



FOR IMMEDIATE RELEASE

## OSI Geospatial Reports 2006 Fourth Quarter and Full Year Results

February 21, 2007  
Vancouver, Canada

OSI Geospatial Inc. (TSX: OSI; OTCBB: OSIIF) announced today its financial results for the fourth quarter and year ended November 30, 2006. All amounts are reported in U.S. dollars and in accordance with U.S. GAAP.

For the fourth quarter of 2006, OSI Geospatial reported revenue of \$10.0 million, up from \$5.1 million for the same quarter in 2005. The increase of \$4.9 million includes approximately \$2.4 million in marine systems revenue driven by the timing of new contract awards and the delivery schedule of existing contracts and approximately \$2.5 million in land and air systems revenue gained through the company's U.S. systems operations.

The significant revenue growth for 2006 was due to the company's U.S. systems acquisition, and an increase in the marine and mapping business revenue. Consolidated revenue was \$24.1 million compared to \$11.1 million in 2005, an increase of 117%. The increase of \$13 million includes \$8.8 million in land and air systems revenue, \$3.1 million in marine systems revenue, and \$1.1 million in mapping revenue.

For the fourth quarter of 2006, the company reported net earnings of \$2.7 million compared to net loss of \$872,000 for the same quarter in 2005. For the full year of 2006, the net earnings of \$693,000 compares to the net loss of \$2.7 million for 2005. The increase in net earnings for the fourth quarter and for the full year of 2006 was largely attributable to the increase of marine systems revenue and the inclusion of revenue from the company's U.S. systems acquisition.

For the fourth quarter of 2006, the net income attributable to common shareholders was \$2.2 million or \$0.07 per share compared to the net loss of \$2.6 million or \$0.09 per share in 2005. For the full year of 2006, the net loss attributable to common shareholders was \$825,000 or \$0.03 per share compared to the net loss available to common shareholders of \$9.4 million or \$0.34 per share in the prior year.

### 2006 Achievements

"2006 was a breakthrough year for OSI," said Ken Kirkpatrick, president and CEO of OSI Geospatial. "We closed more than \$56 million in new business, generated \$24.1 million in revenue, returned the business to profitability, expanded our customer base, developed new markets and penetrated the U.S. and U.K. defense markets like never before."

The company reiterates that it has met all of its 2006 strategic objectives, including:

- Achieving revenue in the range of \$24 million to \$26 million;
- Demonstrating U.S. market penetration by winning a significant U.S. Navy contract;
- Demonstrating market development in the company's existing customer base by securing a significant prime contract from the British Royal Navy;
- Expanding the company's customer base by securing one new customer in each of the three defense domains: air, land, and sea;



- Accelerating U.S. and international market penetration by signing a teaming agreement with a top-tier defense contractor; and
- Diversifying into new market sectors by leveraging the company's core navigation technology in the development of new products.

## **2007 Strategic Objectives**

"The development of the U.S and U.K. defense and national security markets remains a high priority for us in 2007. These markets are critical to our growth strategy and we are well positioned for success in both of these markets," continued Mr. Kirkpatrick. "We are focused on the execution of our growth strategy, and we will achieve all of our strategic objectives established for 2007."

As previously announced, the company has outlined the following strategic objective for the fiscal year ending November 30, 2007:

1. Achieve revenue in the range of US\$28 million to US\$32 million, with positive net earnings;
2. Secure a significant U.S. Department of Defense and U.K. Ministry of Defence prime contract;
3. Continue to expand the company's customer base by securing new customers in each of the three defense domains: air, land, and sea;
4. Continue to diversify into new market sectors by leveraging the company's core technology in the development of new products; and
5. Establish the company as a creditable supplier in the global national security / homeland defense market.

## **Conference Call**

OSI Geospatial will present the results from the 2006 fourth quarter and full year at 4:30 p.m. Eastern Time (1:30 p.m. Pacific Time), February 21, 2007. The conference call can be accessed on the company's investor site at [www.osigeospatial.com](http://www.osigeospatial.com). To listen to the conference call live by telephone, dial +1-800-319-4610 for participants in North America and +1-604-638-5340 for Vancouver area and international participants approximately ten minutes before the start time. A telephone playback will be available for seven business days, beginning approximately one hour after the call. To listen to the replay, North American callers please dial +1-800-319-6413 and international callers please dial +1-604-638-9010. Enter access code 6539.

