



FOR IMMEDIATE RELEASE

OSI Geospatial Inc Reports 2008 Third Quarter Results

October 9, 2008

Ottawa, Canada

OSI Geospatial Inc (TSX: OSI) today announced its financial results for the third quarter of fiscal year 2008 and nine months ending August 31, 2008, reported in US dollars and in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

For the third quarter of 2008, OSI Geospatial Inc reported revenue of \$6.2 million, a decrease of 15% from the \$7.3 million reported in the third quarter of 2007. For the nine months ending August 31, 2008, the company reported revenue of \$18.6 million, an increase of 9% from the \$17 million reported in the same period of 2007.

For the third quarter of 2008, the Company reported a net loss of \$700,000 before taxes and \$691,000 after taxes compared with net earnings of \$332,000 before taxes and a \$279,000 after taxes in the third quarter of 2007. The net loss attributable to common shareholders was \$847,000 or \$0.02 per share, compared to the net earnings of \$109,000 or \$0.00 per share in 2007. For the nine months ending August 31, 2008, the company reported a net loss of \$2.7 million before taxes and \$2.4 million after taxes compared to a \$2.0 million loss before taxes and a \$2.1 million loss after taxes in the same period of 2007.

Third Quarter Highlights

- Announced a \$2.0 Million contract with UK Royal Navy to provide enhancements to [WECDIS](#) and [W-AIS](#) to meet operational requirements
- Announced a contract valued at \$1.5 million to provide enhancements to training capabilities for U.S. military
- Closed additional contracts with the Australian Navy valued at more than \$1.1 million
- Closed first commercial IVA contract with Texas Petrochemicals
- Announced \$1.7 million Research and Develop Contract with U.S. Military
- Secured second port security IVA contract with Port of Buffalo
- Awarded a \$1.0 million contract with the USCG to provide a hardware upgrade to navigation systems
- Awarded our first IVA contract with the US Navy in support of anti-terrorism and force protection requirements
- Continued progress on UK new build projects including CVF aircraft carrier with Sperry Marine

"We have been successful in closing a number of projects in the third quarter and I am confident that we will continue to build on this success in the fourth quarter. I am particularly pleased that we are making solid progress in closing security related business and the outlook for this business is very positive," said Ken Kirkpatrick, president and CEO of OSI Geospatial Inc. "We are well positioned for a strong fourth quarter and expect revenue in the range of \$8 million to \$9 million."



Conference Call

OSI Geospatial will present the results from the 2008 third quarter at 5:00PM Eastern Time (2:00 PM Pacific Time), Wednesday, October 9, 2008. 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 7826#. For the live webcast, please go to <http://services.choruscall.com/links/osi081009.html>. A replay version of the webcast can be accessed on the company's investor website at <http://www.osigeospatial.com/investors/default.htm>.

About OSI Geospatial

OSI Geospatial Inc. delivers advanced 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. For additional information please visit 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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For more information:

Jane Hayward
Investor Relations
Office +1 613 287 8004
Mobile +1 613 219 4762
Toll Free +1 888 880 9797
Fax +1 613 287 0466
invest@osigeospatial.com



OSI Geospatial Inc.

(Incorporated under the laws of the Province of British Columbia, Canada)

Consolidated Balance Sheets (unaudited)

In thousands of U.S. dollars

	August 31, 2008	November 30, 2007
<u>Assets</u>		
Current assets		
Accounts receivable and unbilled revenue	\$ 8,736	\$ 13,055
Income taxes receivable	146	-
Inventory	1,037	1,216
Prepaid expenses and deposits	481	502
Current portion of future income tax asset	136	132
	<hr/> 10,536	<hr/> 14,905
Deferred development costs	465	97
Future income tax asset	234	271
Equipment and furnishings	1,666	1,914
Intangible and other assets	689	861
Goodwill	8,300	8,300
	<hr/> \$ 21,890	<hr/> \$ 26,348
<u>Liabilities</u>		
Current liabilities		
Bank indebtedness	\$ 1,241	\$ 822
Accounts payable and accrued liabilities	3,766	5,585
Income taxes payable	-	179
Unearned revenue	579	392
Current portion of deferred rent	35	38
Current portion of future income tax liability	-	25
Current portion of capital lease obligations	68	46
	<hr/> 5,689	<hr/> 7,087
Deferred rent	296	347
Capital lease obligation	146	200
Future income tax liability	55	100
	<hr/> 6,186	<hr/> 7,734
Commitments and contingencies (note 11)		
<u>Shareholders' Equity</u>		
Issued and outstanding		
30,262 Class A, Series A preference shares (2007 – 30,262)	19	19
178,530 Class B, Series 2 preference shares (2007 – 178,530)	4,542	4,542
46,956,439 common shares (2007 – 46,956,439)	21,293	21,293
	<hr/> 25,854	<hr/> 25,854
Warrants	4,181	4,618
Contributed surplus	2,134	1,679
Accumulated deficit	(19,267)	(16,564)
Accumulated other comprehensive income	2,802	3,027
	<hr/> 15,704	<hr/> 18,614
	<hr/> \$ 21,890	<hr/> \$ 26,348



OSI Geospatial Inc.

