and third years, as the extended service is made available to the customer.
- Total capital spending related to continuing operations in the second quarter of 2007 was $422 thousand primarily related to production equipment and computer equipment.
- Cash used in discontinued operations in the second quarter was $531 thousand for operating expenses and changes in working capital.
- During the second quarter, 150,902 stock options were exercised for proceeds of $299 thousand.
- As of August 2, 2007, there were 46,348,451 common shares outstanding.

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

The table below sets forth the repayment schedule of Hemisphere GPS's capital lease obligations at June 30, 2007:

	Payments Due by Period		
	Total	less than 1-year	1 to 3 years
Capital lease obligations	$ 262,169	$ 262,169	$ –

Critical Accounting Policies and Estimates

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

Effective January 1, 2007, the Company has adopted the following new accounting standards relating to financial instruments:

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

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

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

The Company also adopted as of January 1, 2007 new standards with respect to “comprehensive income”. The new standards require a “statement of comprehensive income”, if there are items that give rise to “comprehensive income or loss”. The Company did not identify any such items giving rise to “comprehensive income or loss” in the three and six month periods ended June 30, 2007, or that would result in an adjustment to opening balances for accumulated other comprehensive income or loss.

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

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

There were no changes in significant estimates in the quarter.

Changes in Internal Control over Financial Reporting

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

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

HEMISPHERE GPS INC.

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

	June 30, 2007	December 31, 2006
Assets		
Current assets:		
Cash	$ 12,430,697	$ 11,160,405
Accounts receivable	9,087,930	4,995,204
Inventories	12,810,878	11,479,139
Deferred commissions	181,276	111,619
Prepaid expenses and deposits	423,194	550,530
Current assets of discontinued operations (note 4)	434,693	1,360,735
	35,368,668	29,657,632
Deferred commissions	325,522	246,414
Property and equipment	8,255,797	8,507,990
Intangible assets	3,991,219	4,332,591
Goodwill	22,961,432	22,961,432
Assets of discontinued operations (note 4)	116,380	116,380
	$ 71,019,018	$ 65,822,439
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 7,852,623	$ 5,785,501
Deferred revenue	1,056,960	773,527
Current portion of long-term debt	-	300,517
Current portion of capital leases	262,169	291,057
Current liabilities of discontinued operations (note 4)	253,924	974,505
	9,425,676	8,125,107
Deferred revenue	2,183,781	1,672,116
Capital lease obligations	-	101,714
Shareholders' equity:		
Share capital (note 2)	104,461,414	104,013,743
Contributed surplus	3,044,514	2,776,468
Deficit	(48,096,367)	(50,866,709)
	59,409,561	55,923,502
	$ 71,019,018	$ 65,822,439

See accompanying notes to consolidated financial statements.

HEMISPHERE GPS INC.

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

	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
Sales	$ 15,892,790	$ 16,906,522	$ 35,397,651	$ 32,420,557
Cost of sales	8,478,103	8,527,815	18,320,669	17,839,429
	7,414,687	8,378,707	17,076,982	14,581,128
Expenses:				
Research and development	1,296,534	1,227,480	2,562,897	2,397,616
Sales and marketing	2,202,955	2,341,897	5,295,084	5,160,966
General and administrative	2,642,049	1,531,524	4,607,221	2,861,553
Stock-based compensation (note 2(c))	184,769	185,816	404,567	329,119
Amortization	561,677	618,978	1,164,805	1,205,904
	6,887,984	5,905,695	14,034,574	11,955,158
Earnings before undernoted items	526,703	2,473,012	3,042,408	2,625,970
Foreign exchange loss	273,332	761,764	226,479	828,374
Interest and other income	(146,451)	(93,949)	(220,267)	(109,776)
Loss on sale of marketable securities	38,809	-	38,809	-
Restructuring costs	-	1,043,000	-	1,043,000
Earnings from continuing operations	361,013	762,197	2,997,387	864,372
Loss from discontinued operations (note 4)	(122,155)	(2,929,263)	(227,045)	(12,186,261)
Net earnings (loss) and comprehensive income (loss)	238,858	(2,167,066)	2,770,342	(11,321,889)
Deficit, beginning of period	(48,335,225)	(40,134,969)	(50,866,709)	(30,980,146)
Deficit, end of period	$ (48,096,367)	$ (42,302,035)	$ (48,096,367)	$ (42,302,035)
Earnings per common share from continuing operations:				
Basic and diluted	$ 0.01	$ 0.02	$ 0.06	$ 0.02
Earnings (loss) per common share:				
Basic and diluted	$ 0.01	$ (0.05)	$ 0.06	$ (0.25)
Weighted average shares outstanding:				
Basic	46,188,924	45,926,078	46,142,078	45,912,790
Diluted	46,537,696	45,926,078	46,311,534	45,912,790