## **About OSI Geospatial**

OSI Geospatial Inc. delivers advanced systems and software to address the growing need for enhanced situational awareness in command, control, communications, and intelligence applications. By providing essential tactical and geospatial information, the company's systems and software help decision-makers know the precise location of mission operations across all military forces while integrating information with allies. OSI Geospatial systems are in use by military, government, and commercial customers around the world. The company is publicly traded on the Toronto Stock Exchange (OSI) and the Over the Counter Bulletin Board (OSIIF). For additional information please visit [www.osigeospatial.com](http://www.osigeospatial.com).

## **Forward-Looking Statements**

Certain statements made in this news release that are not based on historical information (including those in the section entitled "Outlook") are forward-looking statements which are made pursuant to the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934 and Section 138.4(9) of the Ontario Securities Act. These forward-looking statements are subject to risks and uncertainties. Actual results may differ from these projections. The risks associated with the Company's business include risks related to its reliance on international government contracts; the number of large customer transactions and the related lengthy sales cycles in executing those opportunities; uncertainties



associated with competitive bidding processes and contract negotiations; actions by government authorities; the effects of general economic and political conditions; changing foreign exchange rates; and challenges related to the company's ability to introduce, develop and implement new products and enhancements to existing products that respond to customer requirements in a changing, complex, technological market. A complete discussion of the company's risk factors is presented in the company's most recent annual reports, filed with the United States Securities and Exchange Commission ("SEC") and the Canadian Securities Administrators ("CSA"), as well as other periodic reports filed with the SEC and the CSA. The Company does not undertake any obligation to update the forward-looking statements.

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**OSI Geospatial Inc.**  
Consolidated Balance Sheets (Unaudited) (US GAAP)  
As at November 30, 2006 and 2005

In thousands of U.S. dollars

	2006	2005
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ -	\$ 8,222
Restricted cash	-	190
Accounts receivable	12,707	9,419
Income taxes recoverable	28	-
Inventory	1,063	938
Prepaid expenses and deposits	535	532
	<hr/> 14,333	<hr/> 19,301
<b>Plant and equipment</b>	1,089	869
<b>Intangible and other assets</b>	794	626
<b>Goodwill</b>	8,129	406
	<hr/> \$ 24,345	<hr/> \$ 21,202
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank indebtedness	\$ 904	\$ -
Accounts payable and accrued liabilities	4,887	3,360
Income taxes payable	86	242
Unearned revenue	667	454
	<hr/> 6,544	<hr/> 4,056
<b>Deferred income taxes</b>	20	201
	<hr/> 6,564	<hr/> 4,257
<b>Stockholders' Equity</b>		
Issued and outstanding		
30,262 Class A Series A preference shares (2005 – 30,262)	19	19
279,840 Class B, Series 2 preference shares (2005 – 341,240)	8,696	9,624
35,137,046 common shares (2005 – 30,367,309)	18,222	15,274
	<hr/> 26,937	<hr/> 24,917
<b>Warrants</b>	4,286	4,286
<b>Additional paid in capital</b>	3,357	3,852
<b>Accumulated deficit</b>	(19,226)	(18,401)
<b>Accumulated other comprehensive income</b>	2,427	2,291
	<hr/> 17,781	<hr/> 16,945
	<hr/> \$ 24,345	<hr/> \$ 21,202



**OSI Geospatial Inc.**  
Consolidated Statements of Earnings (Loss) (Unaudited) (U.S. GAAP)  
For the years ended November 30, 2006, 2005 and 2004

