

HEMISPHERE GPS INC.

ANNUAL INFORMATION FORM

**For the fiscal year ended
December 31, 2010**

March 23, 2011

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual information form ("Annual Information Form"), constitute 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" 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 Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form.

In particular, this Annual Information Form contains forward-looking statements pertaining to the following:

- financial results;
- new and emerging markets;
- product expansion
- customer adoption of technology and products;
- 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 Annual Information Form:

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

With respect to forward-looking statements contained or incorporated by reference 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' 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; availability of skilled labour; and our ability to obtain financing on acceptable terms.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this Annual Information Form in order to provide shareholders with a more complete perspective on Hemisphere GPS' 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 Annual Information Form are expressly qualified by this cautionary statement. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements and readers should also carefully consider the matters discussed under the heading "Risk Factors" in this Annual Information Form.

GENERAL MATTERS

This Annual Information Form contains company names, product names, trade names, trademarks and service marks of Hemisphere GPS and other organizations, all of which are the property of their respective owners.

CORPORATE STRUCTURE

Hemisphere GPS Inc. (the "Corporation", "HEM", "Hemisphere GPS", "us", "we", or "our", where the context requires, also includes our predecessors and our subsidiaries) was incorporated as Canadian Systems International Inc. pursuant to the *Business Corporations Act* (Alberta) ("ABCA") on July 31, 1990. On October 26, 1992 the Corporation changed its name to Communication Systems International Inc. On June 21, 2000, by articles of amendment, the Corporation changed its name to CSI Wireless Inc. On May 9, 2007, the Corporation changed its name to Hemisphere GPS Inc.

Effective April 30, 1996, the Corporation amended its articles to effect, among other things, a re-designation of the Corporation's Class A common shares to common shares of the Corporation ("Common Shares"), a stock split of the Common Shares on a 12,500 to 1 basis and to delete the "private company" share transfer restrictions. Hemisphere GPS designs and manufactures innovative, cost-effective, Global Navigation Satellite Systems ("GNSS") products for applications in ground agriculture, air agriculture, marine and other markets.

Our registered and head office is located at 4110 – 9th Street S.E., Calgary, Alberta, T2G 3C4.

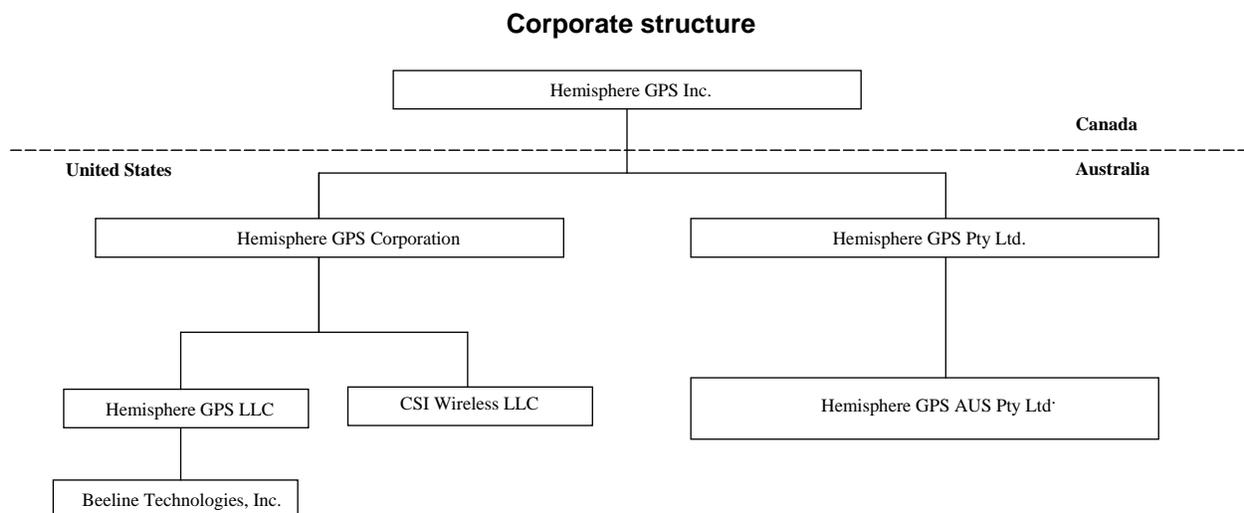
Inter-Corporate Relationships

Hemisphere GPS Inc. has four subsidiaries incorporated under the laws of the state of Delaware: Hemisphere GPS Corporation, Hemisphere GPS LLC, CSI Wireless LLC and BEELINE Technologies, Inc. Hemisphere GPS Corporation was previously named CSI Wireless Corporation, before a name change in April 2008. Hemisphere GPS LLC was previously named Satloc LLC, before a name change in November, 2005. Hemisphere GPS Corporation is a wholly owned subsidiary of the Corporation and Hemisphere GPS Corporation holds 100% of the shares of CSI Wireless LLC and Hemisphere GPS LLC. BEELINE Technologies, Inc. is a wholly owned subsidiary of Hemisphere GPS LLC.

Hemisphere GPS Inc. has two subsidiaries incorporated in Australia. Hemisphere GPS Pty Ltd. is incorporated under the laws of the Australian State of Victoria. Its wholly-owned subsidiary, Hemisphere GPS AUS Pty Ltd. is incorporated under the laws of the Australian State of Queensland. Hemisphere

GPS AUS Pty Ltd. was previously named BEELINE Technologies Pty Ltd., before a name change in February 2008.

The following chart reflects our corporate structure as at the date hereof. Each of the subsidiary companies is a wholly owned subsidiary of its parent:



GENERAL DEVELOPMENT OF THE BUSINESS

This section discusses the major events or conditions that have influenced the general development of the Corporation over the last three completed financial years, as applicable, including significant acquisitions and dispositions that have occurred. All financial information referenced in this Annual Information Form is denominated in US dollars, unless otherwise indicated.

Three Year History

2008

On February 13, 2008, we introduced our next generation agricultural guidance product, the Outback S3, at the National Farm Machinery Show in Louisville, KY. The Outback S3 includes a large colour touch screen, constant situational awareness, job management capabilities and other new features.

On April 8, 2008, we issued 1,500,028 Common Shares related to performance warrants (the "Performance Warrants") granted in connection with the 2005 acquisition of the Outback sales and distribution business assets. There are no further Performance Warrants outstanding. The Common Shares issued were valued at CDN\$3.54 per Common Share and have been accounted for as additional consideration on the acquisition and were recorded in our consolidated financial statements as goodwill.

On April 10, 2008, we announced the release of an original equipment manufacture ("OEM") development kit for our Eclipse dual-frequency GPS receiver technology.

On June 30, 2008, we announced that we had implemented a plan to assist employees in purchasing our Common Shares through an Employee Share Purchase Plan ("ESPP").

On June 30, 2008, we announced that Richard Heiniger, the Vice Chairman of our board of directors, had entered into an agreement with a third-party brokerage firm with respect to an automatic securities disposition plan ("ASDP") adopted in accordance with guidelines under applicable Canadian securities

laws and regulations. The ASDP provides for the disposition of up to 390,000 of our Common Shares held by Mr. Heiniger in a systematic manner based upon predetermined criteria set out in the ASDP. Under the ASDP, Mr. Heiniger is not permitted to exercise any further discretion or influence over how, when or whether the sales of the Common Shares under the ASDP will occur. The ASDP had a term that ended on December 31, 2008.

On July 14, 2008, we announced that we had been awarded four new patents:

- The *Satellite Position and Heading Sensor for Vehicle Steering Control* patent (U.S. Patent No. 7,400,956)
- The *Portable Reference Station for Local Differential GPS Corrections* patent (U.S. Patent No. 7,400,294)
- The *Articulated Equipment Position Control System and Method* patent (U.S. Patent No. 7,373,231)
- The *Carrier Track Loop for GNSS Derived Attitude* patent (U.S. Patent No. 7,388,539)

On July 21, 2008, we announced the release of a new aerial application product, the Air IntelliFlow Dual Rate system, intended to improve the efficiency of applications and the productivity of pilots in agricultural and other markets.

On August 11, 2008, we announced that we had entered into an agreement under which we will supply CPAC Systems AB with custom-built LV100 GPS compasses. The LV100 is a complete GPS compass and positioning assembly utilizing a unique patent-pending design which features a single carrier board with integrated GPS antennas. CPAC Systems AB is a world-class integrator of embedded control systems for marine vessels, and a wholly-owned subsidiary of AB Volvo.

On September 8, 2008, we introduced our enhanced Eclipse dual-frequency GPS receiver. The Eclipse receiver supports USB communication and enables data logging to standard external USB flash drives. It also utilizes an expanded number of standard RTK (Real-Time Kinematic) message formats, such as RTCM v3, CMR, and CMR+, making the Eclipse receiver compatible with CORS (Continuously Operating Reference Stations) and other RTK base station networks. The Eclipse receiver also includes the updated library from OmniSTAR®, delivering improved acquisition time and performance.

On September 10, 2008, we announced a Normal Course Issuer Bid to purchase shares for cancellation on the open market. During 2008, 945,200 Common Shares were purchased at an average price of CDN\$2.07 which Common Shares were subsequently cancelled. The Normal Course Issuer Bid expired in September 2009.

On September 16, 2008, we introduced the R220 GPS Receiver. It is the first finished product to be powered by Eclipse™, our patented dual frequency GPS technology.

On September 25, 2008, we announced that we had been awarded with the Deloitte Technology Green 15 Award, which recognizes companies creating innovative, important and economically viable intellectual property in the field of green technology.

On September 30, 2008, we announced that we were awarded with a patent for the *Broadband Aperture Coupled GNSS Microstrip Patch Antenna* (U.S. Patent 7,429,952).

On October 27, 2008, we announced that we had been awarded the ASTech Award for outstanding commercial achievement in science and technology by the Alberta Science and Technology Leadership Foundation.

2009

On January 19, 2009, we announced that we had reached a settlement agreement in regard to litigation with Longview Advantage Inc. ("Longview") that had begun in 2006 and related to its discontinued telematics business. In accordance with the terms of the settlement, the action was discontinued.

On January 19, 2009, we announced the certification of our quality management system to ISO 9001:2008. Globally recognized ISO 9001:2008 standards are set by the International Organization for Standardization, a Geneva-based worldwide federation of national standard bodies.

On January 26, 2009, we announced that we had been awarded with two new patents:

- The *Satellite Based Vehicle Guidance Control in Straight and Contour Modes* patent (U.S. Patent No. 7,437,230)
- The *Soil Cultivation Implement Control Apparatus and Method* patent (U.S. Patent No. 7,460,942)

On February 10, 2009, we introduced the new Outback Sts (S touch screen) which is the latest addition to our line of situational awareness and data management tools. Combining the most popular features of the Outback S2 with the touch screen interface of Outback S3, Outback Sts offers solid performance and simple operation.

