



FOR IMMEDIATE RELEASE

OSI Geospatial Reports 2007 Third Quarter Results

October 15, 2007
Ottawa, Canada

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

For the third quarter of 2007, OSI Geospatial Inc. reported revenue of \$7.3 million, a 70% increase from the \$4.3 million reported for the third quarter in 2006. Marine systems revenue was \$3.1 million, a 152% increase from the \$1.2 million reported in the third quarter of 2006. Land and air systems revenue was \$2.6 million compared with \$2.0 million in the third quarter of 2006, an increase of 30%. Mapping revenue was \$1.6 million compared to \$1.1 million in the third quarter of 2006, an increase of 51%.

For the third quarter of 2007, the company reported net earnings of \$332,000, before taxes and \$279,000 after taxes compared with a net loss of \$913,000 before taxes and a net loss of \$709,000 after taxes in the third quarter of 2006. For the third quarter of 2007, the net earnings attributable to common shareholders was \$109,000 or \$nil per share, compared to the net loss of \$972,000 or \$0.03 per share in 2006.

The Company has determined that it is in the best interests of investors to report its financial results in accordance with Canadian generally accepted accounting principles. The Company looks forward to reporting under International Financial Reporting Standards (IFRS) as Canadian accounting and regulatory authorities have laid out a clear path to convergence with IFRS by 2011.

“This quarter, we have seen significant progress with our major customers, including the U.S. Army, the U.S. Coast Guard, the U.S. Department of Homeland Security, and the Australian Navy. We are especially pleased to have renewed our relationship with the U.S. Coast Guard, secured our first project with the U.S. Department of Homeland Security and successfully closed a financing to support our plans to aggressively enter the national security market,” said Ken Kirkpatrick, president and CEO of OSI Geospatial.

Third Quarter Highlights

- Signed contracts with the U.S. Army totaling approximately \$2.9 million.
- Launched a new business unit, Layered Security Solutions, to provide integrated vulnerability assessments, technology and operational solutions for the critical infrastructure protection markets.



- Signed a contract valued at approximately \$2.1 million to provide the U.S. Department of Homeland Security with critical infrastructure vulnerability assessments.
- Signed a contract valued at approximately \$1.3 million to provide the U.S. Coast Guard with ECPINS® navigation systems.
- Closed a private placement with Clarus Securities Inc. resulting in gross proceeds of CDN \$3,614,000 to be used to support the development of the Company's Layered Security Solutions business unit and other growth initiatives.
- Signed a contract valued at approximately \$2.0 million to provide the Australian Navy with submarine navigation systems.

Outlook; Reaching Our Objectives for 2007

"Since the end of the third quarter, we have further expanded the development of the U.S. Navy small boat market and successfully closed our second contract this year. In addition, we have secured our second project for our new Layered Security Solutions division to provide port security vulnerability assessment services for a major U.S. port", said Mr. Kirkpatrick. "We are optimistic about the significant opportunities in the U.S. Navy small boat and U.S. Department of Homeland Security markets."

"We expect to show solid revenue growth in the fourth quarter and are forecasting approximately \$9 million in revenue and continued quarterly profitability. Due to the delay of closing specific contracts, we will unfortunately generate a loss for the fiscal year. We expect the first quarter of 2008 to show significant improvements over the same quarter in 2007. Our customers' priorities and schedules continue to influence our results," continued Mr. Kirkpatrick. "The lengthy and complex contracting processes have delayed the signing of awarded contracts and customers' operational requirements have delayed the delivery and installation of our products."

The company established the following goals for the fiscal year ending November 30, 2007 and reports the following progress:

1. Achieve revenue in the range of \$28 million to \$32 million for fiscal 2007 and be profitable
 - Reported revenue of \$17.1 million for the first nine months of 2007
 - Signed contracts worth close to \$25 million year to date in 2007
 - Awarded contracts worth more than \$19 million year to date in 2007
 - Forecasting revenue of approximately \$26 million, due to delays in closing awarded contracts and customer delivery schedules
 - Continued profitability in the fourth quarter, but expect to generate a loss for the fiscal year due to delays in closing specific contracts
2. Secure a significant U.S. Department of Defense and U.K. Ministry of Defence prime contract;
 - Several opportunities under development, but lengthy and complicated government procurement processes are creating delays
3. Continue to expand the company's customer base by securing new customers in each of the three defense domains: air, land, and sea. New customers include;



- U.S. Department of Homeland Security
 - U.S. Navy Naval Expeditionary Combat Command
 - U.S. Marine Corps Training Systems
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.
 - Developing a small boat asset control and tracking system (ACT) for maritime interdiction operations (MIOPS)
 - Developing a digital maritime operations plot system (DMOPS) for advanced submarine navigation operations
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 \$2.1M contract to provide services to the U.S. Department of Homeland Security
 - Awarded a contract valued at approx. \$1.2 million to conduct a port vulnerability assessment for a major port in the United States

Conference Call

OSI Geospatial will present the results from the 2007 third quarter at 4:30 PM Eastern Time (1:30 PM Pacific Time), Monday, October 15, 2007. 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 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 8337. A live and replay version of the webcast can be accessed on the company's investor website at www.osigeospatial.com.

