GSI TECHNOLOGIES USA INC /DE
Form 10QSB/A
November 12, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB / A
AMENDMENT 1

(MARK ONE)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 30, 2003.

[_] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _________ to ________

COMMISSION FILE NUMBER: 0-31229

GSI TECHNOLOGIES USA INC.

(Exact name of small business issuer as specified in its charter)

Delaware	65-0902449
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

400 St Jacques West, Suite 500, Montreal, Quebec H2Y 1S1, Canada
(Address of principal executive offices)

(514) 282-9292
(Issuer's Telephone Number, including Area Code)

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes[ ] No[ ]

As of June 12, 2003, there were 29,291,023 shares of the issuer's $.001 par value common stock issued and outstanding

Transitional Small Business Disclosure Format (Check one): Yes [ ] No[X]

INDEX TO FORM 10-QSB

FOR THE QUARTER ENDED APRIL 30, 2003

GSI TECHNOLOGIES USA, INC.
BALANCE SHEET
AT APRIL 30, 2003
(UNAUDITED)

ASSETS

Current Assets	
Cash	$ 2,005
Receivables - net	44,538
Other current assets	2,428
Total current assets	48,971
Property and equipment, net	147,792

Other assets	2,774
TOTAL ASSETS	199,537

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	
Accounts payable	163,617
Accrued financing costs	67,100
Notes Payable	648,284
Investment proceeds liability	362,651
Other current liabilities	88,376
Total current liabilities	1,330,028
Stockholder's Equity	
Common Stock, class A, $1.00 par value; authorized 5,000,000 shares; issued and outstanding none	-
Common Stock, class B, $.001 par value; authorized 55,000,000 shares; issued and outstanding - 29,291,023	29,291
Paid in Capital	5,317,388
Accumulated deficit	(6,527,543)
Accumulated other comprehensive income	
Foreign currency translation	373
Total Shareholder's Equity (Deficit)	(1,180,491)
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 149,537

Read the accompanying summary of significant accounting notes to Financial statements, which are an integral part of this financial statement.

GSI TECHNOLOGIES USA INC
STATEMENT OF OPERATIONS
FOR THE THREE MONTHS AND SIX MONTHS ENDED APRIL 30, 2003 AND 2002
(UNAUDITED)

	Three months ended April 30,		Six month ended April	
	2003	2002	2003	
Revenues	$ 15,000	$ -	$ 15,000	$

Cost of Sales	-	-	-
Gross Profit	15,000	-	15,000
Operating Expenses:			
Marketing	27,702	16,051	29,133
Salaries and related costs	13,859	-	25,060
Rent	15,585	13,703	24,585
Professional fees	33,251	2,457	42,886
Consulting	112,443	-	121,664
Software development	88,709	-	119,539
Depreciation	3,576	973	4,656
Amortization	25,278	23,845	49,017
Loss on licensing agreement write off	141,133	-	141,133
Other selling, general and administrative	89,413	19,271	121,115
Total operating expenses	550,949	76,300	678,787
Loss before other income (expense)	(535,949)	(76,300)	(663,787)
Other income (expense):			
Interest expense (principally related party)	(13,159)	(4,417)	(22,467)
Foreign exchange gain/(loss)		(24,529)	
Total other income (expense)	(13,159)	(28,946)	(22,467)
Net Loss	(549,108)	(105,246)	(686,254)
Basic weighted average common shares outstanding	28,673,045	20,788,768	27,462,294
Basic and diluted Loss per common share	$ (0.02)	$ (0.01)	$ (0.02)

Read the accompanying summary of significant accounting notes to Financial statements, which are an integral part of this financial statement.

4

GSI TECHNOLOGIES USA, INC.
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED APRIL 30, 2003 AND 2002
(UNAUDITED)

	For the six months ended April 31,	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		

Net Income (Loss)	$(686,254)	$(232,479)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	53,673	49,638
Issuance of stock for contract settlement	-	38,996
Accrued Interest Expense	-	8,759
Loss on licensing agreement write off	141,133	-
Changes in Operating assets and liabilities:		
Receivables and other current assets	(46,966)	(4,871)
Other assets	(2,774)	
Accounts Payable and Accrued Liabilities	23,869	133,939
Net cash provided by/(used in) operating activities	(517,317)	(6,019)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net cash provided by/(used in) investing activities		
Loan Receivable, principally related parties	-	-
Purchase of property and equipment	(90,685)	-
Net cash provided by/(used in) investing activities	(90,685)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from:		
Notes payable	290,980	-
Investment proceeds	219,028	-
Sales of common stock	100,000	-
Net cash provided by/(used in) financing activities	610,008	-
Net increase (decrease) in cash and cash equivalents	2,005	(6,019)
Cash and cash equivalents, beginning of period	-	6,019
Cash and cash equivalents, end of period	$ 2,005	$ (0)
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Issaunce of 1 million shares for default payment penalty settlement	50,000	

Read the accompanying summary of significant accounting notes to Financial statements, which are an integral part of this financial statement.