On March 2, 2009, we announced the availability of supplemental software release for Outback S3. This software enables Outback S3 to be operated in 19 languages and introduced new features for easier job management.

On April 15, 2009, we introduced new A21 Antenna which is designed to operate under electrical noise and other interference which can compromise the performance of an antenna.

On May 7, 2009, we launched a new version of Outback S-Lite guidance system software that supports additional languages including Simplified Chinese.

During the second quarter of 2009, we completed certain restructuring activities with the objective of improving the efficiency and effectiveness of our operations. Our Air sales office in Euless, Texas was closed and activities were transferred to the Ground Agriculture business unit. As a result, the Ground Agriculture and Air business units were combined into single Agriculture business unit under a single General Manager

On July 9, 2009, we announced the appointment of Kip Pendleton as Vice President and General Manager of the newly formed Agriculture business unit.

On August 31, 2009, we announced the compatibility between the precision agriculture products and Ag Leader's SMS[™] Basic and SMS Advanced mapping software solutions.

On September 23, 2009, we introduced the XF102, the latest addition to Hemisphere GPS' XF-Series of DGPS receivers for handheld mapping. We also introduced A220 and A221 smart antennas which provided centimetre-level positioning accuracy using our enhanced Eclipse dual frequency receiver.

On November 16, 2009, we announced the launch of a new version of the Outback S-Lite GPS guidance system which supports the Punjabi language spoken in India.

On November 17, 2009, we announced the release of the new version of Outback AutoMate[™] for Planter Section Control.

On December 7, 2009, we introduced Air IntelliStar for state-of-the art GPS guidance for aerial applicators.

2010

On January 12, 2010, we introduced A22 GPS antenna which improves noise mitigation characteristics and provides strong performance in difficult radio frequency environments.

On January 12, 2010, we launched the Outback eDriveX hydraulic auto-steering system and the Outback A220 smart GPS antenna. These products provide centimetre-level accuracy for a wide range of agriculture applications.

On January 13, 2010, we introduced G100™ all-in-one steering and guidance system for auto-steer ready agricultural vehicles.

On March 1, 2010, we announced that Outback Guidance by Hemisphere GPS is expanding its aftermarket sales network throughout Australia.

On March 19, 2010, we announced that the Board of Directors of Hemisphere GPS adopted a Shareholder Rights Plan (the "Rights Plan") for which shareholder approval was received at our annual and special meeting of shareholders to be held on May 18, 2010. The Rights Plan is designed to provide shareholders and the Board of Directors with adequate time to consider and evaluate any unsolicited bid made for Hemisphere GPS, to provide the Board of Directors with adequate time to identify, develop and negotiate value-enhancing alternatives, if considered appropriate, to any such unsolicited bid, to encourage the fair treatment of shareholders in connection with any take-over bid for Hemisphere GPS and to ensure that any proposed transaction is in the best interests of our shareholders.

On March 25, 2010, we announced the launch of new Earthworks Business Unit that designs and manufactures products for the construction market.

On April 19, 2010, we introduced GateMate™ - a portable Alpine Ski racing gate placement and tracking system.

On May 13, 2010, we announced the availability of new installation kits for the high-performance Outback eDriveX auto-steering system.

On May 20, 2010, we announced the availability of supplemental software release for Outback S3 that allows users to configure and operate Outback AutoMate from the S3 user interface.

On June 21, 2010, we announced the release of the Crescent Vector II OEM board and a broad range of Crescent Vector II GPS compass products: V101™ Series, VS101™ Series, and LV101™ OEM board.

On August 11, 2010, we announced the supply of LV101™ GPS compass to TECHNOMASTER, a marine electronics engineering firm in Brazil.

On August 12, 2010, we announced the addition of three new Earthworks dealers to the Company's distribution network to serve a range of territory including mid-Atlantic and Western States.

On August 12, 2010, Hemisphere GPS announced a multi year agreement to supply S3-S Navigator™, a customized Outback S3 precision guidance system for Summit Liability Solutions designed to eliminate most of the human error currently present in drilling waste disposal services.

On August 17, 2010, we announced the availability of two new antennas: A52 and A21. A52 is used in challenging environments as it has superior multipath mitigation and A21 is primarily used in aerial applications.

On August 23, 2010, we announced the release of the Earthworks X300 excavator guidance system which measures and displays three-dimensional excavator positioning to operators, vastly improving excavation proficiency and accuracy and greatly reducing rework.

On September 2, 2010, we announced the availability of the R131 DGPS receiver which provides a feature-packed rack-mountable DGPS solution.

On September 8, 2010, we announced the introduction of next generation Eclipse II GNSS receiver technology and the release of the Eclipse II OEM board.

On September 22, 2010, we announced the release of miniEclipse – a compact dual frequency GPS OEM board.

On September 30, 2010, we launched eDriveX in Brazil under the Stara S.A. brand SPEED DRIVEx.

On October 5, 2010, we announced the release of R320 – the first GNSS receiver built on Eclipse II OEM board.

On October 18, 2010, we announced the release of HQ – a real-time web-based asset tracking tool that allows companies to track to position and position-related data of aircraft and other assets such as spotter vehicles and loader trucks.

On November 10, 2010, we introduced VersaSteer interface (VSi), a new electric steering wheel option for best selling Outback EDrive automated steering system.

On November 15, 2010, we announced the expansion of our OEM agreement with ComNav Marine Ltd. to manufacture world's smallest GPS compass available under a private branding agreement for ComNav Ltd.

On November 29, 2010, we announced the launch of eDriveX in Europe under the CLAAS brand, GPS Pilot.

On December 6, 2010, we announced the availability of new installation kits for the Outback™ eDriveX auto-steering system for auto-steer ready tractors.

On December 6, 2010, we introduced background maps, the first software mapping application for use in the aerial application market.

On December 7, 2010, we announced the availability of Satloc Bantam, a mid-level GPS guidance solution.

On December 9, 2010, we announced OEM alliance with FONTON LOVOL to launch Outback Guidance precision farming products in China.

RECENT DEVELOPMENTS

On February 7, 2011, we announced the release of two compact GPS compass products; the V102™ all-in-one and the H102™ OEM module.

On February 8, 2011, we announced an agreement with Wellington West Capital Markets Inc. as lead underwriter on behalf of a syndicate of underwriters for the issuance of 5,228,859 common shares of the Company, on a bought deal basis, at a price of Cdn\$1.53 per Share for gross proceeds of approximately Cdn\$8,000,000 (the "Offering"). The underwriters were also granted an option, exercisable in whole or in part, for a period of 30 days following the closing of the Offering, to purchase up to an additional 784,313 shares, which would increase the total gross proceeds of the Offering to approximately Cdn\$9,200,000.

On February 10, 2011, we announced an OEM alliance with YTO Group Corporation, to launch Outback Guidance precision farming products in China.

On February 16, 2011, we announced the introduction of eTurns™ - the agriculture industry's first autoturn solution available for multiple brands of farm machinery.

On March 2, 2011, we announced that the bought deal financing announced on February 8, 2011 had closed. The option granted to the underwriters was not exercised.

SIGNIFICANT ACQUISITIONS

We did not complete any significant acquisitions during the year ended December 31, 2010 for which disclosure is required under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations*.

DESCRIPTION OF OUR BUSINESS

General

We design, manufacture and markets products and applications incorporating Global Navigation Satellite System ("GNSS") technology (previously referred to generically as Global Positioning System or "GPS" which has more conventionally been in reference only to the U.S. Department of Defence's ("DoD") constellation of navigation satellites) and that provide intelligent automation and navigation solutions through the sophisticated integration of GNSS positioning, and other technologies for precision machine guidance, steering and flow control. More particularly, our products offer accurate positioning and machine control capabilities at favourable price points in robust outdoor environments. We have a specific focus on the following markets: ground agriculture, aerial agriculture, construction and other precision markets including marine, geographic information systems ("GIS"), mapping and surveying. Our product lines include high-accuracy Real Time Kinematic ("RTK"), Differential GNSS ("DGNSS") and autonomous GNSS and GPS receivers, OEM engines (PCB-based GNSS and GPS sensors), ground and aerial guidance solutions, machine control and auto-steering systems for agriculture, and guidance and machine control solutions for construction.

Industry Background

The Global Positioning System

The United States' DoD operates a reliable, 24-hour-per-day, all-weather GNSS system referred to as the *Global Positioning System* or "GPS". This system consists of ground control facilities and a constellation of 24 satellites (plus active spares) orbiting the Earth at an altitude of approximately 22,000 km.

How the GPS System Works. GPS satellites transmit coded information to users at two frequency bands (1.575 GHz and 1.2276 GHz) that enable user equipment to calculate a range to each satellite. GPS is a *timing system*; that is, ranges are calculated by timing how long it takes for the GPS signal to reach the user's GPS antenna. The GPS receiver calculates the range by multiplying the time of transit of the signal by the speed of light.

To calculate a geographic position, the GPS receiver uses a complex algorithm incorporating satellite coordinates and ranges to each satellite. Reception of any four or more of these signals enables a GPS receiver to compute three-dimensional coordinates. Tracking of only three satellites reduces the position fix to two-dimensional coordinates (horizontal with fixed vertical). The GPS receiver calculates its position with respect to the phase centre of the GPS antenna.

GPS and other GNSS signals are also broadcast in a frequency range known as the "*L-Band*". At these frequencies, the radio signals are *line-of-sight* signals. That is, the satellite must be in view of the antenna

at all times or the signal may be lost. Signal loss can be caused by tree canopies, hills, buildings or other physical objects.

Other GNSS systems operate in a similar manner to the GPS GNSS system, however, each has unique approaches to developing the position solution. Other GNSS systems include Russia's *GLONASS* system, Europe's *GALILEO* system, and China's *COMPASS* system – each in varying levels of deployment and operation.

GPS Services

The positioning accuracy offered by GPS varies depending upon the type of service and equipment available. For security reasons, two GPS services exist: the Standard Positioning Service ("SPS") and the Precise Positioning Service ("PPS"). The US DoD reserves the PPS for use by its personnel and authorized partners. The SPS, though less accurate than the PPS, is available to all users.

In order to maintain a strategic advantage, the US DoD used to artificially degrade the performance of the SPS so the positioning accuracy was limited to 100 metres, with 95% confidence. This intentional degradation was called Selective Availability. On May 1, 2000, Selective Availability was reduced to zero, effectively turning off the degradation. The intent, which has proven to be quite successful, was to stimulate the development of applications that utilize GPS technology, together with the related social and economic benefits.

With Selective Availability no longer in place, autonomous GPS is able to achieve a horizontal accuracy of better than 10 meters, with 95% confidence.

