



FOR IMMEDIATE RELEASE

OSI Geospatial Reports 2007 Second Quarter Results

July 12, 2007

Vancouver, Canada

OSI Geospatial Inc. (TSX: OSI; OTCBB: OSIIF) announced today its financial results for the second quarter ended May 31, 2007. All amounts are reported in U.S. dollars and in accordance with U.S. GAAP.

For the second quarter of 2007, OSI Geospatial reported revenue of \$6.1 million, similar to the revenue reported in the second quarter of 2006. This includes approximately \$2.5 million in marine systems revenue compared to \$2.4 million in the second quarter of 2006, approximately \$2.3 million in land and air systems revenue compared to \$2.4 million in the second quarter of 2006 and approximately \$1.3 million in mapping revenue, similar to the second quarter of 2006.

For the second quarter of 2007, the company reported a net loss before taxes of \$446,000 and a net loss after taxes of \$480,000 compared to earnings before taxes of \$94,000 and a net loss after taxes of \$2,000 for the same quarter in 2006. The increased net loss is primarily due to the completion of Technology Partnership Canada program, the addition of planned sales and marketing resources and the strengthening of the Canadian dollar against foreign currencies.

For the second quarter of 2007, the net loss attributable to common shareholders was \$1.0 million or \$0.03 per share compared to the net loss of \$715,000 or \$0.02 per share in 2006.

"We have seen significant progress in our major markets despite unavoidable delays in closing contracts," said Ken Kirkpatrick, president and CEO of OSI Geospatial. "We are continuing to pursue exciting opportunities in the U.S. and U.K. defense markets, and we have made significant progress in developing the National Security market."

Second Quarter Highlights

- Signed contract to provide navigation systems for a U.S. Navy new build program
- Signed U.S. Army contracts valued at \$2.0 million
- Signed U.K. Navy contracts valued at \$1.8 million
- Signed contract to develop frontline medical decision making technology for the U.S. Navy
- Signed new mapping business valued at \$2.0 million
- Signed follow on land and air contracts with existing customers worth approximately \$1.4 million
- Signed follow on marine contracts with existing customer worth approximately \$1.1 million

Outlook

"Since the quarter's end, we launched our new U.S. Layered Security Solutions business unit and signed a \$2.1 million contract to provide critical infrastructure protection vulnerability assessments for the U.S. Department of Homeland Security. This is our first DHS contract, and we are confident that this will lead to significant additional business for our company," continued Mr. Kirkpatrick. "There are many significant opportunities that lay ahead in all of our markets, and I am excited and encouraged by the possibilities for the remainder of the year."



The company reiterates that it expects to meet all of its goals for 2007. OSI outlined the following goals for the fiscal year ending November 30, 2007 and is pleased to report the following progress:

1. Achieve revenue in the range of \$28 million to \$32 million for fiscal 2007:
 - Reported revenue of \$9.7 million for the first half of fiscal 2007 and on track to meet goal
 - Fiscal year to date, signed contracts worth more than \$18 million
 - Fiscal year to date, awarded additional contracts worth approximately \$23 million that the company expects to sign by the end of the year
2. Secure a significant U.S. Department of Defense and U.K. Ministry of Defence prime contract:
 - Several opportunities under development and on track to meet goal
3. Continue to expand the company's customer base by securing new customers in each of the three defense domains: air, land, and sea:
 - Secured U.S. Department of Homeland Security as a new customer
4. Continue to diversify into new market sectors by leveraging the company's core technology in the development of new products:
 - Developing a handheld device for frontline medical personal in the U.S.
5. Establish the company as a creditable supplier in the global national security / homeland defense market:
 - Launched Layered Security Solutions business unit and signed a \$2.1 million contract to provide services to the U.S. Department of Homeland Security

Conference Call

OSI Geospatial will present the results from the 2007 second quarter at 4:30 p.m. Eastern Time (1:30 p.m. Pacific Time), July 12, 2007. The conference call can be accessed on the company's investor site at 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 8337.

About OSI Geospatial

OSI Geospatial Inc. delivers advanced geospatial systems and software that enable *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 (OSI) and the Over the Counter Bulletin Board (OSIIF). For additional information please visit 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)

In thousands of U.S. dollars

May 31, 2007 November 30, 2006

Assets**Current assets**

Accounts receivable	\$ 7,701	\$ 12,707
Income taxes recoverable	158	28
Inventory	1,414	1,063
Prepaid expenses and deposits	647	535

9,920	14,333
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Deferred tax asset

29	-
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Plant and equipment

1,109	1,089
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Intangible and other assets

748	794
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Goodwill

8,330	8,129
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\$ 20,136	\$ 24,345
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Liabilities**Current liabilities**

Bank indebtedness	\$ 544	\$ 904
Accounts payable and accrued liabilities	3,223	4,887
Dividend payable	382	-
Income taxes payable	-	86
Unearned revenue	506	667

4,655	6,544
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Deferred tax liability

-	20
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4,655	6,564
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Stockholders' Equity