GSI TECHNOLOGIES USA, INC.
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)
APRIL 30, 2003

NOTE 1 -BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements of GSI Technologies USA, Inc. have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Article 10 of Regulation S-X. The financial statements reflect all adjustments consisting of normal recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the periods shown. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

These financial statements should be read in conjunction with the audited financial statements and footnotes thereto included in GSI Technologies USA, Inc.'s 10K-SB as filed with the Securities and Exchange Commission.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and that effect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - NET EARNINGS (LOSS) PER SHARE

Earnings (Loss) per common share are calculated under the provisions of SFAS No. 128, "Earnings per Share," which establishes standards for computing and presenting earnings per share. SFAS No. 128 requires the Company to report both basic earnings (loss) per share, which is based on the weighted-average number of common shares outstanding during the period, and diluted earnings (loss) per share, which is based on the weighted-average number of common shares outstanding plus all potential dilutive common shares outstanding. Options and warrants are not considered in calculating diluted earnings (loss) per share since considering such items would have an anti-dilutive effect.

NOTE 3 - DETAILS OF FINANCIAL STATEMENT COMPONENTS

		April 30, 2003
Property and Equipment:		
Furniture and fixture	$	38,934
Computer and other equipment		45,168
Leasehold improvements		79,020
Less: Accum depreciation & amortization		15,330
Property and equipment, net	$	147,792
Intangible Assets:		
License rights -	$	474,779
(Gross amount of $800,000 acquired from affiliate and recorded at predecessor basis with the cost over such basis of $325,221 recorded as a dividend to affiliate).		
Accumulated amortization		(333,646)
Loss on write down to realizable value	$	141,133
April 30, 2003 balance	$	-
Amortization expense for the six month period		47,478

At April 30, 2003 the Company reviewed the carrying amount of license rights and determined that the amount of $141,133 was considered to be totally unrecoverable and exceeded its fair value by its book value. This determinations was based on its book value exceeding the sum of the undiscounted future cash flows expected to result from the assets use and disposition. The entire capitalized net amount of $141,133 for the license rights was reflected as a loss in the April 30, 2003 financial statements.

NOTE 4 - NOTE PAYABLE

On May 15, 2002 the Company signed a promissory note for $330,000. The term of the note is for 60 days and the rate of interest is prime plus 2%. The Company also agreed to issue 2 million shares of Class B Common Stock to the lender as part of the transaction as an origination fee which was valued at .05 per share totaling $100,000. On June 20, 2002, a shareholder of the Company indirectly forwarded to the lender 1,114,000 shares as collateral for this transaction on behalf of the Company thereby assigning 55.7% ($55,700) of the origination fee liability from the lender to the shareholder. On June 20, 2002, another shareholder of the Company directly forwarded to the lender 886,000 shares as collateral for this transaction on behalf of the Company thereby assigning 44.3% (44,300) of the origination fee liability from the lender to the shareholder. On June 21, 2002 the Company agreed to issue 1,114,000 shares to the shareholder who advanced his shares to the lender as well as issuing an additional 222,800 for his assistance in this matter. The 222,800 were valued at .05 per share totaling $11,140 and reflected as interest in the October 31, 2002 financial statements. At October 31, 2002, no shares had been issued to the shareholder and the origination fee liability of $55,700 as well as the additional $11,400 in accrued interest remained reflected as liabilities in the October 31, 2002 financial statements . On June 21, 2002 the Company and the other shareholder who forwarded 886,000 shares to the lender agreed that he would not receive any shares from the Company for his assistance in the matter. The Company reflected this as relieving the balance of the accrued origination fee liability with an offset to Paid in Capital in the amount of $44,300 in the October 31, 2002 financial statements. At October 31, 2002, the note had not been paid back and the accrued interest totaled $4,837. As part of the agreement, the Company will issue an additional 1,000,000 shares as a default penalty valued at .05 per share totaling $50,000. At October 31, 2002, the Company had not issued any shares related to default penalty. The default penalty amounts have been accrued and reflected in the October 31, 2002 financial statements. At January 31, 2003, the note had not been paid back and accrued interest for the three month period ending January 31, 2003 of $5,362 has been reflected in the financial statements. This note including all interest associated with it was $340,199 at January 31, 2003. On March 28, 2003, the Company issued 1 million shares in settlement of the default penalty. At April 30, 2003, the note had not been paid back and accrued interest for the six month period ending April 30, 2003 totaled $10,518.75. This note including all interest associated with it was $345,356 at April 30, 2003.