Differential GPS

The purpose of Differential GNSS ("DGNSS") systems and techniques is to remove the effects of errors with the goal of enhancing GNSS system integrity and positional accuracy. Errors that impact accuracy include ionospheric errors, timing errors, multipath interference and satellite orbit errors. Prior to May 1, 2000, DGNSS also helped to reduce the impact of Selective Availability.

How it Works. DGNSS generally involves setting up a reference GNSS receiver system at a point of known coordinates. This receiver makes distance measurements, in real-time, to each of the GNSS satellites, which include any errors present in the system. The reference receiver calculates what the true range should be without errors, knowing its own coordinates and those of each satellite. The difference between the known and measured range to each satellite is the range error. This error is the amount that must be removed from each satellite distance measurement to correct for errors present in the system.

Real-Time DGNSS. To correct for system errors in real-time, the GNSS reference receiver transmits the range error corrections to remote receivers using various forms of wireless communications. The remote receiver uses these differential corrections to correct its satellite range measurements, providing a more accurate position. This approach is the predominant DGNSS strategy used for real-time applications.

Wide-Area DGNSS ("WADGNSS"). A version of differential GNSS that provides error corrections over a large geographic area and employs multiple, widely distributed reference receivers. The data from the reference receivers is typically processed at a centrally located facility before being distributed to the end-user.

Differential GNSS Techniques and Services

We offer Crescent® and Eclipse™ receiver equipment that is compatible with the four main sources of differential corrections: Beacon DGNSS, L-Band Satellite WADGNSS, Space Based Augmentation Systems ("SBAS WADGNSS"), our proprietary Carrier phase-based Local DGNSS known as L-Dif™, and Real Time Kinematic ("RTK").

Beacon DGNSS. Many marine authorities around the world have installed networks of medium-frequency (283.5 to 325 kHz) beacons that broadcast free DGNSS correction information to users. When in range of a beacon, these signals may be used to differentially correct a GNSS position. The achievable accuracy depends on the sophistication of the GNSS receiver used and ranges from one to five metres, with 95% confidence.

An advantage of the free beacon service over satellite-based services is that beacon signals are able to provide excellent coverage around obstacles, similar to how AM radio signals are able to penetrate tree canopies or diffract around obstacles such as buildings and other structures. The disadvantages include Beacon DGNSS' susceptibility to noise interference by man-made equipment and the decreasing applicability of correction information as users move away from the base station.

L-Band WADGNSS. Currently, a number of private organizations provide, for a subscription fee, differential corrections to the positioning industry by transmitting correction data via an L-band communication satellite. They include the OmniSTAR®, Navcom and Veripos systems and provide almost worldwide signal coverage.

Because L-Band WADGNSS features networks of reference stations to provide correction information throughout the coverage regions, the correction data is optimized so it does not degrade as readily as single reference station services, such as beacon DGNSS. This feature results in improved consistency of performance when compared to conventional services, which improves the confidence of system users. Although the performance of L-Band systems is more consistent than single base station systems, the overall accuracy provided is similar with a horizontal accuracy of 1 meter or better, with 95% confidence. Newer L-Band systems, such as Omnistar HP, can provide accuracies at the decimetre level when used with dual-frequency GNSS receivers.

Because these services broadcast in the L-Band, similar to GNSS signals, they are line-of-sight signals and the satellite must be in view of the antenna at all times or the signal may be lost.

SBAS WADGNSS. The most notable SBAS system for users in North America is the US Federal Aviation Administration's Wide Area Augmentation System ("WAAS"). Others include the European Geostationary Overlay System ("EGNOS") and Japan's MTSAT Satellite-Based Augmentation System ("MSAS"). They are similar to L-Band DGPS in that they use satellite transponders to relay correction information back to earth, however, they are free-of-charge systems that have been developed primarily for aviation navigation. Other countries, including China and India are developing SBAS systems.

SBAS WADGNSS systems determine the individual constituents of the satellite ranging errors, rather than generating one lumped error correction as is done by Beacon DGNSS and some commercial L-Band WADGPS systems. These constituents include satellite orbit, clock, and ionospheric errors. A more consistent level of accuracy can be achieved in comparison to the lumped error correction method. SBAS systems provide a similar level of overall accuracy to commercial L-Band services at about 1 metre, with 95% confidence.

Another benefit of SBAS WADGNSS systems is that their signals are broadcast at the same frequency as GNSS, enabling suitably designed GNSS receiver systems to track both the GNSS and SBAS signals. This reduces overall system costs, compared to requiring a separate differential receiver for Beacon DGPS or for L-Band WADGNSS. However, a drawback of transmitting data at the GNSS frequency is that the signal is line-of-sight – increasing the potential for signal loss.

WAAS provides good coverage of most of the US, southern Canada and Mexico. SBAS coverage over other regions of the world is the responsibility of respective regional aviation navigation authorities. The overall goal of SBAS systems is to develop an interoperable GPS augmentation system covering the majority of air traffic routes. It is expected that these public systems will ultimately provide coverage to the majority of the world.

Local DGNSS (L-Dif™). These systems utilize portable base station receiver units that calculate and broadcast localized code and carrier phase corrections to mobile GNSS receivers ("rovers"). The corrections are processed in the rover GNSS receiver to achieve accuracy and repeatability that is not possible with code-only DGNSS methods such as Beacon DGNSS or SBAS WADGNSS systems. Multiple rover receivers can operate from a single local base station. Our *BaselineX™* product, described in more detail below, is an example of a Local DGNSS solution.

Real Time Kinematic or "RTK". RTK systems are a highly sophisticated form of Local DGNSS system that can provide accuracy to the centimetre level. RTK is a technique used predominantly in land survey and other high precision applications where the carrier phase measurements of the GNSS are processed for higher real-time positioning accuracy. Similar to Local DGNSS, RTK systems use a base station receiver in conjunction with the mobile unit for the mobile unit to calculate its relative position. Our dual-frequency Eclipse™ receiver technology utilizes RTK to deliver centimetre level accuracy.

The Hemisphere GPS Solution

Hemisphere GPS has been a leader in the design and manufacture of competitive, high-accuracy, cost-effective GNSS positioning devices and applications since 1990. The following characteristics describe the competitive advantages associated with our products.

Technology and Applications. Originally, the focus of our technology and products was on Differential GPS receivers. However, our technology portfolio has been expanded beyond GPS technology through research and development, and through strategic acquisitions. Today, our technology portfolio continues to grow to include strong proprietary technology in GNSS and DGNSS, as well as advanced applications for guidance, machine control, steering, flow control and other automation. Our GNSS engineering team has become known in the industry for innovation and creativity as a result of achievements such as:

- developing the Crescent® GPS technology – our own application-specific integrated circuit ("ASIC") providing our GPS receivers with greater accuracy and performance than previously available for lower cost. Our GNSS technology leadership is further demonstrated in our eDif® and COAST® software that provides enhanced GPS coverage where no differential exists or in difficult conditions.
- developing an L-Dif™ solution with centimetre-level accuracy for advanced applications by incorporating RTK technology with our single-frequency Crescent GPS technology platform. This enables higher accuracy at lower cost compared to competing systems.
- achieving continual cost reductions through initiatives such as integrating GNSS and differential receivers in a single module to share common resources.
- developing a GNSS-based heading sensor system that replaces expensive competing systems by combining two GNSS receivers and two antennas into a single enclosure to provide heading information to within half-degree accuracy.
- developing the Eclipse™ dual-frequency GNSS receiver technology and associated digital and RF ASICs to obtain centimetre accuracy levels when using RTK measurement techniques. This technology offers affordable and versatile precise GNSS positioning platform to system integrators and OEM partners.

Range of Options. Our products offer a range of options to customers. For example, our Outback Guidance® family of products starts with basic visual guidance for agricultural applications. Beyond this entry point, customers can expand their guidance capability with auto-steering, situational awareness and high performance products as their comfort with the technology grows. Our DGNSS products are compatible with all primary sources of differential corrections currently available: Beacon differential GNSS, L-Band, WADGNSS, SBAS WADGNSS and Local DGNSS, including RTK. This provides customers with the option of selecting the technology that is most compatible with their application while considering several factors including the required precision and cost.

Price. Hemisphere GPS has distinguished itself as a provider of high performance GNSS guidance and positioning devices at market-leading prices. We continue to pursue means of reducing the cost of our products to maintain our competitive advantage for the customer segments that we target. For example, we introduced Eclipse dual-frequency GNSS receiver technology, which provides very high performance and functional versatility for lower cost than competing systems.

Reliability. Our products are designed to meet very high standards of reliability in a wide range of applications and environments. For example, we have implemented a difficult agricultural standard (EP455) against which we evaluate our products. Meeting these standards will ensure our products can withstand the harshest environments.

Quality. We have implemented a quality management system focused on providing our customers with products of high value and quality and focused on continuous improvement. Further, we have selected GNSS component suppliers and manufacturing partners that meet our high standards for quality. Through our internal processes, and the outsourced manufacturing of certain of our products, we are able to maintain a high standard of quality control and documentation to ensure continued production of high-quality products. In 2009, our quality management system was certified to the international ISO 9001:2008 standard.

Ease of Use. Our products are designed for ease of use. The Outback product line, targeted to farming customers, provides for simple, out of the box installation and use. Our products are designed for simple integration with our customers' applications and/or products. A significant investment is made in customer support to ensure that our customers have the resources they need to achieve full benefit from the products.

Business Strategy

The key elements of our business strategy are:

1. Increase market share in existing vertical markets and defend current penetration through new product innovation and commercialization, effective market segmentation and international expansion;
2. Expand business and generate diversification to new vertical markets and applications; and
3. Prudently manage costs for sustained profitability.

Product Innovation. Our success has been driven by our ability to develop new positioning, guidance and machine control technologies, to respond to environmental and market changes, and to apply creativity and innovation in the development of new products that meet the evolving demands of our customers. We will continue drive product leadership through focus and innovation.

Develop Strategic Relationships. We believe that strategic relationships with suppliers, OEMs, dealers, distributors and other customers is critical to long-term success. We will continue to develop existing and new strategic relationships.

International Expansion. In the near-term, the North American market is a significant opportunity where we are well positioned through our distribution networks and product portfolio. We believe that focus on international expansion is important to position for mid to longer-term growth opportunities and to buffer the seasonality associated with our exposure to the North American agricultural markets. Key emerging markets include South America, China, Eastern Europe and India.

Mitigate Seasonality. In 2010, revenues associated with agriculture markets continued to comprise approximately 78% (2009 – 81%) of our revenue with North American revenues making up for 60% (2009 – 68%) of total revenues. As can be seen from these measures, our revenues are significantly tied to seasonality of the buying season of the North American agricultural market, which is heavily skewed to the first half of the calendar year. However, the comparative figures illustrate the progress that we are making in increasing the diversification of revenues away from North America. We continue to seek and pursue opportunities to mitigate this seasonality to the extent that such opportunities also create value.

