GSI TECHNOLOGIES USA INC /DE
Form 10QSB/A
November 10, 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 JANUARY 31, 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 Street, 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 February 28, 2003, there were 26,291,023 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 JANUARY 31, 2003

GSI TECHNOLOGIES USA, INC.
BALANCE SHEET
AT JANUARY 31ST, 2003
(UNAUDITED)

ASSETS

Current Assets	
Cash and cash equivalents	$ 179 505
Receivables - net	7 628
Total current assets	187 133

Property and equipment, net	103 964
Intangible assets, net	164 872
TOTAL ASSETS	455 970

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	
Accounts payable	93 579
Accrued financing costs	67 100
Accrued default penalty	50 000
Accrued legal settlement	12 896
Notes Payable	635 126
Investment proceeds liability	241 778
Other current liabilities	88 376
Total current liabilities	1 188 855
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 - 26,291,023	26 291
Paid in Capital	5 220 388
Accumulated deficit	(5 978 436)
Accumulated other comprehensive income	
Foreign currency translation	(1 128)
Total Shareholder's Equity (Deficit)	(732 885)
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 455 970

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 ENDED JANUARY 31st, 2003 AND 2002
(UNAUDITED)

	Three months ended January 31,	
	2003	2002
Revenues	$ -	$ 23 750
Cost of Sales	-	10 634

Gross Profit	-	13 116
Operating Expenses:		
Marketing	1 431	8 361
Salaries and related costs	11 201	38 996
Rent	9 000	37 723
Professional fees	9 635	6 572
Consulting	9 221	-
Software development	30 830	
Depreciation	1 080	973
Amortization	23 739	23 846
Other selling, general and administrative	31 702	28 104
Total operating expenses	127 839	144 574
Loss before other income (expense)	(127 839)	(131 458)
Other income (expense):		
Interest income (principally related party)		
Interest expense (principally related party)	(9 308)	(4 342)
Foreign exchange gain/(loss)		8 569
Equity in net earnings (loss) of affiliates	-	-
Total other income (expense)	(9 308)	4 227
Net Loss	(137 146)	(127 231)
Basic weighted average common shares outstanding	26 291 023	25 461 917
Basic and diluted Loss per common share	$ (0.01)	$ (0.00)

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 CASH FLOWS
FOR THE THREE MONTHS ENDED JANAURY 31st, 2003 AND 2002
(UNAUDITED)

	For the three months ended January 31,	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	$(137 146)	$(127 231)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	24 819	24 819

Issuance of stock for contract settlement	-	38 996
Accrued Interest Expense	-	4 060
Changes in Operating assets and liabilities:		
Receivables and other current assets	(7 628)	26 593
Accounts Payable and Accrued Liabilities	(47 933)	35 979
Net cash provided by/(used in) operating activities	(167 888)	3 215
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net cash provided by/(used in) investing activities		
Loan Receivable, principally related parties	-	(8 270)
Purchase of property and equipment	(41 743)	-
Net cash provided by/(used in) investing activities	(41 743)	(8 270)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from:		
Notes payable	290 980	-
Investment proceeds	98 155	-
Sales of common stock	-	-
Net cash provided by/(used in) financing activities	389 135	-
Effect of exchange rate changes on cash and cash eqivalents	-	-
Net increase (decrease) in cash and cash equivalents	179 505	(5 055)
Cash and cash equivalents, beginning of period	-	6 019
Cash and cash equivalents, end of period	$ 179 505	$ 964

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:
None
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)

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

		January 31, 2003
Property and Equipment:		
Furniture and fixture	$	38,934
Computer and other equipment		21,701
Leasehold improvements		53,543
Less: Accum depreciation & amortization		10,214
Property and equipment, net	$	103,964

NOTE 3 - DETAILS OF FINANCIAL STATEMENT COMPONENTS (CONTINUED):

Intangible Assets:	
License rights - (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).	$ 474,779
Accumulated amortization	(309,907)
	$ 164,872
Amortization expense for the period	23,739

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 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 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.

NOTE 5 - COMMITMENTS AND CONTIGENCIES

Investment agreements

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. At January 31, 2003, a total of $241,778 had been advanced to the Company.

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.

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. At January 31, 2003, the outstanding balance remained at $18,000.

NOTE 5 - COMMITMENTS AND CONTIGENCIES (CONTINUED):

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 have agreed to sign the settlement agreement related to this matter on February 27, 2003.

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.

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 $137,146 (unaudited) for the three months ended January 31, 2003 and a loss of $5,978,436 (unaudited) since inception. As reported on the statement of cash flows, the Company incurred negative cash flows from operating activities of $167,888 for the three months ended January 31, 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 three month period ending January 31, 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 $3,300 in legal fees from this firm in the three month period ending January 31, 2003 .

NOTE 9 - INCOME TAXES

The provision for taxes on earnings for the three months ended January 31, consist of:

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

At January 31, 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

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.

During the three month period ending January 31, 2003, no shares were issued by the Company.