On December 18, 2002, the Company signed a promissory note for $440,000 CAD, approximately $290,980 USD with an unrelated party. The note bears interest of 11%. At January 31, 2003 interest of $3,946 has been accrued and reflected in the financial statements. The balance of the note, including interest, at January 31, 2003 is approximately $294,926 USD. At April 30, 2003 interest of $11,948 has been accrued and reflected in the financial statements. The balance of the note, including all interest associated with it was $302,928.

NOTE 5 - COMMITMENTS AND CONTIGENCIES

Investment agreement
On September 10, 2002 the Company entered into an investment agreement whereby an investment group will advance up to $300,000 from September 10, 2002 through February 1, 2003. In consideration for the proceeds, the Company will issue on February 1, 2003, 6 million shares of Class B Common Stock, 2,000,000 options at an exercise price of $0.10 expiring January 31, 2010 and 2,000,000 warrants at an exercise price of $1.20 expiring on February 1, 2005. At October 31, 2002, $143,623 had been advanced to the Company. During the three month period ending January 31, 2003, additional advances totaling $98,155 had been received. During the three month period ending April 30, 2003, additional advances totaling $58,222 had been received. At April 30, 2003, a total of $300,000 had been advanced to the Company. At April 30, 2003 the Company had not issued any shares to settle the investment proceeds liability.

7

In November 2002, the Company entered into an investment agreement whereby an additional investment group will advance up to $125,000 from November 2002 through February 2003. In consideration for the proceeds, the Company will issue on February 1, 2003, 2.5 million shares of Class B Common Stock, 2,000,000 options at an exercise price of $0.050 expiring January 31, 2010. During the three month period ending January 31, 2003, no advances had been received. During the three month period ending April 30, 2003 advances of $62,651 had been received. At April 30, 2003 the Company had not issued any shares to settle the investment proceeds liability.

In March 2003, the Company entered into an investment agreement whereby a third investment group will advance up to $200,000 from March 2003 through April 2003. In consideration for the proceeds, the Company will issue on June 1, 2003, 2 million shares of Class B Common Stock, 500,000 options at an exercise price of $0.10 and 500,000 options at an exercise price of $0.25 expiring January 31, 2010. During the three month period ending April 30, 2003, no advances had been received.

Office leases

On September 1, 2002, the Company entered into a three year office lease for its Monteal office with monthly payments approximately $2,000.

On October 1, 2002, the Company entered into a one year office lease for its U.S. office with monthly payments approximately $1,000.

Legal Matters

We remain party to one proceeding initiated by another party in the Superior Court of the Province of Quebec, District of Montreal. An amount of $98,766 in Canadian dollars has been claimed for our alleged failure to pay a commission and consequent damages relating to negotiations with GSI Canada for an acquisition. Legal counsel advises that, in his opinion, the case against the company is without merit.

On September 2001, we received a law suit from a former employee for unpaid salaries. We concluded an out of court settlement, on November 22nd, 2002, for the amount of approximately $7,750 US ($12,000 CAD) as final settlement. The $7,750 had been accrued and reflected in the October 31, 2002 financial statements.

The Company has been involved in litigation for unpaid business taxes with the City of Montreal. The litigation has been settled in the amount of approximately $23,000 of which approximately $5,000 has been paid by October 31, 2002 and the remaining $18,000 due to the City of Montreal has been reflected in accounts payable at October 31, 2002. During the three month period ending January 31, 2003 no payments were made towards this debt. During the three month period ending April 30, 2003 approximately $8,000 in payments were made towards this debt. At April 30, 2003, the outstanding balance totaled approximately $10,000.

In March 2002, a former Director, who was also an Officer in the Company, along with another employee of the Company, filed a civil action against the Company in the State of Florida alleging unpaid wages and expense reimbursements totaling approximately $225,000. The Company has not retained legal counsel but believed this complaint to be without merit and is in the process of negotiating a settlement and release agreement with these two individuals in the amount of approximately $13,000. The Company has received an oral confirmation to the $13,000 settlement and release agreement. The $13,000 had been accrued and reflected in the October 31, 2002 financial statements. The Company and these individuals signed the settlement agreement related to this matter on February 27, 2003 and the company forwarded the required payment $13,000 to settle this matter.