New Vertical Markets and Applications. We have achieved strong positions in the ground agriculture, aerial agriculture and other markets. To support mid to longer-term growth, we will seek expansion to new vertical markets, such as Earthworks, Survey and GIS, where we can leverage our core strengths in positioning, guidance, machine control, steering and flow control technologies and applications.

Optimize Product Cost. We continue to aggressively pursue opportunities to reduce or optimize the cost of our products through product design, manufacturing efficiencies and procurement strategies, with an objective to balance functionality, performance and quality with customer needs.

Enhance Manufacturing Quality and Capacity. We have focused on the maintenance of high-quality standards for manufacturing. Time and resource investments in quality development, and design and manufacturing processes, are critical to ensure that our products meet our customers' functionality, performance and quality requirements.

Quality Certification. In our interest to continually improve our quality management process, we underwent an intensive initiative to review, enhance and audit our operating practices. This raised the standards of our organizational discipline and enabled us to obtain certification of our quality management system to the international ISO 9001:2008 standard in 2009. The certification reinforces our commitment to customer satisfaction through high-quality design, development, assembly, testing, delivery, and technical support.

Pursue Strategic Growth. We believe that we have the products, brands, people and intellectual property that can continue to support organic growth. However, we will supplement internal growth and technology development with strategic growth initiatives such as partnerships, alliances, and acquisitions when and where we believe they will accelerate the achievement of our business strategy. We cannot predict whether any opportunities will result in acquisitions and there can be no assurance that suitable acquisition candidates will be identified and acquired on favourable terms, or that the acquired operations will be profitably operated or integrated into our operations.

Invest in the Corporation's Intellectual Capital. We believe the employees in all levels of our organization have been, and will continue to be, the key factor in achieving our objectives. As a result, we will continue to place a high priority on our intellectual capital.

Products

Agriculture Products

Outback Guidance Ground Agriculture Products

Our Outback Guidance product line for agricultural markets includes our *Outback S-Lite™*, *Outback Sts™*, *Outback S3™*, *Outback eDriveTC™*, *Outback VSi™*, *Outback BaselineX™*, *Outback AutoMate™* and the most recently announced *Outback eDriveX™* product, featuring eTurns the "Industry's first Aftermarket and multi- tractor platform autoturn solution" We also released our first dual frequency antenna A220 and A221 base station.

Outback S-Lite, Sts and S3 family of products offers DGPS guidance systems featuring WAAS and L-Band differential solutions powered by our own high-accuracy Crescent GPS technology. Using Crescent technology, our Outback products enable farmers to navigate their fields with minimal overlap whether in straight lines or contours in any visibility, including darkness. Eliminating overlap saves enough time, fuel, fertilizer and insecticide that farmers say they typically recoup the costs of their easy-to-install and operate guidance systems in less than 12 months. *Outback S-Lite* is a low-cost, portable, entry-level GPS guidance solution for non-precision spraying, spreading, and broad-acre tillage and seeding. The *Outback S3 and Sts* products provide increased functionality and accuracy required for more sophisticated growers. The *Outback S-Lite, S3 and Sts* products can eliminate the need for foam markers and are expandable to work with *Outback AutoMate*, for additional boom section control automation. The

performance of the Outback S3 and Sts can be improved by combining the products with the Outback *eDriveTC*, *eDriveX* and Outback *Baseline*, described below.

Outback eDriveTC, *Outback VSi* and *eDriveX* work with Outback S3 and Outback Sts to provide GPS-assisted auto-steering that enables farmers to drive their tractors and other self-propelled agricultural equipment hands-free, along straight, contoured or pivot lines. Each system significantly increases the driving accuracy and enables operators to focus their attention on monitoring sprayers, combines or other equipment achieving even greater efficiency. A key benefit is the reduction in driver fatigue – enabling the machinery to operate for more hours each day, or through the night if necessary. In addition, the Outback *eDriveTC*, *VSi* and *eDriveX* can be used in conjunction with precision farming techniques focused on improved efficiency, productivity and yields such as "strip-till" farming which requires highly accurate planting and application of fertilizer and other chemicals.

Outback BaselineX, featuring Hemisphere GPS' L-Dif and single-frequency Crescent RTK technologies, is a Local DGNSS system for agricultural applications that achieves significantly greater accuracy than conventional DGNSS products while also being much more affordable than competing dual-frequency RTK systems. *Outback BaselineX* is a portable base station receiver mounted on a tripod that calculates and broadcasts localized corrections to Outback S3 products, improving the performance to centimeter-level accuracy.

Outback AutoMate is an automatic section control product that works directly with Outback Guidance products. *Outback AutoMate* monitors and controls individual sprayer and planter sections to minimize overlaps and skips. It offers up to seven section automatic control, manual section control, and user adjustable section overlap. Machine and rate controller specific interface kits are available for a wide variety of vehicles and applications.

Air Agriculture Products

Our Air Agriculture products include guidance and flow control products and related services for the aerial application market including spraying, pattern and mission control, automated constant or variable flow control for liquid and dry materials, prescription mapping, asset tracking and imagery-based services among others. Products include the, *IntelliStar™*, *Satloc Bantam™*, *LiteStar II*, *Intelliflow™*, *IntelliGate™* *Controller*, *MapStar* and our latest addition, *HQ Asset Tracker*.

The *IntelliStar* guidance system is the new standard for state-of-the art GPS guidance for aerial applicators. Available with *IntelliTrac™* guidance software, the *IntelliStar* allows the operator to fly precise patterns using constant and/or variable rate liquid or dry flow control, reducing fuel, flying time, and application costs. Our new on-board mapping feature allows the pilot to view street maps or sectional maps on the moving map display in the cockpit.

The *Satloc Bantam* is a new high-performance mid-range aerial guidance system for aerial applicators. The Bantam allows pilots to fly and spray precise patterns using constant rate flow control reducing fuel, flying time and application costs. The system is lightweight and rugged, perfectly designed for specialty installations in helicopters and smaller aircraft.

The *LiteStar II* is an entry-level guidance system. It was designed to offer basic guidance features to customers needing only the essentials to work on spray jobs. It is lightweight and inexpensive.

Intelliflow enables liquid flow control for aerial guidance applications. Our *IntelliGate Controller* delivers precise application for dry materials in aerial guidance applications. Both products have the capability to operate in variable rate mode or automatically turn on and off inside and outside of field boundaries.

MapStar is a unique multi-featured pre-flight and post-analysis software tool that provides the operator with important information regarding the entire application and essential flight parameters. Common GIS formats can be converted within this software to allow ease of use with other software platforms.

HQ Asset Tracker is a real time tracking system that operates with cell or satellite modems. Logins are performed through websites managed by HEM and users can track their aircraft and other assets. The IntelliStar, Satloc Bantam and Satloc M3 can all output configurable data sets to be broadcast, recorded and viewed live on the HGPS website. HQ also partners with groups like AgSync and AgriSmart to supply specialized data to third-party companies for unique services.

Imagery services are also offered by Hemisphere GPS. The imagery group produces infrared or natural color, geo-referenced images for various purposes such as the creation of variable rate maps, identification of irrigation issues, early recognition of crop stress and spot spraying for invasive weeds to name a few.

Other Agriculture Products

Our guidance products for agricultural use also include non-Outback products focused on OEM and commercial customers based on customized hardware and software system solutions to meet specific customer applications. These including our high volume, industry leading single frequency A100 receiver using our Crescent GNSS technology and our newest Dual Frequency A320 receiver featuring our new Eclipse dual frequency GNSS technology.

Precision Products

Our Precision Products lines are our products focused on non-agriculture markets such as marine navigation, Survey/Geographic Information Systems ("GIS") mapping and other industrial applications. These products include OEM components, GPS compass products, integrated GPS and DGPS receivers and antennas.

Original Equipment Manufacturer Products

Our OEM products include *Crescent single-frequency GPS*, *Eclipse dual-frequency RTK GNSS*, *Crescent Vector and LV-OEM*, *SBX-4* and *the LX-1*.

Our *Crescent single-frequency GPS OEM board* is a 12 channel, L1 GPS receiver that features integrated SBAS differential support, the capability to utilize Beacon DGPS and L-Band WADGNSS corrections. It also incorporates our COAST™ and extended differential technologies ("e-Dif®") that enable it to continue to effectively use out-dated differentially corrected data for up to 40 minutes without any significant accuracy degradation. The Crescent GPS OEM board can also be augmented for centimeter and decimeter accuracy applications with our RTK and exclusive L-Dif technology.

The *Eclipse dual-frequency GNSS OEM board* delivers reliable high accuracy dual-frequency GNSS solutions through our exclusive techniques for reducing code measurement noise and mitigating multipath signals. Eclipse fits a wide range of applications with support for a variety of differential GNSS solutions including RTK, OmniSTAR (HP and XP) and SBAS (WAAS, EGNOS, MSAS, etc.). Integration is simplified with Eclipse multiple serial and USB ports and upgradeable firmware for establishing the desired configuration and quick access to new features. Based on our successful Crescent L1 GPS technology that incorporates exclusive techniques for reducing code measurement noise and mitigating multipath signals, Eclipse delivers reliable centimetre-level accuracy. The superior performance and versatility of our Eclipse board allows our OEM customers to integrate it into a wide variety of precise applications including survey instruments and GPS machine control.

Our *SBX-4 OEM Beacon DGPS module*, introduced in November 2006, is the newest in the long-lived family of SBX modules, and offers a Beacon DGNSS engine that augments separate GNSS receivers with free correction signals from land based beacon stations.

Our *LX-1 OEM L-Band WADGNSS module* provides the capability to augment a separate Crescent GPS with OmniSTAR L-Band error corrections.

Our *Crescent Vector OEM and LV-100 OEM modules* are high accuracy GPS compasses and positioning systems designed primarily for the marine market and other machine control applications. The *Crescent Vector OEM* incorporates our COAST technology in order to maintain consistent, accurate positioning during periods of differential signal loss.

GPS Heading Sensor Products

Our *Vector* line of GPS heading sensor products enable users to maintain highly accurate headings at substantially less than the cost of traditional gyrocompasses. The *Vector* line also incorporates our exclusive COAST technology.

Crescent V100 Series and *Crescent VS100 Series* are targeted primarily to the marine Survey industry, but are also used for other machine control applications – including use to navigate port handling and heavy construction equipment. Each have the capability to utilize accuracy enhancing data from Beacon DGPS, SBAS DGPS, as well as Local DGPS – when combined with our *BaselineX* or *R100* RTK reference station products.

Crescent V100 is a "smart antenna" system that combines a dual GPS receiver and two antennas into a single enclosure about a half-metre long. Using a sophisticated moving base station RTK technique, the *Vector* provides heading information sufficient to replace gyrocompasses for many applications at a much lower cost.