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 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 Statements of Operations

In thousands of U.S. dollars, except share related data	Three months ended August 31,		Nine months ended August 31,	
	2007	2006	2007	2006
Revenue				
Marine systems	\$ 3,124	\$ 1,240	\$ 6,267	\$ 4,958
Land and air systems	2,627	2,022	7,294	6,244
Mapping	1,591	1,054	3,489	2,917
	<u>7,342</u>	<u>4,316</u>	<u>17,050</u>	<u>14,119</u>
Cost of sales	<u>4,294</u>	<u>2,913</u>	<u>10,878</u>	<u>8,927</u>
Gross profit	<u>3,048</u>	<u>1,403</u>	<u>6,172</u>	<u>5,192</u>
Expenses				
General and administrative	1,451	1,460	4,249	4,320
Engineering	231	389	1,101	1,382
Sales and marketing	755	510	2,252	1,668
Depreciation and amortization	75	142	220	412
Interest expense	22	3	48	15
Interest income	-	-	(7)	(20)
Foreign exchange loss (gain)	43	(18)	65	(18)
Loss on sale of fixed assets	-	2	-	2
Technology Partnerships Canada royalty	139	55	276	220
Technology Partnerships Canada contribution	-	(227)	-	(731)
	<u>2,716</u>	<u>2,316</u>	<u>8,204</u>	<u>7,250</u>
Net earnings (loss) before income taxes	<u>332</u>	<u>(913)</u>	<u>(2,032)</u>	<u>(2,058)</u>
Future income tax recovery	(10)	(117)	(59)	(140)
Current income tax expense (recovery)	63	(87)	103	(65)
Income tax expense	<u>53</u>	<u>(204)</u>	<u>44</u>	<u>(205)</u>
Net earnings (loss)	<u>\$ 279</u>	<u>\$ (709)</u>	<u>\$ (2,076)</u>	<u>\$ (1,853)</u>
Net earnings (loss) available to common shareholders	<u>\$ 109</u>	<u>\$ (972)</u>	<u>\$ (2,628)</u>	<u>\$ (2,642)</u>
Earnings (loss) per share - basic and diluted	\$ 0.00	\$ (0.03)	\$ (0.07)	\$ (0.08)
Weighted average number of common shares outstanding – basic and diluted	42,377,958	32,891,635	39,635,112	32,160,508



OSI Geospatial Inc.

Consolidated Statements of Cash Flows

In thousands of U.S. dollars	Three Months ended August 31,		Nine months ended August 31,	
	2007	2006	2007	2006
Cash flows from (used in) operating activities				
Net earnings (loss) for the period	\$ 279	\$ (709)	\$ (2,076)	\$ (1,853)
Items not affecting cash				
Depreciation and amortization	129	191	377	580
Stock-based compensation	5	-	145	104
Future income taxes	(83)	(116)	(177)	(73)
	<u>330</u>	<u>(634)</u>	<u>(1,731)</u>	<u>(1,309)</u>
Changes in non-cash working capital items				
Accounts receivable	(2,644)	690	2,504	4,326
Inventory	96	(190)	(155)	(300)
Prepaid expenses and deposits	75	(151)	36	(59)
Accounts payable and accrued liabilities	367	(167)	(1,381)	(1,387)
Income taxes payable	87	(85)	(143)	(256)
Unearned revenue	(57)	12	(330)	390
Deferred rent	363	-	363	-
	<u>(1,713)</u>	<u>109</u>	<u>894</u>	<u>2,714</u>
	<u>(1,383)</u>	<u>(525)</u>	<u>(837)</u>	<u>1,405</u>
Cash flows from (used in) investing activities				
Purchase of CHI Systems Inc., net of cash acquired	-	(4)	-	(8,127)
Purchase of Liddy International Inc.	-	-	(25)	-
Decrease (increase) in marketable securities	-	16	-	(143)
Decrease in restricted cash	-	-	-	129
Additions to equipment and furnishings	(111)	-	(225)	(83)
Additions to leasehold improvements	(540)	-	(540)	-
Additions to intangibles and other assets	-	(12)	(31)	(109)
	<u>(651)</u>	<u>-</u>	<u>(821)</u>	<u>(8,333)</u>
Cash flows from (used in) financing activities				
Payments to operating line of credit	(548)	-	(904)	-
Issue of common shares	2,812	53	2,812	59
Issue of warrants	332	-	332	-
Class B preference share dividends	(382)	-	(382)	(527)
	<u>2,214</u>	<u>53</u>	<u>1,858</u>	<u>(468)</u>
Effect of foreign exchange on cash	<u>22</u>	<u>(34)</u>	<u>2</u>	<u>87</u>
Increase (decrease) in cash	<u>202</u>	<u>(506)</u>	<u>202</u>	<u>(7,309)</u>
Cash – beginning of period	<u>-</u>	<u>1,419</u>	<u>-</u>	<u>8,222</u>
Cash – end of period	<u>\$ 202</u>	<u>\$ 913</u>	<u>\$ 202</u>	<u>\$ 913</u>