Consulting agreement

On May 27, 2002, the Company entered into a consulting agreement with a non affiliated individual.

The agreement is for one year and the annual amount of the agreement is approximately $100,000.

8

NOTE 6 - SOFTWARE DEVELOPMENT

The Company is currently developing software for resale to prospective clients. The Company capitalizes cost of materials, consultants, interest, and payroll and payroll-related costs for employees incurred in developing computer software for resale once technological feasibility is attained. Currently, the Company has contracted with consultants to develop the software. Technological feasibility is established when the Company has completed all planning, designing, coding, and testing activities that are necessary to establish that the product can be produced to meet its design specifications including functions, features, and technical performance requirements. Until technological feasibility is established, all costs associated with the software development are considered research and development expenditures and are charged to development expense in the period incurred.

NOTE 7 - GOING CONCERN

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company reported a net loss of $686,254 (unaudited) for the six months ended April 30, 2003 and a loss of $6,527,543 (unaudited) since inception. As reported on the statement of cash flows, the Company incurred negative cash flows from operating activities of $517,317 for the six months ended April 30, 2003. Continuation of the Company as a going concern is dependent upon obtaining sufficient working capital for its planned activity. Additional capital and/or borrowings will be necessary in order for the Company to continue in existence until attaining and sustaining profitable operations. The Company continues to aggressively pursue strategic alliances which will bring a cash infusion, restructuring and forward looking business plan.

NOTE 8 - RELATED PARTY TRANSACTIONS

Legal fees to Director's firm
During the six month period ending April 30, 2003, the Company has retained legal services from a firm in which a director of the Company, Marc Cote, is a partner. The Company incurred approximately $24,600 in legal fees from this firm in the six month period ending April 30, 2003.

NOTE 9 - INCOME TAXES

The provision for taxes on earnings for the six months ended April 30, 2003, consist of:

	2003	2002
Current		
Federal	$ -	$ -
State	-	-
Foreign	-	-
Deferred		
Federal	$ -	$ -
State	-	-
Foreign	-	-

At April 30, 2003, the Company has a Federal tax net operating loss ("NOL") carryforward of approximately $5,000,000, which expires at various dates through 2015.

The Company did not provide any current or deferred United States federal, state or foreign income tax provision or benefit for the period presented because it has experienced operating losses since inception. The Company has provided a full valuation allowance on the deferred tax asset, consisting primarily of net operating loss carryforwards, because of uncertainty regarding its realizability.

NOTE 10 - SHAREHOLDERS' EQUITY

Common Stock

9

The Company has 5,000,000 shares of class A common stock which to date have never been issued. Management has no intent of issuing any of these shares and will be canceling these shares by filing an amendment to the articles of incorporation with the State of Delaware.

The Company has 55,000,000 authorized shares of Class B common stock with a par value of $.001. Each share entitles the holder to one vote.

In March 2003 the Company issued 2 million shares in a private placement for $100,000.

In March 2003 the Company issued 1 million shares to settle accrued default payment penalties totaling $50,000.

NOTE 11 - WARRANTS AND OPTIONS

On August 01, 2000 the Company adopted a Long Term Incentive Plan whereby directors, officers, certain key employees of the Company and its affiliates as well as certain consultants to the Company would be granted stock options. A maximum of 10% of the authorized Class B common shares totaling 5,500,000 can be reserved and available for distribution pursuant to the terms of the plan. On On October 02, 2000, 925,000 options with an exercise price of $1.25 had been issued to consultants and other non employee affiliates who rendered services to the Company throughout the year. The services were rendered in the fiscal year ending October 31, 2000. The expense for such services were reflected in the financial statements ended October 31, 2000. As an incentive to maintain a relationship with these consultants and non employee affiliates, the Company issued these options for anticipated future services. These future services were not received. The options vest one-third on December 18, 2000, one third on December 18, 2001 and one third on December 18, 2002. The stock options expire seven years from the date they were granted.