Crescent VS100 is made up of a separate GPS receiver and two separate antennas. Users can increase the distance between the antennas which increases the heading accuracy, enabling a broad range of machine control applications. Both the *V100* and *VS100* have OEM variants that are private labelled and sold through complimentary sales channels.

Integrated GPS Receivers and Antennas

Our *Crescent A100 Smart Antenna* combines our *Crescent* GPS receiver technology with an antenna in a single enclosure and offers an affordable, portable solution with professional level accuracy for several markets including agricultural, marine and GIS mapping. *A100* features integrated SBAS WADGPS support, our exclusive COAST and e-Dif technologies.

Our *Eclipse A220/221 Smart Antennas* offer versatile, portable solutions with centimetre-level accuracy powered by the Hemisphere GPS *Eclipse™* dual-frequency GPS receiver technology in rugged, all-in-one enclosures. The durable enclosures house the receivers, antennas and optional radio modems, all in one package. They can be powered through various sources, making the *A220* and *A221* Smart Antennas ideal for a variety of applications. Dual-serial, CAN, and pulse output options make these RTK and OmniSTAR® HP/XP receivers compatible with almost any interface.

Our *Crescent R100 Series* of GPS receivers are intended for a wide variety of applications including marine and land navigation, precision guidance in agriculture, asset-tracking, GIS, mapping and other industrial applications. The *R100* series features integrated SBAS WADGPS support, as well as our exclusive COAST and e-Dif technologies. In addition, the *R100* series has the capability to utilize accuracy enhancing data from Beacon DGPS, L-Band WADGPS and Local DGPS.

The *Eclipse R300* series of GNSS receivers offer higher accuracy dual frequency RTK positioning for similar applications are the *Crescent R100*, but with more accuracy and faster reacquisition times.

The *XF™* DGPS receiver series offers ruggedized handheld computers for GIS and surveying data collection applications with superior accuracy and performance. The rugged Compact Flash adapter and smart antenna module simplify field use even in the most demanding environments.

We also sell a variety of antenna products to compliment our receivers that are targeted for marine, GIS, surveying and other industrial applications.

GPS Software

We have a growing variety of innovative GNSS software products, including several that significantly enhance the location-sensing capabilities of our other products.

Our software includes *COAST*, which enables DGNSS receivers to use original differential data for up to 40 minutes without seriously degrading accuracy. *COAST* makes all Hemisphere GPS receivers less likely than competing products to be affected by trees, buildings and other obstacles that temporarily block differential signals. *COAST* enables the receivers to "coast" through temporary signal outages with minimum impacts on accuracy.

We also have our patented *e-Dif* or "extended differential" software that enables standard GNSS receivers to achieve higher accuracy without any help from accuracy-enhancing differential signals. *e-Dif* enables a standard GNSS receiver, capable of only 2 to 3 metres accuracy, to internally generate differential corrections that improve its accuracy to less than one metre without the expense or potential uncertainties of differential signals. *e-Dif* computes corrections with a very slow error drift rate, typically maintaining sub-metre accuracy for as long as 40 minutes, and is often a practical solution for much longer periods of time.

e-Dif can save customers the cost of subscription fees for DGNSS signals in regions such as South America, Africa and Australia where no differential signals are available for free. Even in North America, where signals are free, *e-Dif* is a valuable back-up against signal outages. In northern latitudes, including many parts of Canada, *e-Dif* can achieve better accuracy than what is possible using free differential signals from SBAS systems such as WAAS, or when a receiver is on the fringe of land-based radio beacon networks.

Earthworks

Our Earthworks products are focused primarily on construction markets. Significant productivity, job quality, workflow and profitability gains are realized through our machine guidance and control technology.

Our *Earthworks X200™* grade control guidance system, is a two dimensional solution which is ideal for applications such as trenching, custom profiles, digging basements, blind cuts, single/dual slopes and layering. The system ensures accurate grade control for nearly all types and sizes of excavators.

Our *Earthworks X300™* is a three dimensional machine guidance grade control system that significantly enhances the features available excavator operators. Full machine and attachment positioning, including pitch and roll, is continuously measured and displayed on the computer, independent of tracking the excavator with guidance of where to cut and fill.

Research and Product Development and Specialized Skills and Knowledge

The focus of Hemisphere GPS's research and development team is on expanding our core GNSS positioning technologies and on developing new products and applications. We believe that our research and product development capabilities are critical factors contributing to our success and primary barriers to potential competitors' entry into the GNSS industry. Accordingly, we intend to continue investing significant resources in research and product development.

Our research and development team includes individuals with specialized skills in the following disciplines, among others: electrical engineering, radio-frequency engineering, geomatics engineering, mechanical design, system architecture and software design. Although the availability of these resources is limited, we have not experienced significant problems accessing the required skill and knowledge required for our research and development activities.

Intellectual Property and Intangible Properties

We have developed a significant portfolio of intellectual property including technology, product designs, software, patents, trademarks and brand names, among others. As of December 31, 2010 we held 30 patents and had 39 patents pending in USA, Canada and Australia in addition to a few other international filings.

Restructuring and Workforce Reduction

Commencing in 2009, we completed certain restructuring and workforce reduction activities with the objective of improving the efficiency and effectiveness of operations. These activities included the closure of the Euless, Texas office and workforce reduction programs. In connection with these changes, the Ground Agriculture and Air business units were combined into a single business segment under a single General Manager. Our sales office in Euless, Texas was closed and activities were transferred to staff of the Agriculture business segment.

Marketing, Sales and Distribution

Our strategy for sales and distribution of our products in our Precision Products, non-North American Ground Agriculture Air Agriculture and Earthworks product lines has generally been through large OEMs, dealer networks and distributors with established channels for multi-country distribution. This strategy eliminates the need to devote significant direct resources to developing these distribution channels on our own. This strategy has enabled us to participate in a broader range of high-growth commercial and consumer GPS-enabled markets.

For sales of Ground Agriculture products in North America, we have established over 300 Outback Guidance Centres ("OGC"). Each OGC is responsible to support sales of our Outback line of products to end-user customers in defined territories. During 2010, a similar network was established in Australia with over 30 OGC's in place at the end of the year. Outside of North America and Australia, we have established relationships a variety of distributors for the Outback product line who sell to the end-user customers.

In 2010, revenues from our Agriculture-focused products lines were 78% (2009 – 81%) and revenues from our Precision Products segment were 22% (2009 – 19%).

Hemisphere GPS serves global markets. Of our 2010 sales, 44% (2009 – 49.2%) occurred in the United States, 16.3% (2009 – 19.1%) occurred in Canada, 17% (2009 – 17.5%) occurred in Europe, 4.5% (2009 – 2.7%) occurred in Australia and 18.3% (2009 – 11.4%) occurred in other areas of the world including South America and Asia, among others.

From a customer's perspective, the primary benefits provided by our products are increased accuracy in navigation, improvements in productivity, increased safety and savings in costs and time. For example, in farming applications, our guidance products result in savings to users through reduced overlap and reduced driver fatigue. In addition, our products can be used in conjunction with precision farming techniques focused on improved efficiency, productivity and yields such as "strip-till" farming which requires highly accurate planting and application of fertilizer and other chemicals. Significant cost savings can be achieved by using these types of precision farming techniques.

In marine applications, our commercial customers typically use our products for accurate navigation – enabling vessels to maintain accurate headings while navigating at substantially less cost than traditional gyrocompasses.

Competition

We have competitors in each of our target markets and expect competition to intensify as acceptance and awareness of GNSS technology increases. One of our main competitors is Trimble Navigation Limited ("Trimble"). Trimble's products currently address the survey and mapping, tracking and communications, navigation, precision agriculture and military systems markets. Other competitors offering products similar to those of Hemisphere GPS include NovAtel Inc., Topcon Positioning Systems, Inc., Ashtech Inc. (formerly Magellan Professional), Novariant, Inc., Leica Geosystems, and Raven Industries. In addition, we expect to face competition from new market entrants over time.

We believe the principal competitive factors in the markets we serve include: price, ease of use, physical characteristics, power consumption, product features (including accuracy), product reliability, size of installed base, brand reputation, vendor reputation and financial stability of the vendor. We believe that our products compete favourably with competitors' products on many of the foregoing factors and as a result, we have achieved a strong market position in certain of our markets including ground agricultural guidance and auto-steering, aerial agricultural guidance and flow control and marine heading sensors.

We recognize that some of our competitors may have access to greater financial, marketing, service and support and technological resources. See "Risk Factors".

Manufacturing

We have outsourced certain of our high-volume components and finished products to an external manufacturer in China which has resulted in cost savings and an increase in manufacturing capacity. We manufacture and assemble lower volume finished goods, integrated positioning units and antennas in-house at our Calgary facility. To a lesser extent, we also perform some assembly activities in our other facilities.

Our operations department provides production engineering services internally and for our external manufacturing partner to ensure that our products can be manufactured in large volumes, technical production problems are corrected and averted, and alternative production methodologies are introduced to remain competitive. In addition, vendor and subcontractor qualifications are reviewed by the engineering group and test engineering is provided to guide the department in achieving specifications and ensuring product integrity. We source our assembly materials and components from a variety of suppliers. All of our suppliers are at arm's length. Alternate supply sources for all components is a desired goal, and is evaluated on a regular basis, but currently is not available in all circumstances.

The continued utilization of our Enterprise Resource Planning ("ERP") system, has assisted us to improve the effectiveness and efficiency of our operations, including inventory management and manufacturing. In addition, we have undertaken a number of initiatives focused on improving our effectiveness in quality, procurement, inventory management, design cost, product-life cycle management, among others.

We are determined to maintain our position as a low-cost, high-quality producer and to ensure that production processes are responsive, smooth and flexible to serve the needs of our customers.

Facilities

We conduct operations from facilities in Calgary, Alberta; Scottsdale, Arizona; Hiawatha, Kansas; Winnipeg, Manitoba and Brisbane, Australia; with a combined area of approximately 86,000 square feet to manufacture and assemble products, carry out research and development, sales and marketing, and finance and administration activities

Personnel

At December 31, 2010, we had 233 employees in total, with 69 in Research and Development, 70 in Sales and Marketing, 57 in Operations and 37 in Administration.

DIVIDEND POLICY

We have not paid any dividends on the Common Shares during the last three financial years. The future payment of dividends will be determined by our Board of Directors, and will depend on the financial needs of the Corporation to fund future growth, the general financial condition of the Corporation and other relevant factors including the satisfaction of the liquidity and solvency tests imposed by the ABCA for the declaration and payment of dividends. We do not intend to pay dividends on our Common Shares in the foreseeable future.

