



FOR IMMEDIATE RELEASE

## OSI Geospatial Inc Reports 2009 Third Quarter Results

October 15, 2009  
Ottawa, Canada

OSI Geospatial Inc (TSX: OSI) (“OSI” or the “Company”) today announced its financial results for the third quarter ending August 31, 2009 reported in Canadian dollars and in accordance with Canadian Generally Accepted Accounting Principles. OSI Geospatial Inc. delivers advanced marine navigation and command and control systems that provide *shared real-time situational awareness* for military and security applications

For the third quarter of 2009, OSI reported consolidated revenue of \$6.2 million, compared to the revenue reported in the third quarter of 2008 of \$6.3 million. For the nine months ending August 31, 2009, the company reported revenue of \$18.3 million compared to \$18.7 million reported in the same period of 2008.

The Company reported a net loss of \$293,000 before taxes and \$263,000 after taxes compared with a net loss of \$692,000 before taxes and \$683,000 after taxes in the third quarter of 2008. The net loss attributable to common shareholders was \$410,000 or \$0.01 per share, compared to the net loss of \$839,000 or \$0.02 per share in the same quarter of 2008. For the nine months ending August 31, 2009, the company reported a net loss of \$2.2 million before taxes and \$2.0 million after taxes compared to a \$2.8 million loss before taxes and \$2.4 after taxes in the same period of 2008.

As of August 31, 2009, the Company did not meet certain covenants as outlined in the credit facilities agreement with its Canadian bank. Subsequent to the third quarter, Company was notified that its line of credit limit would be reduced to \$1.35 million due to the Company’s failure to remedy the covenant breaches.

### Third Quarter Business Highlights

- Announced 10<sup>th</sup> new WECDIS customer with signing of the \$1.3 million Royal Netherlands Navy contract
- Secured first DC4S contract with Department of Homeland Security in the area of border patrol
- Signed first R&D contract with Canadian Department of National Defence
- Signed follow-on contract with US Navy to provide support force protection security exercises
- Signed first sub-contract with L-3 Global Security & Engineering Solutions (L3 GS & ES) to provide IVA services for U.S. national security exercises
- Successful completion of Increment 1 of U.S. Army GSS (Ground Soldier System, formerly GSE) program

“In the third quarter, we were successful in securing our 10<sup>th</sup> naval customer. The Dutch Navy win is further evidence of our expanding leadership position in the WECDIS market,” said Ken Kirkpatrick, president and CEO. “In addition, I am pleased to report that we have successfully completed Increment 1 for the Ground Soldier System project and recently signed the contract for Increment II of this important project.”



For further comment, please join our Conference Call scheduled for 5:00PM, Eastern Time. The details are listed below.

## **Conference Call**

OSI Geospatial will present the results of the 2009 third quarter at 5:00PM Eastern Time (2:00 PM Pacific Time), Thursday, October 15, 2009. To listen to the conference call live by telephone, dial +1-800-319-4610 for participants in North America or +1-604-638-5340 for Vancouver/Lower Mainland and international participants approximately ten minutes before the call is scheduled to begin. A telephone playback will be available beginning approximately one hour after the call. Dial +1-800-319-6413 for North American callers or +1-604-638-9010 for Vancouver and international callers. Enter access code 7826#. The telephone replay will be available for three months. For the live webcast, please go to <http://services.choruscall.com/links/osi091013.html>. A replay version of the webcast can be accessed for three months on the company's investor website at <http://www.osigeospatial.com/investors/default.htm>.

## **About OSI Geospatial**

OSI Geospatial Inc. delivers advanced marine navigation and command and control systems that provide *shared real-time situational awareness* for military, safety and security applications. Our products and services enable our customers to integrate and visualize live data with any combination of sensor data, imagery, maps and charts. This capability provides our customers with enhanced operational performance, safety and security through shared *real-time situational awareness*. OSI Geospatial systems and software are in use by military, government and commercial customers around the world. The company is publicly traded on the Toronto Stock Exchange as OSI. For additional information please visit [www.osigeospatial.com](http://www.osigeospatial.com)

## **Forward-Looking Statements**

This press release contains forward-looking statements and information which reflect the current view of OSI Geospatial Inc ("OSI") with respect to future events and financial performance. Any such forward-looking statements are subject to risks and uncertainties and OSI's actual results of operations could differ materially from historical results or current expectations. Additional information on these and other potential factors that could affect OSI's financial results are detailed in disclosure documents filed from time to time with the applicable Canadian securities regulatory authorities. The Toronto Stock Exchange has neither approved nor disapproved the form or content of this release.

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**OSI Geospatial Inc.**

## Consolidated Balance Sheets (unaudited)

In thousands of Canadian dollars	August 31, 2009	November 30, 2008
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 528	\$ -
Accounts receivable and unbilled revenue	6,986	11,183
Inventory	1,367	1,407
Prepaid expenses and deposits	417	388
Income taxes recoverable	71	-
Current portion of future income tax asset	385	338
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	9,754	13,316
<b>Deferred development costs</b>	615	437
<b>Future income tax asset</b>	765	823
<b>Equipment and furnishings</b>	1,557	1,735
<b>Intangible and other assets</b>	509	732
<b>Goodwill</b>	9,030	10,269
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	\$ 22,230	\$ 27,312
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank indebtedness	\$ 1,312	\$ 2,015
Accounts payable and accrued liabilities	3,734	4,519
Income taxes payable	-	9
Unearned revenue	521	256
Current portion of deferred rent	41	41
Current portion of capital lease obligations	84	88
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	5,692	6,928
<b>Deferred rent</b>	270	347
<b>Capital lease obligations</b>	62	156
<b>Unearned revenue</b>	206	290
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	6,230	7,721
<b>Shareholders' Equity</b>		
Issued and outstanding		
Class A, Series A preference shares	30	30
Class B, Series 2 preference shares	5,383	5,731
Common shares	29,862	29,748
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	35,275	35,509
<b>Warrants</b>	4,545	4,898
<b>Contributed surplus</b>	3,319	2,674
<b>Accumulated deficit</b>	(26,125)	(24,121)
<b>Accumulated other comprehensive (loss) income</b>	(1,014)	631
	<hr/>	<hr/>
	16,000	19,591
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	\$ 22,230	\$ 27,312