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation". The Company has determined that it will continue to account for employee stock-based compensation under Accounting Principles Board No. 25 and elect the disclosure-only alternative under SFAS No. 123. The fair value of a share of nonvested stock is measured at the market price of a share on the grant date. The proforma effect to net income and earnings per share is reflected as follows:

FAS 123 "Accounting for stock based compensation Paragraph 47 (a)	Six months April 30,
1.Beginning of year - outstanding	
i. number of options/warrants	3
ii. weighted average exercise price	
2. End of year - outstanding	
inumber of options/warrants	3
ii. weighted average exercise price	
3. End of year - exercisable	
i. number of options/warrants	3
ii. weighted average exercise price	
4. During the year - Granted	
i. number of options/warrants	
ii. weighted average exercise price	
5. During the year - Exercised	
i. number of options/warrants	
ii. weighted average exercise price	
6. During the year - Forfeited	
i. number of options/warrants	
ii. weighted average exercise price	
7. During the year - Expired	
i. number of options/warrants	
ii. weighted average exercise price	

10

Paragraph 47 (b) Weighted-average grant-date fair value of options granted during the year:

1. Exceeds market price

Paragraph 47 (c) Equity instruments other than options/warrants

Paragraph 47(d) Description of the method and significant assumptions used during the year to estimate the fair value of options:
(1)Weighted average risk-free interest rate
Weighted average expected life (in months)
Weighted average expected volatility
Weighted average expected dividends

Paragraph 47(e) Total compensation cost recognized in income for stock-based employee compensation awards.

Paragraph 47(f) The terms of significant modifications of outstanding awards.

Paragraph 48 - Options outstanding at the date of the latest statement of financial position presented:

1.	(a) Range of exercise prices	$ 1.10
	(b) Weighted-average exercise price	
2.	Weighted-average remaining contractual life (in months)	

	Six months April 30,
Net Income after proforma effect	(6
Earnings per share after proforma effect	$

11

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

Explanatary Note.

This Amendment No. 1 on Form 10-QSB/A (this "Amendment") amends the Company's Quarterly Report on Form 10-QSB for the quarterly period ended April 30, 2003, originally filed on June 18, 2003 (the "Original Filing"). This Amendment is being filed to amend the financial statements and footnotes to address SEC comments and to clean up parts of Part II of the Original Filing. In addition, in connection with the filing of this Amendment and pursuant to the rules of the Securities and Exchange Commission, the Company is including with this Amendment certain currently dated certifications.

Except as described above, no other changes have been made to the Original Filing. This Amendment continues to speak as of the date of the Original Filing, and the Company has not updated the disclosures contained herein to reflect any events which occurred at a date subsequent to the filing of the Original Filing.

FORWARD LOOKING STATEMENTS.

This report contains forward-looking statements that are based on the Company's beliefs as well as assumptions made by and information currently available to the Company. When used in this report, the words "believe," "expect," "anticipate," "estimate," and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks, uncertainties and assumptions, including without limitation, the overall strength of the national securities markets, the Company's present financial condition and the risks and uncertainties concerning the availability of additional capital as and when required, technological changes, increased competition, international war and terrorism and general economic conditions.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. The Company cautions potential investors not to place undue reliance on any such forward-looking statements, all of which speak only as of the date made.

OVERVIEW

GSI Technologies USA Inc. is an Information Technology Company that offers products and solutions to the Out-of-Home Digital Signage Industry. The Company has developed a proprietary, enterprise scale, Digital Signage Network Management Software Suite. The Company is a Value Added Reseller for various related hardware products that make up its end-to-end Digital Signage Solution. The Company also offers various services related to the installation, management, operation and maintenance of large Digital Signage Networks worldwide.

Research firm iSupply/Stanford Resources sees the worldwide Digital Signage market growing from just over $ 3 billion this year to about $ 5 billion in 2006 and about $ 7 billion in 2008. CAP Ventures Inc., a research firm that tracks retail digital signage as a separate category, sees this niche growing still faster, from North America revenue of $ 388 million this year to nearly $ 2 billion in 2006; an increase of more than 400 percent.

GSI Technologies USA Inc. is particularly well positioned to exploit this growth as it offers one of the only true enterprise scale solutions in the world. The technology is being field tested by Clear Channel International, which is the largest player in the Industry.

RESULTS FROM OPERATIONS

Three and six months ending April 30, 2003 and 2002

During GSI's second quarter from February 1,2003 to April 30, 2003, GSI USA incurred a loss of $549,108 versus a loss of $105,246 in the same period in 2002. The increased loss was due to higher operating expenses, specifically consulting, software development and a loss on the Licensing Agreement writeoff.

During GSI's six month's from November 1, 2002 to April 30, 2003, GSI USA incurred a loss of $686,254

12

versus a loss of $232,479 in the same period in 2002. The increased loss was due to higher operating expenses, specifically consulting, software development and a loss on the Licensing Agreement writeoff.

REVENUES

$15,000 in revenue was recognized during the current year quarter, versus zero for the same period in the prior year. This is related to sub-licensing agreements realized over the respective terms.