CAPITAL STRUCTURE

The Corporation is authorized to issue an unlimited number of Common Shares, an unlimited number of first preferred shares, issuable in series (the "First Preferred Shares") and an unlimited number of second preferred shares, issuable in series ("Second Preferred Shares"). As at March 22, 2011, an aggregate of 60,824,409 Common Shares, no First Preferred Shares and no Second Preferred Shares were issued and outstanding.

The following is a summary of the rights, privileges, restrictions and conditions attaching to each class of shares.

Common Shares

The holders of Common Shares will be entitled to one vote at all meetings of our shareholders except at meetings of which only holders of a specified class of shares are entitled to vote. The holders of Common Shares will be entitled to receive, subject to the prior rights and privileges attaching to any other class of our shares, such dividends as may be declared by us. Holders of Common Shares will be entitled upon any liquidation, dissolution or winding-up of HEM, subject to the prior rights and privileges attaching to any other class of shares of HEM, to receive the remaining property and assets of HEM.

First Preferred Shares

Our Board of Directors may at any time and from time to time issue First Preferred Shares in one or more series, each series to consist of such number of shares as may, before the issuance thereof, be determined by the Board of Directors. HEM has no outstanding First Preferred Shares at this time.

Second Preferred Shares

Our Board of Directors may at any time and from time to time issue Second Preferred Shares in one or more series, each series to consist of such number of shares as may, before the issuance thereof, be determined by the Board of Directors.

The Second Preferred Shares of each series rank on a parity with the Second Preferred Shares of every other series with respect to accumulated dividends and return of capital. The Second Preferred Shares shall be entitled to a preference over the Common Shares and over any other shares of HEM ranking junior to the Second Preferred Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of HEM, whether voluntary or involuntary, or any other distribution of our assets among our shareholders for the purpose of winding-up our affairs.

The rights, privileges, restrictions and conditions attaching to the Second Preferred Shares as a class may be added to, changed or removed but only with the approval of the holders of the Second Preferred Shares given as specified in our articles.

Shareholder Rights Plan

On March 19, 2010, our Board of Directors approved the adoption of a shareholder protection rights plan (the "Hemisphere GPS Shareholder Rights Plan"), which was approved by our shareholders on May 18, 2010. Pursuant to the Hemisphere GPS Shareholder Rights Plan, one right ("Right") is attached to each Common Share. The Rights will separate from the Common Shares to which they are attached and will become exercisable upon the occurrence of certain events in accordance with the Hemisphere GPS Shareholder Rights Plan. Subject to adjustment as provided in the Hemisphere GPS Shareholder Rights Plan, each Right will entitle the holder to purchase one Common Share at a price equal to \$50.00 (the "Exercise Price") and, in the event of a "Flip-In Event", as that term is defined in the Hemisphere GPS Shareholder Rights Plan, each Right will constitute the right to purchase from us, upon payment of the Exercise Price and otherwise exercising such Right in accordance with the terms of the Hemisphere GPS Shareholder Rights Plan, that number of Common Shares having an aggregate market price (based on the prevailing market price at the time of the consummation or occurrence of the Flip-in Event), equal to twice the Exercise Price. The Hemisphere GPS Shareholder Rights Plan is similar to plans adopted recently by several other Canadian issuers and approved by their security-holders. A copy of the Hemisphere GPS Shareholder Rights Plan is available on our SEDAR profile at www.sedar.com.

ESCROWED SECURITIES

To our knowledge, there are no Common Shares held in escrow as of March 25, 2010.

MARKET FOR SECURITIES

Our Common Shares are listed and posted for trading on the TSX under the symbol "HEM".

The following table shows the price range and trading volume of the Common Shares as reported by the TSX for the periods indicated:

| Period | High (Cdn\$) | Low (Cdn\$) | Volume |
|--------------------|--------------|-------------|-----------|
| <u>2010</u> | | | |
| January | 1.15 | 0.85 | 1,991,026 |
| February | 1.12 | 0.84 | 1,320,804 |
| March | 0.93 | 0.82 | 1,694,873 |
| April | 0.92 | 0.82 | 1,434,411 |
| May | 0.87 | 0.74 | 4,725,334 |
| June | 0.84 | 0.66 | 1,586,676 |
| July | 0.78 | 0.60 | 608,688 |
| August | 0.82 | 0.59 | 2,442,277 |
| September | 0.80 | 0.58 | 3,105,838 |
| October | 0.93 | 0.78 | 1,540,855 |
| November | 1.10 | 0.91 | 2,506,366 |
| December | 1.08 | 0.92 | 1,334,571 |

| Period | High (Cdn\$) | Low (Cdn\$) | Volume |
|--------------|--------------|-------------|------------|
| 2011 | | | |
| January | 1.57 | 1.05 | 7,284,906 |
| February | 1.68 | 1.35 | 5,348,700 |
| March 1 - 25 | 1.46 | 1.03 | 11,039,100 |

DIRECTORS AND OFFICERS

The names, provinces and countries of residence, positions with the Corporation, and principal occupation of the directors and officers of the Corporation are set out below and in the case of directors, the period each has served as a director of the Corporation.

| Name, Province and Country of Residence | Position | Principal Occupation During the Last Five Years |
|---|--|---|
| Michael J. Lang ⁽¹⁾ Alberta, Canada | Director since 1996 and Chairman of the Board | Chairman of StoneBridge Merchant Capital Corp. (a private investment company). |
| Barry D. Batcheller ⁽²⁾ North Dakota, USA | Director since May 2006 | President and CEO of Appareo Systems, LLC since 2005. Prior thereto Director of Technology Growth with John Deere & Company since 2002. Prior thereto, President and CEO of Phoenix International Corporation. |
| Paul G. Cataford ^{(1) (3)} Alberta, Canada | Director since 2004 and Chairman of the Audit Committee | President and CEO of ZST Holdings Inc. Prior thereto, President and CEO of University Technologies International Inc. (UTI), from April 2004 to April 2009. |
| Richard W. Heiniger Missouri, USA | Director since 2005 | Chief Executive Officer of RHS Inc. during the last five years. President of Hemisphere GPS LLC from April 9, 2005 to May 15, 2006. |
| John M. Tye III ^{(1) (3)} Texas, USA | Director since May 2006 and Chairman of the Corporate Governance Committee | Chairman, Bigham Brothers Inc. |
| Howard W. Yenke ⁽²⁾ Massachusetts, USA | Director since 1996 and Chairman of the Compensation Committee | Retired executive. |
| Steven L. Koles Alberta, Canada | Director and President and Chief Executive Officer since September 2006 | President and Chief Executive Officer of HEM since September 2006. Prior thereto, General Manager at AOL Canada from 2003 to 2006. |
| Cameron B. Olson Alberta, Canada | Senior Vice President and Chief Financial Officer | HEM's Senior Vice President and Chief Financial Officer since October 2003. Prior thereto, HEM's Vice President Finance since May 2000. |
| Kip E. Pendleton Kansas, USA | Senior Vice President and General Manager, Agriculture | HEM's Vice President and General Manager, Agriculture since July 2009. Prior thereto, President, Co-CEO of Agristar Global Networks. Prior thereto, founder, President, CEO and Chairman of DirectAg prior to its acquisition in 2001 |
| Philip W. Gabriel Alberta, Canada | Vice President and General Manager, Precision Products | HEM's Vice President and General Manager, Precision Products since November 2005. Prior thereto, HEM's Vice President Sales, Wireless. |

| Name, Province and Country of Residence | Position | Principal Occupation During the Last Five Years |
|---|---|---|
| James H. Chinnick Alberta, Canada | Vice President, Business Development | HEM's Vice President OEM Business Development since January 2010. Prior thereto, HEM's Vice President Engineering, Agriculture since January 2008. Prior thereto, self-employed consultant. |
| Steven R. Miller Arizona, USA | Vice President Systems and Machine Management Engineering | HEM's Vice President Systems and Machine Management since January 2011. Prior thereto HEM's Senior Director Systems and Machine Management Engineering. |
| Lisa M. Smith Alberta, Canada | Vice President, Operations | HEM's Vice President of Operations since July 2006. Prior thereto, HEM's Vice President of Supply Chain Operations, Wireless. |
| Michael L. Whitehead Arizona, USA | Vice President, Technology | HEM's Vice President Technology since January 2010. Prior thereto, HEM's Chief Scientist since 1999. |

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Corporate Governance Committee.

Our directors will hold office until the next annual general meeting of our shareholders or until each director's successor is appointed or elected pursuant to the ABCA.

As at March 22, 2011, our directors and officers as a group, beneficially owned or controlled or directed, directly or indirectly, 5,619,750 Common Shares or approximately 10.1% percent of the issued and outstanding Common Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as set forth below, no current director or executive officer of the Corporation has, within the last ten years prior to the date of this document, been a director, chief executive officer or chief financial officer of any issuer (including the Corporation) that, (i) while the person was acting in the capacity as director, chief executive officer or chief financial officer, was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, that was in effect for a period of more than thirty (30) consecutive days; or (ii) was subject to an order that resulted, after the director, executive officer or securityholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation ceased to be a director, chief executive officer or chief financial officer of an issuer, in the issuer being the subject of a cease trade or similar order or an order that denied the relevant issuer access to any exemption under securities legislation, for a period of more than thirty (30) consecutive days, which resulted from an event that occurred while that person was acting as a director, chief executive officer or chief financial officer if the issuer.

Except as set forth below, no current director or officer or securityholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has, within the last ten years prior to the date of this document, been a director or executive officer of any company (including the Corporation) that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement for compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Steven L. Koles was previously an officer of GT Group Telecom Inc. In March 2002, Mr. Koles resigned from his position with that company. GT Group Telecom Inc. filed for CCAA protection prior to the end of 2002. GT Group Telecom Inc. later merged with 360 Networks Inc.

Steven R. Miller, the Vice-President, Systems and Machine Management Engineering of the Corporation filed for personal bankruptcy pursuant to Chapter 7 of Title 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Arizona in August 2010. Mr. Miller's bankruptcy proceedings were the result of certain rental real estate investments made by Mr. Miller and his spouse in the State of Arizona commencing in 2004. As a result of a deteriorating rental rate environment, Mr. Miller could not sustain his obligations on such properties and initiated bankruptcy proceedings in August 2010. Mr. Miller received a discharge from the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Arizona in December 2010.

No current director or officer or securityholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

The directors and officers of the Corporation may, from time to time, be involved in the business and operations of other issuers, in which case a conflict may arise. See "Risk Factors".

The ABCA provides that in the event a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the ABCA. To the extent that conflicts of interests arise, such conflicts will be resolved in accordance with the provisions of the ABCA.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of our directors and executive officers, any person or company who beneficially owns or control or directs, directly or indirectly, more than 10% of the outstanding Common Shares, or any known associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Corporation.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 by us during, or related to, our most recently completed financial year other than KPMG LLP, our auditors. KPMG LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.