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Consolidated Statements of Loss and Deficit (unaudited)

In thousands of Canadian dollars, except share related data	Three months ended August 31,		Nine months ended August 31,	
	2009	2008	2009	2008
<b>Revenue</b>				
Marine systems	\$ 2,003	\$ 3,176	\$ 6,642	\$ 8,015
Land and air systems	2,890	2,209	8,602	7,501
Mapping	1,319	942	3,008	3,200
	<u>6,212</u>	<u>6,327</u>	<u>18,252</u>	<u>18,716</u>
<b>Cost of sales</b>	<u>3,850</u>	<u>4,081</u>	<u>12,236</u>	<u>12,263</u>
<b>Gross profit</b>	<u>2,362</u>	<u>2,246</u>	<u>6,016</u>	<u>6,453</u>
<b>Expenses (income)</b>				
General and administrative	1,379	1,415	4,164	4,364
Sales and marketing	867	909	2,494	3,012
Engineering	175	300	813	874
Amortization	106	113	329	378
Interest expense	23	32	74	87
Interest income	-	(4)	(3)	(8)
Foreign exchange loss (gain)	1	35	(15)	88
Loss on disposal of intangible and other assets	-	-	-	28
Technology Partnerships Canada royalty	104	138	313	384
	<u>2,655</u>	<u>2,938</u>	<u>8,169</u>	<u>9,207</u>
<b>Net loss before income taxes</b>	<u>(293)</u>	<u>(692)</u>	<u>(2,153)</u>	<u>(2,754)</u>
Future income tax recovery	(11)	-	(151)	(38)
Current income tax recovery	(19)	(9)	(4)	(318)
<b>Income tax recovery</b>	<u>(30)</u>	<u>(9)</u>	<u>(155)</u>	<u>(356)</u>
<b>Net loss</b>	<u>\$ (263)</u>	<u>(683)</u>	<u>\$ (1,998)</u>	<u>\$ (2,398)</u>
Accumulated deficit, beginning of period	\$ (25,859)	\$ (24,506)	\$ (24,121)	\$ (22,420)
Dividends on Class B, Series 2 preference shares	(3)	-	(6)	(332)
Tax expense on dividends	-	39	-	-
<b>Accumulated deficit, end of period</b>	<u>\$ (26,125)</u>	<u>\$ (25,150)</u>	<u>\$ (26,125)</u>	<u>\$ (25,150)</u>
<b>Net loss attributable to common shareholders</b>	<u>\$ (410)</u>	<u>\$ (839)</u>	<u>(2,455)</u>	<u>\$ (2,867)</u>
<b>Loss per share - basic and diluted</b>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.05)</u>	<u>\$ (0.06)</u>
<b>Weighted average number of common shares outstanding</b> – basic and diluted	47,416,118	46,956,439	47,129,032	46,956,439



**OSI Geospatial Inc.**

Consolidated Statements of Cash Flows (unaudited)

In thousands of Canadian dollars	Three months ended August 31,		Nine months ended August 31,	
	2009	2008	2009	2008
<b>Cash flows from (used in) operating activities</b>				
Net loss for the period	\$ (263)	\$ (683)	\$ (1,998)	\$ (2,398)
Items not affecting cash				
Amortization	157	167	477	536
Loss on disposal of equipment and furnishings	-	-	-	28
Stock-based compensation	10	24	58	34
Future income tax recovery	(11)	-	(151)	(38)
	(107)	(492)	(1,614)	(1,838)
Changes in non-cash working capital items				
Accounts receivable	(634)	325	3,746	3,986
Inventory	(276)	369	37	114
Prepaid expenses and deposits	126	129	(61)	3
Accounts payable and accrued liabilities	16	(582)	(606)	(1,630)
Income taxes payable	6	(37)	(85)	(343)
Deferred rent	(11)	(10)	(31)	(32)
Unearned revenue	350	519	182	224
	(423)	713	3,182	2,322
	(530)	221	1,568	484
<b>Cash flows used in investing activities</b>				
Deferred development costs	(143)	(140)	(196)	(386)
Additions to equipment and furnishings	(47)	(45)	(141)	(151)
Additions to intangible and other assets	(3)	(2)	(19)	(97)
	(193)	(187)	(356)	(634)
<b>Cash flows from (used in) financing activities</b>				
Advances from (repayment of) operating line of credit	762	(37)	(647)	463
Repayment of capital lease obligations	(41)	(17)	(76)	(31)
Class B preference share dividends declared and paid	(3)	-	(6)	(332)
Tax on dividends	-	39	-	-
	718	(15)	(729)	100
<b>Effect of foreign exchange on cash balances</b>	20	(19)	45	50
<b>Change in cash</b>	15	-	528	-
<b>Cash – beginning of period</b>	513	-	-	-
<b>Cash – end of period</b>	\$ 528	\$ -	\$ 528	\$ -