$15,000 in revenue was recognized during the current year six month period versus $23,750 for the same period in the prior year. This is related to sub-licensing agreements realized over the respective terms.

OPERATING EXPENSES

During the three months ended April 30, 2003, GSI USA has incurred $550,949 in operating expenses versus 76,300 for the same period in 2002. The increase was mainly attributable to software costs, consulting and the write off of unamortized impaired licensing rights.

During the six months ended April 30, 2003, GSI USA has incurred $678,787 in operating expenses versus 220,876 for the same period in 2002. The increase was mainly attributable to software costs, consulting and the write off of unamortized impaired licensing rights.

LIQUIDITY AND CAPITAL RESOURCES

At April 30, 2003 GSI USA had $2,005 in cash. Cash used in operating activities during the six months ending April 30, 2003 was 517,317, which was mainly attributable to the net cash loss from operations plus changes in net operating assets and liabilities.

Cash used by investing activities during the period reflects additional short-term loans to GSI Canada in the amount of $90,685, which was for purchased of business equipment

Net Cash provided from financing activities during the period was 610,008.

The result of all activities during the six-month period ending April 30, 2003 was a net increase of $2,005 in our cash position.

MANAGEMENT DISCUSSION AND ANALYSIS

GSI Technologies USA Inc. was created in 1998, as a sister company to GSI Canada created in 1995, with goals of supplying complete turn-key solutions to out-of-home advertising network operators. The company's offering went from digital signage network management software to installed screen, displays or street furniture, interacting with targeted audiences. GSI was then offering integration of network services but dealing with hardware suppliers for integration of computers and screens (plasma, LCD, LED or plain TV set).

GSI participates in the information technology industry, specializing in broadcasting solutions principally for media operators, advertisers and others seeking to reach the greatest number of "viewers per day" at the street level. Street level advertising is the strategic placement of signage so they are readily visible to pedestrians and motorists. In addition to addressing potential consumers in busy urban and suburban settings, public service messages can also be conveyed using our technology.

The Company's initial years were primarily spent on extensive R&D, building products that were expected to capitalize on the Internet and multimedia boom and the increase of last-mile bandwidth. However, the great promises of the technology and Internet golden age of the late 90's did not materialize as foreseen. For GSI specifically, the techno bubble burst, the cost and availability of bandwidth not improving fast enough, the economic down turn, and the cost of plasma screens still considered too high, all contributed to the near disappearance of the company.

13

Since then, we have been continuously involved in research and development in an effort to innovate and deliver appropriate products to the marketplace. Equally, the company has been present in the marketplace, building a solid foundation of industry contacts both as potential partners and business clients.

The market currently continues to present a mixed picture. The primary issue has been the overall slow economic climate in our major market areas of Canada, the USA and Europe. Budgets for digital media products have suffered from the overall economic conditions as well as generally reduced IT spending across the board. As such, we have assumed a cautious approach to develop a cost-effective solution, and to exploit the areas of clearest opportunity. We see signs of recovery in certain key market areas.

During the period of this downturn in purchasing in the marketplace, we have continued our product development, with emphasis on developing and launching an entirely new suite of products and services known as the GSI Digital Media Logistics Suite (DMLS), Version 3.0. Development of the end product is nearing completion, and our current focus is on finalizing development activities. GSI's DMLS software enables users to accept, store, inventory, deliver and organize the playing of digital content to all kinds of digital display products such as, plasma screens, LCD screens, LED screens, TV monitors, multi media projectors etc.

At the same time, the Company re-evaluated its overall market approach and decided to focus more heavily on developing and selling digital network operations software rather than actually developing networks, installing and managing physical hardware, and actually selling and managing the digital content. With the re-focus of GSI in mid-2002, came a new philosophy and re-positioning of the company's activities. GSI is returning to the core expertise of its past, focusing on its original concept and vision, building the software that will help users store, inventory, deliver and use visual digital content on a variety of devices in a variety of applications. The Company now has a much clearer product and sales vision.

As a result of such events, the Company made a strategic decision to undertake an entirely new proprietary solution development program using a third party, LTS Networks. LTS Networks, a Montreal-based Corporation, is specialized in Network Management and R&D software development. GSI has given LTS a mandate to develop an entirely new family of digital distribution products from the ground up.

GSI will now focus on conceiving, developing and selling the world's most effective and user-friendly digital signage network management software directly to network integrators, screen manufacturers or to out-of-home digital network owners/operators. We believe that we now possess some of the most advanced technology currently available in the field of electronic advertising and interactive information display.