In thousands of U.S. dollars, except share related data	2006	2005	2004
<b>Revenue</b>			
Marine Systems	\$ 11,274	\$ 8,181	\$ 8,090
Land and air systems	8,761	-	-
Mapping	4,102	2,945	2,321
	24,137	11,126	10,411
<b>Cost of sales</b>			
	13,162	5,696	4,393
<b>Gross profit</b>			
	10,975	5,430	6,018
<b>Expenses</b>			
General and administrative	6,034	3,923	2,531
Engineering	1,783	1,670	1,611
Sales and marketing	2,527	2,354	2,421
Depreciation and amortization	510	245	177
Interest expense	21	23	2
Interest income	(37)	(156)	(22)
Foreign exchange loss (gain)	(233)	90	(35)
Loss on sale of plant and equipment	2	4	-
Technology Partnerships Canada royalty	493	243	99
Technology Partnerships Canada contribution	(760)	(1,090)	(1,112)
	10,340	7,306	5,672
<b>Net earnings (loss) before income taxes</b>			
	635	(1,876)	346
Deferred income tax expense (recovery)	(265)	726	(491)
Current income tax expense	207	147	534
<b>Income tax expense (recovery)</b>			
	(58)	873	43
<b>Net earnings (loss)</b>			
	\$ 693	\$ (2,749)	\$ 303
<b>Net loss attributable to common shareholders</b>			
	\$ (825)	\$ (9,400)	\$ (14)
<b>Loss per share</b>			
Basic	\$ (0.03)	\$ (0.34)	\$ (0.00)
Diluted	\$ (0.05)	\$ (0.34)	\$ (0.00)
<b>Weighted average number of common shares outstanding</b>			
Basic	32,381,992	27,989,832	27,147,246
Diluted	48,843,160	27,989,832	29,856,412



**OSI Geospatial Inc.**  
Consolidated Statements of Cash Flows (Unaudited) (U.S. GAAP)  
For the years ended November 30, 2006, 2005 and 2004

In thousands of U.S. dollars	2006	2005	2004
<b>Cash flows from (used) in operating activities</b>			
Net earnings (loss) for the year	\$ 693	\$ (2,749)	\$ 303
Items not affecting cash			
Depreciation and amortization	763	404	278
Loss on disposal of equipment	2	3	-
Stock-based compensation	104	242	4
Deferred income taxes	(319)	764	43
	<u>1,243</u>	<u>(1,336)</u>	<u>628</u>
Changes in non-cash working capital items			
Accounts receivable	(1,995)	(1,222)	(3,684)
Inventory	(109)	(363)	33
Prepaid expenses and deposits	185	(362)	216
Accounts payable and accrued liabilities	809	1,079	247
Income taxes payable	(173)	131	(10)
Unearned revenue	197	356	27
	<u>(1,086)</u>	<u>(381)</u>	<u>(3,171)</u>
	<u>157</u>	<u>(1,717)</u>	<u>(2,543)</u>
<b>Cash flows used in investing activities</b>			
Purchase of CHI Systems Inc., net of cash acquired	(8,146)	-	-
Purchase of Mapcon Mapping Consultants Inc., net of cash acquired	-	(973)	-
Decrease (increase) in restricted cash	189	(189)	-
Additions to plant and equipment	(290)	(70)	(110)
Additions to intangibles and other assets	(237)	(216)	(158)
	<u>(8,484)</u>	<u>(1,448)</u>	<u>(268)</u>
<b>Cash flows from (used in) financing activities</b>			
Advances from operating line of credit	904	-	-
Issue of common shares	60	7	307
Issue of Class B Series 2 preference shares and warrants, net of issue costs	-	13,756	-
Class B preference share issue costs	6	-	(15)
Repurchase of Class B Series 1 preference shares	-	(2,281)	-
Class B preference shares dividends declared and paid	(1,014)	(753)	(205)
	<u>(44)</u>	<u>10,729</u>	<u>87</u>
<b>Translation adjustment</b>	<u>149</u>	<u>446</u>	<u>(13)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<u>(8,222)</u>	<u>8,010</u>	<u>(2,737)</u>
<b>Cash and cash equivalents – beginning of year</b>	<u>8,222</u>	<u>212</u>	<u>2,949</u>
<b>Cash and cash equivalents – end of year</b>	<u>\$ -</u>	<u>\$ 8,222</u>	<u>\$ 212</u>