Issued and outstanding

30,262 Class A Series A preference shares (November 30, 2006 – 30,262)	19	19
200,770 Class B, Series 2 preference shares (November 30, 2006 – 279,840)	6,886	8,696
40,088,221 common shares (November 30, 2006 – 35,137,046)	21,510	18,222

28,415	26,937
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Warrants

4,286	4,286
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Additional paid in capital

2,669	3,357
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Accumulated deficit

(22,480)	(19,226)
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Accumulated other comprehensive income

2,591	2,427
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15,481	17,781
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\$ 20,136	\$ 24,345
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OSI Geospatial Inc.
Consolidated Statements of Loss (Unaudited) (U.S. GAAP)

In thousands of U.S. dollars, except share related data	Three months ended May 31,		Six months ended May 31,	
	2007	2006	2007	2006
Revenue				
Marine systems	\$ 2,504	\$ 2,436	\$ 3,204	\$ 3,718
Land and air systems	2,259	2,370	4,607	4,221
Mapping	1,375	1,334	1,898	1,863
	<u>6,138</u>	<u>6,140</u>	<u>9,709</u>	<u>9,802</u>
Cost of sales	<u>3,683</u>	<u>3,545</u>	<u>6,585</u>	<u>6,014</u>
Gross profit	<u>2,455</u>	<u>2,595</u>	<u>3,124</u>	<u>3,788</u>
Expenses				
General and administrative	1,476	1,514	2,798	2,860
Engineering	389	450	870	993
Sales and marketing	791	606	1,496	1,158
Depreciation and amortization	34	138	145	270
Interest expense	5	6	27	12
Interest income	(8)	(7)	(8)	(20)
Foreign exchange loss (gain)	107	(21)	22	-
Technology Partnerships Canada royalty	107	108	137	165
Technology Partnerships Canada contribution	-	(293)	-	(504)
	<u>2,901</u>	<u>2,501</u>	<u>5,487</u>	<u>4,934</u>
Net earnings (loss) before income taxes	<u>(446)</u>	<u>94</u>	<u>(2,363)</u>	<u>(1,146)</u>
Deferred income tax expense (recovery)	59	(23)	73	(8)
Current income tax expense (recovery)	(25)	119	66	94
Income tax expense	<u>34</u>	<u>96</u>	<u>139</u>	<u>86</u>
Net loss	<u>\$ (480)</u>	<u>\$ (2)</u>	<u>\$ (2,502)</u>	<u>\$ (1,232)</u>
Net loss available to common shareholders	<u>\$ (1,024)</u>	<u>\$ (715)</u>	<u>\$ (3,219)</u>	<u>\$ (2,121)</u>
Loss per share - basic and diluted	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>	<u>\$ (0.08)</u>	<u>\$ (0.07)</u>
Weighted average number of common shares outstanding – basic and diluted	39,251,264	32,301,357	38,248,619	31,790,928



OSI Geospatial Inc.
Consolidated Statements of Cash Flows (Unaudited) (U.S. GAAP)

In thousands of U.S. dollars	Three Months ended May 31,		Six months ended May 31,	
	2007	2006	2007	2006
Cash flows from operating activities				
Net loss for the period	\$ (480)	\$ (2)	\$ (2,502)	\$ (1,232)
Items not affecting cash				
Depreciation and amortization	84	201	248	389
Stock-based compensation	87	79	139	104
Deferred income taxes	59	2	73	(8)
	(250)	280	(2,042)	(747)
Changes in non-cash working capital items				
Accounts receivable	551	(2)	5,148	3,636
Inventory	7	(16)	(251)	(110)
Prepaid expenses and deposits	383	33	(39)	92
Accounts payable and accrued liabilities	(464)	631	(1,748)	(1,148)
Dividends payable	382	-	382	-
Income taxes payable	(62)	(31)	(249)	(171)
Unearned revenue	(146)	126	(273)	378
	661	741	2,970	2,677
	411	1,021	928	1,930
Cash flows used in investing activities				
Purchase of CHI Systems Inc., net of cash acquired (note 4b)	-	(240)	-	(8,123)
Purchase of Liddy International Inc.	(25)	-	(25)	-
Decrease (increase) in marketable securities	-	99	-	(160)
Decrease in restricted cash	-	(60)	-	130
Additions to plant and equipment	(57)	(39)	(84)	(87)
Additions to intangibles and other assets	(39)	(53)	(61)	(93)
	(121)	(293)	(170)	(8,333)
Cash flows used in financing activities				
Advances from (payments to) operating line of credit	121	-	(356)	-
Issue of common shares	-	6	-	6
Class B preference share dividends	(382)	(526)	(382)	(526)
	(261)	(520)	(738)	(520)
Effect of foreign exchange on cash and cash equivalents	(29)	62	(20)	120
Increase (decrease) in cash and cash equivalents	-	270	-	(6,803)
Cash and cash equivalents – beginning of period	-	1,149	-	8,222
Cash and cash equivalents – end of period	\$ -	\$ 1,419	\$ -	\$ 1,419