GSI, over the past couple of years, has acquired valuable field experience in serving digital network operators through various pilot projects. Therefore, we have revised technical specifications that will be well served to meet our customers' current and evolving needs. On May 5, 2003, we released our newly designed proprietary solution.

The Company will also, in some cases, offer Network Software Managed Services, Integration Services and Hardware through various partnerships and strategic alliances. GSI will no longer supply or manufacture street furniture. We will continue to leverage our market knowledge to provide strategic consultant services for turnkey digital signage solutions.

Our GSI Digital Media Logistics Suite offers a complete range of products designed around the concept of providing specific digital images for advertising and information on multiple digital devices that will address current market needs and attract significant commercial interest.

We have totaly revised our pricing and licensing structure. We will now sell and distribute our software product on a per player software license basis. Our comprehensive software package includes: Digital Media Logistics

Player, Digital Media Logistics Server and Digital Media Logisitics Administrator.

In April 2003, GSI signed a special agreement with MCSI, a publicly traded corporation specialized in Technology Integration, for the sale of 12,000 licenses to be utilized for customers such as Bank of America and Bed Bath & Beyond, etc. We are currently developing, with the participation of LTS Networks, a small form factor player at very low cost to respond to our customer's special implementation needs. Our agreement is valid for a special term of 24 months.

In July 2002, we completed a Letter of Intent with a California-based corporation specializing in Internet market content. The Agreement calls for the client to install a network of full motion video plasma screens in approximately 200 preferred locations in the United States. We have been informed that our client has succeeded in securing over 100 locations. In July 2003, our client will start implementing the first phase for 35 locations and will continue to build up the network till end of year 2003. We have negotiated a 10-year licensing agreement starting when the Network begins its operations. Network management and content production contracts are currently been negotiated. There are no assurances that the Company will ever receive any revenues based upon this transaction.

During the month of May 2003, our sales management team has been negotiating a common development agreement with Petters Group LLC, in regards to their new suite of Digital Signage Products, branded under the name of Polaroid. GSI has currently concluded sales of 42" Digital plasma screens for an approximate quantity of 600 units, subject to financing approval of the customers.

We are currently negotiating a team co-marketing agreement with Polaroid to offer a turnkey solution to large enterprise scale customers that integrate the hardware and software products. We anticipate completing the agreement by end of June 2003.

In May 2003, we initiated negotiations with Arcanes Technologies, a France based corporation to act as sales agent to distribute our new line of products in France.

In May 2003, we received a Letter Of Intent from TSA, a France based corporation, specialized in Network Integration and Satellite Transmission to act as Technology Integrators and service corporation for our European based customers.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company has been involved in litigation for unpaid business taxes with the City of Montreal. The litigation has been settled in the amount of approximately $23,000 of which approximately $5,000 has been paid by October 31, 2002 and the remaining $18,000 due to the City of Montreal has been reflected in accounts payable at October 31, 2002. During the three month period ending January 31, 2003 no payments were made towards this debt. During the three month period ending April 30, 2003 approximately $8,000 in payments were made towards this debt. At April 30, 2003, the outstanding balance totaled approximately $10,000.

In March 2002, a former Director, who was also an Officer in the Company, along with another employee of the Company, filed a civil action against the Company in the State of Florida alleging unpaid wages and expense reimbursements totaling approximately $225,000. The Company has not retained legal counsel but believed this complaint to be without merit and is in the process of negotiating a settlement and release agreement with these two individuals in the amount of approximately $13,000. The Company has received an oral confirmation to the $13,000 settlement and release agreement. The $13,000 had been accrued and reflected in the October 31, 2002 financial statements. The Company and these individuals signed the settlement agreement related to this matter on February 27, 2003 and the company forwarded the required payment $13,000 to settle this matter.

ITEM 2. CHANGES TO AUTHORIZED SHAREHOLDERS' CAPITAL

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

On February 4th, 2002, we became delinquent because we were late filing our annual 10-KSB report. On March 5th, 2002, we were temporarily delisted from the OTCBB. On March 8th, 2002, we filed our 10-KSB report for the period ending October 31, 2001. Since then, we have filed all of our reports on time. We have appointed a new market maker who expects to file a form 2-11 by end of June 2003, so our securities can become relisted on the OTCBB.

In May 2002, GSI entered into a loan agreement with a private party for a sum of $330,000.00, bearing interest at prime rate + 2%. In March 2003, GSI issued 1,000,000 shares as a penalty on this loan. In May 2003, GSI authorize the issuance of 2,000,000 shares at a price per share of $0.25 plus 500,000 warrants exercisable at $0.25 and 516,000 warrants exercisable at $1.00 in consideration of the conversion of this loan plus a supplementary investment of $165,000. The investor is Mr. Craig Perry who became a Director on April 28, 2003.