Consolidated Statements of Operations (unaudited)

In thousands of U.S. dollars, except share related data	Three months ended August 31,		Nine months ended August 31,	
	2008	2007	2008	2007
Revenue				
Marine systems	\$ 3,101	\$ 3,124	\$ 7,934	\$ 6,267
Land and air systems	2,221	2,627	7,481	7,294
Mapping	921	1,591	3,165	3,489
	6,243	7,342	18,580	17,050
Cost of sales	4,039	4,294	12,169	10,878
Gross profit	2,204	3,048	6,411	6,172
Expenses (income)				
General and administrative	1,388	1,451	4,334	4,150
Engineering	297	231	867	1,101
Sales and marketing	899	755	2,974	2,351
Amortization	111	75	375	220
Interest expense	42	22	107	48
Interest income	-	-	(3)	(7)
Foreign exchange loss	31	43	69	65
	-	-	28	-
Loss on disposal of intangible and other assets	-	-	28	-
Technology Partnerships Canada royalty	136	139	381	276
	2,904	2,716	9,132	8,204
Net (loss) earnings before income taxes	(700)	332	(2,721)	(2,032)
Future income tax recovery	-	(10)	(38)	(59)
Current income tax (recovery) expense	(9)	63	(318)	103
Income tax (recovery) expense	(9)	53	(356)	44
Net (loss) earnings	\$ (691)	\$ 279	\$ (2,365)	\$ (2,076)
Accumulated deficit, beginning of period	\$ (18,615)	\$ (16,085)	\$ (16,564)	\$ (13,296)
Dividends on Class B preference shares	-	-	(338)	(382)
Tax recovery (expense) on dividends	39	-	-	(52)
Accumulated deficit, end of period	\$ (19,267)	\$ (15,806)	\$ (19,267)	\$ (15,806)
Net (loss) earnings available to common shareholders (note 6c)	\$ (847)	\$ 109	\$ (3,162)	\$ (2,628)
Loss per share (note 6c) - basic and diluted	\$ (0.02)	\$ 0.00	\$ (0.07)	\$ (0.07)
Weighted average number of common shares outstanding (note 6c) – basic and diluted	46,956,439	42,377,958	46,956,439	39,635,112



OSI Geospatial Inc.

Consolidated Statements of Cash Flows (unaudited)

In thousands of U.S. dollars	Three Months ended August 31,		Nine months ended August 31,	
	2008	2007	2008	2007
Cash flows (used in)/from operating activities				
Net (loss) earnings for the period	\$ (691)	\$ 279	\$ (2,365)	\$ (2,076)
Items not affecting cash				
Amortization	165	129	532	377
Loss on disposal of intangible and other assets	-	-	28	-
Stock-based compensation	24	5	34	145
Future income taxes	-	(83)	(38)	(177)
	(502)	330	(1,809)	(1,731)
Changes in non-cash working capital items				
Accounts receivable	329	(2,644)	4,040	2,504
Inventory	367	96	117	(155)
Prepaid expenses and deposits	129	75	3	36
Accounts payable and accrued liabilities	(597)	367	(1,660)	(1,381)
Income taxes receivable/payable	-	87	(321)	(143)
Unearned revenue	504	(57)	218	(330)
Deferred rent	(10)	363	(32)	363
	722	(1,713)	2,365	894
	220	(1,383)	556	(837)
Cash flows used in investing activities				
Purchase of the assets Liddy International Inc.	-	-	-	(25)
Deferred development costs	(138)	-	(384)	-
Additions to equipment and furnishings	(48)	(111)	(139)	(225)
Additions to leaseholds	-	(540)	(10)	(540)
Additions to intangible and other assets	-	-	(94)	(31)
	(186)	(651)	(627)	(821)
Cash flows (used in)/ from financing activities				
Advances from (repayment of) operating line of credit	(29)	(548)	473	(904)
Issue of common shares	-	2,812	-	2,812
Issue of warrants	-	332	-	332
Repayment of capital lease obligation	(17)	-	(33)	-
Class B preference share dividends, net of tax	-	(382)	(338)	(382)
	(46)	2,214	102	1,858
Effect of foreign exchange on cash balances	12	22	(31)	2
Increase in cash and cash equivalents	-	202	-	202
Cash and cash equivalents – beginning of period	-	-	-	-
Cash and cash equivalents – end of period	\$ -	\$ 202	\$ -	\$ 202