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)	Janua 31, 20
1.Beginning of year - outstanding	
i. number of options/warrants	308
ii. weighted average exercise price	
2. End of year - outstanding	
i. number of options/warrants	308
ii. weighted average exercise price	
3. End of year - exercisable	
i. number of options/warrants	308
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

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) 3
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 lateststatement 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) 3

	Quarter ended January 31, 2003	Quarter ended January 31, 2002
Net Income after proforma effect	(137 146)	(127,231)
Earnings per share after proforma effect	$ (0.01)	$ 0.00

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 January 31, 2003, originally filed on March 24, 2003 (the "Original Filing"). This Amendment is being filed to amend the financial statement footnotes to address SEC comments and certain parts of Part II of the Original Filing to clarify certain disclosures and to include certain disclosures which were inadvertently omitted from 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 (GSI USA) specializes in offering broadcasting solutions principally for out home advertising,

such as electronic billboards, interactive advertising kiosks and any type of animated electronic screens with full video capabilities. GSI USA's software enable users to transmit pin point animated information contact as well as receive full motion video, graphics and audio files. GSI's software and concept allows advertisers to reach more consumers on a daily basis and permits its clients to measure the impact of their ads by interacting with the consumer.

RESULTS FROM OPERATIONS

3 months ending January 31, 2003 and 2002

During GSI's first quarter from November 1st,2002 to January 31st, 2003, GSI USA incurred a loss of $137,146 versus a loss of $127,231 in the same period in 2001.

REVENUES

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

COST OF REVENUES AND DIRECT OPERATING COSTS

According to the master license agreement with GSI Canada, GSI USA owns 60% of the price of any sub-license it sells to a new licensee. This amount is payable to GSI Canada by the end of the calendar quarter in which the sub-license is granted its sub-license. GSI USA has incurred zero in direct operating cost for the current quarter, versus 10,634 for the same quarter in the prior year.

OPERATING EXPENSES

During the three months ended January 31, 2003, GSI USA has incurred $127,839 in operating expenses versus 144,574 for the same period in 2001. The decrease was mainly attributable to lower rent due to relocation of our corporate office

LIQUIDITY AND CAPITAL RESOURCES

At January 31, 2003 GSI USA had $179,505 in cash. Cash used in operating activities during the three months ending January 31, 2003 was 167,888, 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 $41,743, which was for purchased of business equipment

Net Cash provided from financing activities during the period was 389,135.

The result of all activities during the three-month period ending January 31, 2002 was a net increase of $179,505 in our cash position.

MANAGEMENT DISCUSSION AND ANALYSIS

GSI USA TECHNOLOGY

GSI Technologies USA Inc. has entered into relationship with LTS Networks, a Corporation specialized in Network management and R&D software development. The Corporation has given LTS a mandate to develop an entirely new family of digital distribution products from the ground up. GSI USA over the past couple of years has acquired

experience in serving digital network operators through various pilot projects, therefore we believe our specifications will serve our customers more adequately. Furthermore, we currently anticipate offering the first phase of our products by the beginning of May 2003.

We have received significant interest from potential customers as well as building our relationship with a client, Clear Channel International. We believe we have made great strides in restructuring the Company and we have completed a large part of our rebuilding phase with the goal of offering our customers and shareholders a corporation with value based upon its own proprietary technology.

The markets' appetite for digital signage's solution has increased considerably and many media operators are seeking to find a management solution that will give them the best value for their investment.

Retail outlets and public facilities have begun to recognize the significance of their potential of reaching large numbers of viewers on a daily basis. They are beginning to realize that they can increase their own revenue base by offering information content about their services as well as generating revenues through recurring advertising revenues.

We believe our turn key solution has all the necessary tools to meet the new emerging needs of the industry.

We have initiated and are pursuing discussions with potential partners for new equity and strategic alliances. We anticipate results during the first half of 2003.

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. As of year-end, we have been informed that our client has succeeded in sign up over 100 locations and anticipates starting installation during March 2003. We have negotiated a 10 year licensing agreement starting when the Network begins its operations. Network management and content production contract are currently been negotiated.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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.

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 have agreed to sign the settlement agreement related to this matter on February 27, 2003.

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

Late filing 10-K : 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 are currently responding to comments from the NASD pursuant to the fling of our Form C2-11 in Fall 2002. We anticipate obtaining approval from regulatory authorities shortly.

On May 2002, GSI entered into a loan agreement with private party for a sum of $330,000.00 USD, at bearing interest of prime rate + 2%.

In Fall 2002, GSI completed a loan agreement with a private investment corporation for a bridge loan of $300,000.00 USD, which could become an equity investment by spring 2003, conditional to due diligence and approval of regulatory authorities. These funds were utilized to resolve pending issues with payables under governance of a law firm.

On December 2002, GSI entered into a loan agreement with private individual for an amount of $320,000.00 USD which could be converted into equity, subject to approval of regulatory authorities.

In end of December 2002, GSI entered into an agreement with LTS Networks to eventually participate in the share capital structure of the corporation. Subject to complete due diligence and standard accounting policies, we anticipate closing by end of next quarter.

As of February 7, 2003 Mr. Rene Arbic resigned from his position as Chief Executive Officer of GSI Technologies USA Inc. Our board directors is currently evaluating candidates for his replacement.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

The following exhibits are contained in this 10-QSB:

Exhibit 99.1

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 January 31st, 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

By: /s/ Gilles Addison

Gilles Addison
President and 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