In September 2002, Sogepar SA, a European investment corporation, agreed to invest a total of $300,000 to be injected from September 2002 to February 2003. The investment has been completed. In June 2003, Sogepar SA will receive 6,000,000 shares at a price per share of $0.05 plus 2,000,000 options exercisable at a price of $0.10 and 2,000,000 warrants exercisable at a price of $1.20.

In November 2002, Worldwide Business Consultants S.A., agreed to invest a total of $125,000 to be injected from November 2002 to February 2003. The investment has been completed. In June 2003, Worldwide Business Consultants SA will receive 2,500,000 shares at a price per share of $0.05 plus 2,000,000 options exercisable at $0.05.

In December 2002, GSI entered into a loan agreement with a non-US corporation for an amount of $320,000.00 which could be converted into equity, subject to approval of regulatory authorities.

In March 2003, a non-US private investor invested $100,000.00 for 2 Million shares at $0.05 per share.

In March 2003, First Mercantile Investments, Corp., agreed to invest a total of $200,000 to be injected from March 2003 to April 2003. The investment has been completed. In June 2003, First Mercantile Investments, Corp. will receive 2,000,000 shares at a price of $0.10 per share plus 500,000 options exercisable at $0.10 per share and 500,000 options exercisable at $0.25 per share.

In June 2003, GSI entered into a purchase agreement to acquire 40% equity of LTS Networks for 500,000 shares.

In June 2003, GSI will issue 1,336,800 shares to 4136306 Canada Inc. for conversion of outstanding promissory notes dated June 2002.

MANAGEMENT

On February 7, 2003 Mr. Rene Arbic resigned from his position as Chief Executive Officer of GSI Technologies USA Inc.

In May 2003, Mr. Rene Arbic resigned from his position as Chairman of the Board of GSI Technologies USA Inc.

In May 2003, the Board of Directors appointed Mr. Craig Perry, who is currently General Manager of InMetal and a shareholder of GSI, to join the Board of Directors as a Director and Chairman.

In June 2003, the Board of Directors appointed Mr. Gilles Addison to the position of President and Chief Executive Officer.

In June 2003, GSI Board of Directors appointed an Executive Advisory Board to manage and build the value of the Corporation on a day to day basis with the input of experienced individuals in various field of activities. We believe our Corporation will grow in a team environment and deliver positive results to the benefit of our shareholders. The Executive Advisory Board will report to the Board of Directors through the CEO, Mr. Addison. GSI's management is seeking to identify a Chief Financial Officer that will suit the needs of our Corporation. The Executive Advisory Board is composed by the following individuals:

- Mr. Gilles Addison, President and CEO
- Mrs. Marie El-Ahmar Eid, Business Development and Investor Relations Director
- Glen Pearson, Operations Director
- Michel de Montigny, Product, Sales and Marketing Director
- Paola Salcedo, Administration Director

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

The following exhibits are contained in this 10-QSB:

99.1 Sarbans-Oxley Certifications.

CERTIFICATION

I, Gilles Addison, hereby certifie that:

I have reviewed this amended quarterly report on Form 10-QSB of GSI Technologies USA Inc.;

Based on my knowledge, this report does not contain any untrue statement of a material fact, or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial position, results of operations, and cash flows of the issuer as of, and for, the periods presented in this report.

I am responsible for establishing and maintaining disclosure controls and procedures for the issuer and have:

Designed such disclosure controls and procedures to ensure that material information relating to the issuer is made known to me, particularly during the period in which the periodic reports are being prepared;

Evaluated the effectiveness of the issuer's disclosure controls and procedures as of April 30, 2003; and

Presented in the report our conclusions about the effectiveness of the disclosure controls and procedures based on my evaluation as of the Evaluation Date;

I have disclosed, based on my most recent evaluation, to the issuer's auditors and the audit committee of the board of directors (or persons fulfilling the equivalent function):

All significant deficiencies in the design or operation of internal controls which could adversely affect the issuer's ability to record, process, summarize and report financial data and have identified for the issuer's auditors any material weaknesses in internal controls; and

Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal controls; and

I have indicated in the report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: October 23rd, 2003

/s/ Gilles Addison

Gilles Addison
President & CEO

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: October 23rd, 2003 GSI TECHNOLOGIES USA INC.

By: /s/ Gilles Addison

Gilles Addison
President and CEO