See accompanying notes to consolidated financial statements.

HEMISPHERE GPS INC.

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

	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
Cash flows from (used in) operating activities:				
Earnings from continuing operations	$ 361,013	$ 762,197	$ 2,997,387	$ 864,372
Items not involving cash:				
Amortization	561,677	618,978	1,164,805	1,205,904
Stock-based compensation	184,769	185,816	404,567	329,119
Loss on sale of marketable securities	38,809	-	38,809	-
Unrealized foreign exchange gain	-	(18,034)	-	(4,106)
	1,146,268	1,548,957	4,605,568	2,395,289
Change in non-cash operating working capital:				
Accounts receivable	218,664	980,763	(4,731,933)	(348,652)
Inventories	(607,584)	(476,053)	(1,331,739)	483,537
Prepaid expenses and deposits	(46,587)	253,359	127,336	222,668
Deferred commissions	(27,354)	(118,129)	(148,765)	(259,439)
Accounts payable and accrued liabilities	(1,063,502)	(2,687,601)	2,067,122	442,298
Deferred revenue	169,129	(954,483)	795,098	1,726,977
	(210,966)	(1,453,187)	1,382,687	4,662,678
Cash used in discontinued operations (note 4)	(530,576)	(1,005,808)	(21,584)	(6,012,987)
	(741,542)	(2,458,995)	1,361,103	(1,350,309)
Cash flows from (used in) financing activities:				
Long-term debt	-	(127,008)	(300,517)	(255,889)
Capital lease obligations	(82,289)	(99,773)	(130,602)	(166,387)
Issue of share capital, net of share issue costs	299,217	237,975	311,151	330,699
Cash from discontinued operations (note 4)	-	3,277,061	-	2,977,665
	216,928	3,288,255	(119,968)	2,886,088
Cash flows from (used in) investing activities:				
Purchase of property and equipment	(422,086)	(189,791)	(571,241)	(700,090)
Business acquisition, net	-	-	-	(959,302)
Proceeds on sale of marketable securities	600,398	-	600,398	-
Cash used in discontinued operations (note 4)	-	(45,437)	-	(117,035)
	178,312	(235,228)	29,157	(1,776,427)
Increase (decrease) in cash position	(346,302)	594,032	1,270,292	(240,648)
Cash, beginning of period	12,776,999	11,760,674	11,160,405	12,595,354
Cash, end of period	$ 12,430,697	$ 12,354,706	$ 12,430,697	$ 12,354,706
Supplemental disclosure:				
Interest paid	$ 5,280	$ 24,924	$ 26,971	$ 53,844
Interest received	$ 127,836	$ 125,228	$ 223,217	$ 194,434

See accompanying notes to consolidated financial statements.

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1. Basis of presentation:

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

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

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

The Company also adopted as of January 1, 2007 new standards with respect to comprehensive income. The new standards require a statement of comprehensive income, if there are items that give rise to comprehensive income or loss. The Company did not identify any such items giving rise to comprehensive income or loss in the three and six month periods ended June 30, 2007, or that would result in an adjustment to opening balances for accumulated other comprehensive income or loss.

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

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

2. Share capital:

(a) Authorized:

Unlimited number of common shares

(b) Issued:

	Number of shares	Amount
Balance, December 31, 2006	46,125,616	$ 104,013,743
Issued on exercise of stock options	19,453	28,908
Share issue costs	-	(16,974)
Transfer from contributed surplus on exercise of stock options	-	3,886
Balance, March 31, 2007	46,145,069	$ 104,029,563
Issued on exercise of stock options	150,902	299,217
Transfer from contributed surplus on exercise of stock options	-	132,634
Balance, June 30, 2007	46,295,971	$ 104,461,414

(c) Stock options:

At June 30, 2007 there were 2,886,328 stock options outstanding. During the current quarter, the Company granted 70,000 stock options and recorded $184,769 (2006 – $234,316, including discontinued operations) as compensation expense. For the six months ended June 30, 2007, the Company granted 275,000 stock options and recorded $404,567 (2006 – $432,216, including discontinued operations) as compensation expense.