MATERIAL CONTRACTS

We currently have no material contracts in place that were entered into outside of the ordinary course of business.

AUDITORS, TRANSFER AGENT AND REGISTRAR

KPMG LLP, Chartered Accountants, Suite 2700, Bow Valley Square II, 205 – 5th Avenue S.W., Calgary, Alberta, T2P 4B9, are the auditors of the Corporation.

Computershare Trust Corporation of Canada, 600, 530 – 8th Avenue S.W., Calgary, Alberta, T2P 3S8, is the Transfer Agent and Registrar of the Corporation.

AUDIT COMMITTEE INFORMATION

Our audit committee (the "Audit Committee") is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The committee is composed of three external independent directors. All three are financially literate, meaning they are able to read and understand financial statements of a complexity level comparable to that of the financial statements of Hemisphere GPS. The Audit Committee's Charter is available in Appendix "A" to this Annual Information Form.

Audit Committee Members

Paul G. Cataford, Calgary, Alberta – Chairman of the Audit Committee

Paul Cataford has investment, technology and business development experience from more than 14 years in the venture capital/private equity industry. Mr. Cataford is a graduate of the Institute of Corporate Directors' Directors Education Program and also currently serves on the boards of Sierra Wireless Inc. and of a number of private companies. Mr. Cataford has a Mechanical Engineering degree from Queen's University and an MBA from York University's Schulich School of Business.

Michael J. Lang, Calgary, Alberta

Michael Lang is the Chairman of StoneBridge Merchant Capital Corp. (a private investment company). Mr. Lang has been involved in the development and financing of businesses throughout his career acting as an officer and director of a variety of companies including Beau Canada Exploration Ltd., Calahoo Petroleum Ltd. and Vicom Multimedia Inc.

John M. Tye III, Plainview, Texas

John Tye III is the Chairman of Bigam Brothers Inc. He was formerly President and CEO of AgEquipment Group. He was also a partner in InterAg Technologies. He has extensive industry knowledge being the only individual to have served as Board Chairman of both of the major farm equipment associations – the Equipment Manufacturers Institute and the Farm Equipment Manufacturers Association. In addition, Mr. Tye has served with several other organizations such as the Conservation Technology Information Center and the Southern Farm Equipment Manufacturers Association.

Paul Camwell retired from the board of directors and the Audit Committee on May 14, 2009. Mr. Camwell was replaced on the Audit Committee by Michael Lang.

Pre-approval Policies and Procedures – Audit and Non-Audit Services

We have adopted policies and procedures with respect to the pre-approval of audit and permitted non-audit services to be provided by KPMG LLP as set forth in the Audit Committee charter, which is reproduced in Appendix "A" to this Annual Information Form. The Audit Committee has approved the

provision of a specified list of audit and permitted non-audit services that the audit committee believes to be typical, reoccurring or otherwise likely to be provided by KPMG LLP during the current fiscal year. The list of services is sufficiently detailed as to the particular services to be provided to ensure that the Audit Committee knows precisely what services it is being asked to pre-approve and it is not necessary for any member of management to make a judgment as to whether a proposed service fits within pre-approved services.

Auditor Service Fees

The following fees are for services provided by KPMG relating to fiscal years 2010 and 2009.

| Type of Service Provided | CDN\$ 2010 | CDN\$ 2009 |
|---------------------------------|---------------|---------------|
| Audit and Quarterly Review Fees | \$ 214,480 | \$ 191,700 |
| Tax Fees (acquisition related) | — | 1,360 |
| All Other Fees | — | — |
| Total | \$214,480 | \$ 193,060 |

Audit and quarterly review fees consist of fees for the audit of the Company's annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements and include fees related to the application of International Financial Reporting Standards.

RISK FACTORS

The following is a summary of certain risk factors relating to our business. The information is only a summary of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form. An investment in the Common Shares of the Corporation involves a significant degree of risk. Prospective investors should carefully consider the following factors, together with other information contained in this Annual Information Form.

Financial Results

In prior financial years we have incurred a loss in our future results and we could continue to experience a loss in the upcoming year. Losses in our financial results could arise from the impact of current negative macro-economic conditions, or the Company could fail to execute on its business plan. Future revenues, gross margins and expenses are subject to many factors beyond the Company's control, including, but not limited to:

- the liquidity and business plan execution of customers;
- general industry conditions;
- the rate of acceptance of the Company's products;
- new technologies in the marketplace;
- the development and timing of the introduction of new products;
- price and product competition from competitors;
- the product mix of the Company's sales;
- possible delays in manufacturing or shipment of the Company's products;
- possible delays or shortages in component supplies; and
- other risk factors described in this Annual Information Form.

Foreign Currency Exchange Rate Fluctuations

Sales of our products are transacted primarily in US dollars. Expenses are incurred in US dollars, Canadian dollars and Australian dollars, and as a result, we are exposed to risk associated with US, Canadian and Australian dollar currency fluctuations. A weakening in the US dollar relative to the Canadian dollar, as was seen over the years 2003 to 2007, and during 2009 & 2010, results in higher relative US dollar expenses when compared to a stronger US dollar.

Substantially all of our sales are denominated in US dollars. A stronger US dollar, compared to the currencies of countries where Hemisphere GPS is selling its products, makes our products more expensive to customers in those countries. As a result a strengthening US dollar, as was seen during the last half of 2008 could have a negative impact on sales to such countries. As our operations are expanding with increased global sales, it is expected that it may be necessary to transact sales in foreign currencies other than US dollars, thus exposing us to additional foreign currency risk.

We entered into derivative financial instruments to manage the foreign currency exposure of US dollar denominated working capital under its board-approved foreign exchange risk management program. Although this program has been implemented, there is no guarantee we will not experience foreign exchange gains and losses in future periods.

General Economic and Financial Market Conditions

In 2008 and 2009, we faced extremely negative conditions in global economic, financial and vertical markets. We saw subdued recovery during 2010 which impacted international growth during the first half of the year and North American growth during second half of the year. However, negative conditions in market and business environments, or adverse geopolitical events, could have a negative impact on our 2011 performance. Our agricultural product sales have typically been affected to some extent each year by drought conditions or floods in certain markets. Should negative weather conditions arise in any of the key markets in 2011, we could realize lower-than-expected revenues in the impacted market areas.

Dependence on Key Personnel and Consultants

Our success is largely dependent upon the performance of personnel and key consultants. The unexpected loss or departure of any of the key officers, employees or consultants could be detrimental to our future operations. Our success will depend, in part, upon our ability to attract and retain qualified personnel, as they are needed. The competition for highly skilled technical, research and development, management, and other employees is high in the GPS industry. There can be no assurance that we will be able to engage the services of such personnel or retain our current personnel.

Competition

We compete in a highly competitive industry that is constantly evolving and changing. We expect this competition to increase as new competitors enter the market. Many of our competitors have greater financial, technical, sales, production and marketing resources. We compete with companies that also have established customer bases and greater name recognition. This may allow competitors to respond more quickly to the GPS market and better implement technological developments. There is no assurance that we will be able to compete on the same scale as these companies. Such competition may result in reduced sales, reduced margins or increased operating expenses.

Third-Party Dependence

Many of our products rely on signals from satellites, and other ground support systems, that we do not own or operate. Such satellites and their ground support systems are complex electronic systems subject to electronic and mechanical failures and possible sabotage. The satellites have limited design lives and are subject to damage by the hostile space environment in which they operate. If a significant number of

satellites were to become inoperable, there could be a substantial delay before they are replaced with new satellites. A reduction in the number of operating satellites would impair the current utility of the GPS and/or the growth of current and additional market opportunities, which would adversely affect our results of operations. In addition, there is no assurance that the US government will remain committed to the operation and maintenance of GPS satellites over a long period of time; or that the policies of the US government for the commercial use of GPS without charge will remain unchanged.

Dependence on New Products

We must continue to make significant investments in research and development to develop new products, enhance existing products and achieve market acceptance for such products. However, there can be no assurance that development-stage products will be successfully completed or, if developed, will achieve significant customer acceptance. If we are unable to successfully define, develop and introduce competitive new products, and enhance existing products, our future results would be adversely affected.

Intellectual Property

The industry in which we operate has many participants that own, or claim to own, proprietary intellectual property. We have received, and may receive, claims from third parties claiming that we have infringed on their intellectual property rights. Determination of the rights to intellectual property is very complex, and costly litigation may be required to establish if we have violated the intellectual property rights of others. As a result of such claims, we could be subject to losses arising from product injunctions, awards for damages and third party litigation costs, requirements to license intellectual property, legal expenses, diversion of Managements' time and attention, and other costs.

Government Regulation

Our products are subject to government regulation in the United States, Canada, Australia and other regions in which we operate. Although we believe that we have obtained the necessary approvals for the products that we currently sell, we may not be able to obtain approvals for future products on a timely basis, or at all. In addition, regulatory requirements may change or we may not be able to obtain regulatory approvals from countries in which we may desire to sell products in the future.

Availability of Key Supplies

We are reliant upon certain key suppliers for raw materials and components, and no assurances can be given that we will not experience delays or other difficulties in obtaining supplies, as a result of trade disputes or other matters. While no single vendor currently supplies more than 10% of the raw materials used by us, the raw materials used in certain operations are available only through a limited number of vendors. Although we believe there are alternative suppliers for most of our key requirements, if our current suppliers are unable to provide the necessary raw materials or otherwise fail to timely deliver products in the quantities required, any resulting delays in the manufacture or distribution of existing products could have a material adverse effect on our results of operations and our financial condition.

Credit Risk

We have undergone significant sales growth resulting in a significant growth in our customer base. As a result, we have an increasing exposure to credit risk related to trade balances owing from customers. In the normal course of business, we monitor the financial condition of our customers and review the credit history of new customers to establish credit limits. We establish an allowance for doubtful accounts that corresponds to the credit risk of our customers, historical trends and economic circumstances. Losses could be realized by us if customers default on their balances owing.

Technology Risk

Our success in the GPS markets may depend in part on our ability to develop products that keep pace with the continuing changes in technology, evolving industry standards and changing customer and end-user preferences and requirements. Our products embody complex technology that may not meet those standards, changes and preferences. We may be unable to successfully address these developments on a timely basis or at all. Failure to respond quickly and cost-effectively to new developments through the development of new products or enhancements to existing products could cause us to be unable to recover significant research and development expenses and could reduce our revenue.

Future Acquisitions

We may seek to expand our business and capabilities through the acquisition of compatible technology, products or businesses. There can be no assurance that suitable acquisition candidates can be identified and acquired on favourable terms, or that the acquired operations can be profitably operated or integrated in our operations. In addition, any internally generated growth experienced by us could place significant demands on our Management, thereby restricting or limiting our available time and opportunity to identify and evaluate potential acquisitions. To the extent Management is successful in identifying suitable companies or products for acquisition, we may deem it necessary or advisable to finance such acquisitions through the issuance of Common Shares, securities convertible into Common Shares, debt financing, or a combination thereof. In such cases, the issuance of Common Shares, First or Second Preferred Shares or convertible securities could result in dilution to the holders of Common Shares at the time of such issuance or conversion. The issuance of debt to finance acquisitions may result in, among other things, the encumbrance of certain of our assets, impeding our ability to obtain bank financing, decreasing our liquidity, and adversely affecting our ability to declare and pay dividends to our shareholders.

Proprietary Protection

Our success will depend, in part, on our ability to obtain patents, maintain trade secrets and unpatented know-how protection, and to operate without infringing on the proprietary rights of third parties or having third parties circumvent our rights. We rely on a combination of contract, copyright, patent, trademark and trade secret laws, confidentiality procedures and other measures to protect our proprietary information. There can be no assurance that the steps taken will prevent misappropriation of our proprietary rights. Our competitors could also independently develop technology similar to our technology. Although we do not believe that our products or services infringe on the proprietary rights of any third parties, there can be no assurance that infringement or invalidity claims (or claims for indemnification resulting from infringement claims) will not be asserted or prosecuted against us, or that any such assertions or prosecutions will not materially adversely affect our business, financial condition or results of operations. Irrespective of the validity or the successful assertion of such claims, we could incur significant costs and diversion of resources with respect to the defence thereof, which could have a material adverse effect on our business.

Conflicts of Interest

Certain of our directors are engaged and will continue to be engaged in the design, manufacture and marketing of electronic products, and situations may arise where the directors may be in direct competition with our business. Conflicts of interest, if any, which arise will be subject to and governed by the procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with us to disclose his interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

Product Liability

The sale and use of our products entail risk of product liability. Although we have product liability insurance, there is no assurance that such insurance will be sufficient or will continue to be available on reasonable terms.

New and Emerging Markets

Many of the markets for our products are new and emerging. Our success will be significantly affected by the outcome of the development of these new markets.

Physical Facilities

We have facilities at several different locations, as well as component inventory, finished goods and capital assets at third-party manufacturing facilities. Tangible property at each location is subject to risk of fire, earthquake, flood, and other natural acts of God. In the event of such events or acts, there could be delays in production and shipments of product due to both the loss of inventory and/or capacity to produce.

Legal Risks

In common with other companies, we are subject to legal risks related to operations, contracts, relationships and otherwise under which we may be served with legal claims. Whether or not the claims are legally valid, such claims may result in legal fees, damages, settlement costs and other costs as well as significant time and distraction of Management and employees.

Use of Proceeds

The net proceeds from the financing that closed on March 2, 2011 will be used initially to increase our net working capital and to strengthen our balance sheet. While we intend to generally use the net proceeds for this purpose, there may be circumstances that are not known at this time where a reallocation of the net proceeds may be advisable for business reasons that our management and Board of Directors of Hemisphere GPS believe are in the Corporation's best interests.

Volatility of Market Price of Common Shares

The market price of our Common Shares may be volatile. This volatility may affect the ability of holders to sell the Common Shares at an advantageous price. Market price fluctuations in the Common Shares may be due to the downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by us or by our competitors, along with a variety of additional factors, including, without limitation, those set forth in this "Risk Factors" section or in the section titled "Special Note Regarding Forward Looking Statements".

Dilution

We may make future acquisitions or enter into financings or other transactions involving the issuance of Common Shares of the Corporation which may be dilutive current and future holders of our Common Shares.

Forward Looking Information May Prove Inaccurate

Prospective investors are cautioned not to place undue reliance on forward looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially

from those suggested by the forward looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on risks, assumptions and uncertainties are found in the section "Special Note Regarding Forward Looking Statements".

Impairment of Goodwill

Goodwill accounts for a significant portion of our assets. In accordance with our review procedures and generally accepted accounting principles ("GAAP"), the goodwill is tested for impairment on an annual basis. To the extent that the application of GAAP could require impairment of goodwill, there is a risk that such impairment could have a material adverse effect on our balance sheet and income statement.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

We are not aware of any proceeding that involves a claim for damages, exclusive of interest and costs, of more than ten percent of our current assets.

We are not aware of any (i) penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority in the year ended December 31, 2010; (ii) any other penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision; or (iii) settlement agreements the Corporation entered into before a court relating to securities legislation or with a securities regulatory authority during the year ended December 31, 2010.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under our equity compensation plans, as applicable, is contained in our information circular for the most recent annual meeting of shareholders that involved the election of directors. Additional financial information is provided in our financial statements and management discussion and analysis for the year ended December 31, 2010, which are available on SEDAR at www.sedar.com and are set forth in our 2010 Annual Report. Documents affecting the rights of security holders, along with additional information relating to us, may also be found on SEDAR at www.sedar.com.

APPENDIX "A" – AUDIT COMMITTEE TERMS OF REFERENCE.

1. **Establishment of Audit Committee:** The board of directors (the "Board") hereby establish a committee to be called the Audit Committee (the "Committee").
2. **Membership:** The Committee shall be composed of three members or such greater number as the Board may from time to time determine, all of whom shall be "independent", as such term is defined in Multilateral Instrument 52-110, "Audit Committees" ("MI 52-110"). Members shall be appointed periodically from among the "independent" members of the Board. All members of the Committee shall be financially literate, being defined under MI 52-110 and herein as having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that can reasonably be expected to be raised by the Corporation's financial statements.
3. **Mandate:** The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities.

Audit Committee Purpose

Through discussion with management and the external auditors of the Corporation, the Audit Committee will be responsible to:

- Monitor the management of the principal risks that could impact the financial reporting of the Company;
- Monitor the integrity of the Company's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;
- Oversee and monitor the independence and performance of the Company's external auditors;
- Provide an avenue of communication among the external auditors, management and the Board of Directors, including the resolution of disagreements between management and the external auditors regarding financial reporting;
- Encourage adherence to, and continuous improvement of, the Company's policies, procedures, and practices at all levels;
- Monitor compliance with legal and regulatory requirements; and
- Ensure that effective procedures are in place for the anonymous submission, receipt, retention and treatment of complaints and concerns regarding accounting, internal control and auditing matters.

Audit Committee Duties and Responsibilities

Primarily through review and discussion with management and the external auditors, the Audit Committee is responsible to:

Review Procedures

- (a) Review periodically the Committee's Terms of Reference;

- (b) Review the Company's annual audited financial statements and related documents, including the press release and MD&A, prior to filing or distribution. Review should include discussion with management and external auditors of significant issues regarding accounting principles, practices, and significant management estimates and judgments;
- (c) Following completion of the annual audit, review separately with each of management and the independent auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information;
- (d) Review any significant disagreements among management and the independent auditors in connection with the preparation of the financial statements;
- (e) Periodically, in consultation with management and external auditors, consider the integrity of the Company's financial reporting processes and controls. Discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures;
- (f) Review risk management policies and procedures of the Company (i.e., litigation and insurance);
- (g) Periodically review and assess the adequacy of the procedures that are in place for the review of the Company's public disclosure of financial information extracted from or derived from the Company's financial statements;
- (h) Review significant findings prepared by the external auditors together with management's responses;
- (i) Review the principal risks affecting financial reporting;
- (j) Review with financial management and the external auditors, and approve, the company's quarterly financial results and related documents, including the quarterly press releases and MD&A, prior to the public release. By approval of these Terms of Reference for the Audit Committee, the Board delegates the authority to approve these documents on behalf of the Board;
- (k) Discuss any significant changes to the Company's accounting principles prior to their adoption. The Chair of the Committee may represent the entire Audit Committee for purposes of this review;

External Auditors

- (l) The external auditors are ultimately accountable to the Audit Committee and the Board of Directors, as representatives of the shareholders. The Audit Committee shall review the independence and performance of the auditors and annually recommend to the Board of Directors the appointment of the external auditors or approve any discharge of auditors when circumstances warrant;
- (m) Approve the fees and other significant compensation to be paid to the external auditors;
- (n) On an annual basis, the Committee should review and discuss with the external auditors all significant relationships they have with the Company that could impair the auditors' independence;

- (o) Review the external auditors' audit plan - discuss and approve audit scope, staffing, locations, reliance upon management, and general audit approach;
- (p) Prior to releasing the year-end financial results, discuss the results of the audit with the external auditors. Discuss certain matters required to be communicated to audit committees in accordance with the standards established by the Canadian Institute of Chartered Accountants;
- (q) Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in the Company's financial reporting;
- (r) Approve all non-audit services to be provided to the Corporation by the external auditors' firm, prior to such services being performed, except that by approval of these terms of reference, the Audit Committee hereby approves the following non-audit services to be provided by the external auditors:
 - (i) Tax services connected with the preparation of the Corporation's tax returns, or the tax returns of any of its subsidiaries; and
 - (ii) Due diligence and tax services connected with any mergers, acquisitions or dispositions being considered by the Corporation;
- (s) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present or former auditors;
- (t) When there is to be a change in external auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change;

Legal Compliance

- (u) On at least an annual basis, review with the Company's counsel any legal matters that could have a significant impact on the organization's financial statements, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies; and

Other Audit Committee Responsibilities

- (v) Periodically assess the effectiveness of the committee against its terms of reference and report the results of the assessment to the Board.

4. Administrative Matters: The following general provisions shall have application to the Committee:

- (a) The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the external auditors as well as anyone in the organization. The Audit Committee has the ability to retain, at the Company's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties;
- (b) Two members of the Committee shall constitute a quorum. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by a resolution in writing signed by all the members of the Committee. Meetings may occur via telephone or teleconference;

- (c) Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies on the Committee by appointment from among its independent members. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains;
- (d) The Committee shall meet at least four times per year and/or as deemed appropriate by the Chair;
- (e) If deemed necessary by the Chair, agendas shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings;
- (f) Any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Chief Executive Officer by the Board Chair;
- (g) The Committee may invite such officers, directors and employees of the Corporation as it may see fit from time to time to attend at meetings of the Committee and assist thereat in the discussion and consideration of the matters being considered by the Committee;
- (h) The time at which and place where the meetings of the Committee shall be held and the calling of meetings and the procedure in all respects at such meetings shall be determined by the Committee, unless otherwise determined by the by-laws of the Corporation or by resolution of the Board;
- (i) Unless otherwise designated by the Board, the members of the Committee shall elect a Chairman from among the members and the Chairman shall preside at all meetings of the Committee. The Chairman of the Committee shall have a second and deciding vote in the event of a tie. In the absence of the Chairman, the members of the Committee shall appoint one of their members to act as Chairman;
- (j) Minutes of the Committee will be recorded and maintained and circulated to directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board.