3. Segmented information:

(a) Sales by geographic segment:

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
United States	$ 5,912,000	$ 7,662,000	$ 16,423,000	$ 17,563,000
Canada	5,695,000	6,450,000	10,437,000	9,664,000
Europe	1,439,000	1,306,000	3,467,000	2,241,000
Other	2,847,000	1,489,000	5,071,000	2,952,000

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

(b) Assets by geographic segment:

	June 30, 2007	December 31, 2006
United States	$38,533,000	$ 45,476,000
Canada	32,486,000	20,346,000

4. Discontinued operations:

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

The results of discontinued operations are as follows:

	Three months ended June 30,		Six month ended June 30,	
	2007	2006	2007	2006
Sales	$ -	$ 2,515,027	$ -	$ 11,466,302
Cost of sales	-	2,092,669	-	9,772,301
	-	422,358	-	1,694,001
Expenses:				
Research and development	-	711,469	-	2,098,157
Sales and marketing	-	415,340	-	996,943
General and administrative	122,155	198,186	227,045	449,400
Stock-based compensation	-	48,500	-	103,097
Amortization	-	154,636	-	422,922
	122,155	1,528,131	227,045	4,070,519
Loss before undernoted items	(122,155)	(1,105,773)	(227,045)	(2,376,518)
Gain on sale of product line	-	(190,000)	-	(190,000)
Severance and wind-down costs	-	2,021,000	-	2,021,000
Interest income	-	(7,510)	-	(21,257)
Goodwill impairment	-	-	-	8,000,000
Loss from discontinued operations	$ (122,155)	$ (2,929,263)	$ (227,045)	$ (12,186,261)

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

	June 30, 2007	December 31, 2006
Current assets	$ 434,693	$ 1,360,735
Property and equipment	116,380	116,380
Current liabilities	(253,924)	(974,505)
	$ 297,149	$ 502,610

4. Discontinued operations (continued):

The cash flow from discontinued operations is as follows:

	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
Cash flows from (used in) operating activities:				
Loss from discontinued operations	$ (122,155)	$ (2,929,263)	$ (227,045)	$ (12,186,261)
Items not involving cash:				
Amortization	-	154,636	-	422,922
Stock-based compensation	-	48,500	-	103,097
Goodwill impairment	-	–	-	8,000,000
Gain on sale of product line	-	(190,000)	-	(190,000)
	(122,155)	(2,916,127)	(227,045)	(3,850,242)
Change in non-cash operating working capital:				
Current assets	84,336	4,321,331	926,042	5,728,728
Current liabilities	(492,757)	(2,411,012)	(720,581)	(7,891,473)
	(530,576)	(1,005,808)	(21,584)	(6,012,987)
Cash flows from (used in) financing activities:				
Capital lease obligations	-	(47,416)	-	(346,812)
Proceeds on sale of product line, net of disposition costs	-	3,324,477	-	3,324,477
	-	3,277,061	-	2,977,665
Cash flows used in investing activities:				
Purchase of property and equipment	-	(45,437)	-	(117,035)
	$ (530,576)	$ 2,225,816	$ (21,584)	$ (3,152,357)

5. Seasonality of Operations:

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

6. Related Party Transactions:

Pursuant to the agreements relating to the purchase of the Outback business in April 2005, RHS, Inc., a company controlled by a director and former executive of the Company, has indemnified the Company for 50% of the costs associated with an outstanding patent infringement lawsuit up to a maximum of US$1.5 million. The indemnification is secured by 450,000 common shares of the Company that will remain in escrow until the earlier of the settlement of the associated claims or ten years after closing of the acquisition. At June 30, 2007, accounts receivable includes $1,595,000 owing from RHS, Inc. related to costs incurred by the Company and recoverable pursuant to this indemnification.

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