2009 FIRST QUARTER REPORT

for the three months ended February 28, 2009

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OSI Geospatial Inc.

Interim Consolidated Financial Statements (Unaudited)
Three months ended February 28, 2009 and February 29, 2008
(expressed in Canadian dollars)

(Prepared in accordance with Canadian Generally Accepted Accounting Principles)

OSI Geospatial Inc.

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

Consolidated Balance Sheets (unaudited)

In thousands of Canadian dollars – (note 2a)	February 28 2009	November 30 2008
Assets		
Current assets		
Accounts receivable and unbilled revenue	$ 8,980	$ 11,183
Inventory (note 6)	1,049	1,407
Prepaid expenses and deposits	620	388
Current portion of future income tax asset	480	338
	11,129	13,316
Deferred development costs	460	437
Future income tax asset	865	823
Equipment and furnishings	1,680	1,735
Intangible and other assets	677	732
Goodwill	10,547	10,269
	$ 25,358	$ 27,312
Liabilities		
Current liabilities		
Bank indebtedness	$ 1,862	$ 2,015
Accounts payable and accrued liabilities	3,126	4,519
Income taxes payable	15	9
Unearned revenue	294	256
Current portion of deferred rent	37	41
Current portion of capital lease obligations	93	88
	5,427	6,928
Deferred rent	294	347
Capital lease obligation	123	156
Unearned revenue	262	290
	6,106	7,721
Shareholders' Equity		
Issued and outstanding		
Class A, Series A preference shares	30	30
Class B, Series 2 preference shares	5,731	5,731
Common shares	29,748	29,748
	35,509	35,509
Warrants (note 7a)	4,898	4,898
Contributed surplus	2,674	2,674
Accumulated deficit	(24,821)	(24,121)
Accumulated other comprehensive income	992	631
	19,252	19,591
	$ 25,358	$ 27,312

The accompanying notes are an integral part of the interim consolidated financial statements.

OSI Geospatial Inc.

Consolidated Statements of Loss and Deficit (unaudited)

In thousands of Canadian dollars, except share related data – (note 2a)	Three months ended February 28 2009		Three months ended February 29 2008	
Revenue				
Marine systems	$	2,098	$	2,506
Land and air systems		3,367		2,806
Mapping		259		503
		5,724		5,815
Cost of sales		4,005		3,633
Gross profit		1,719		2,182
Expenses (income)				
General and administrative		1,209		1,245
Sales and marketing		813		914
Engineering		301		262
Amortization		113		150
Interest expense		31		34
Interest income		-		(3)
Foreign exchange loss		-		35
Loss on disposal of intangibles and other assets		-		28
Technology Partnerships Canada royalty		96		152
		2,563		2,817
Net loss before income taxes		(844)		(635)
Future income tax (recovery)		(152)		-
Current income tax expense (recovery)		5		(94)
Income tax (recovery)		(147)		(94)
Net loss	$	(697)	$	(541)
Accumulated deficit, beginning of period		(24,121)		(22,420)
Dividends on Class B preference shares		(3)		(332)
Tax expense on dividends		-		(39)
Accumulated deficit, end of period	$	(24,821)	$	(23,332)
Net loss attributable to common shareholders (note 7c)	$	(853)	$	(697)
Loss per share (note 7c) - basic and diluted	$	(0.02)	$	(0.01)
Weighted average number of common shares outstanding (note 7c) – basic and diluted		46,956,439		46,956,439

The accompanying notes are an integral part of the interim consolidated financial statements.

OSI Geospatial Inc.

Consolidated Statements of Comprehensive Loss (unaudited)

In thousands of Canadian dollars – (note 2a)	Three months ended February 28 2009	February 29 2008
Net loss	$ (697)	$ (541)
Other comprehensive income (loss), net of taxes		
Unrealized gain (loss) on translation of self-sustaining foreign operations	361	(153)
Comprehensive loss	$ (336)	$ (694)

OSI Geospatial Inc.

Consolidated Statements of Accumulated Other Comprehensive Income (Loss) (unaudited)

In thousands of Canadian dollars – (note 2a)	February 29 2009	November 30 2008
Accumulated other comprehensive income (loss), beginning of the period	$ 631	$ (2,009)
Unrealized gain on translating financial statements of self-sustaining foreign operations	361	2,640
Accumulated other comprehensive income, end of period	$ 992	$ 631

The accompanying notes are an integral part of the interim consolidated financial statements.

OSI Geospatial Inc.

Consolidated Statements of Cash Flows (unaudited)

In thousands of Canadian dollars – (note 2a)	For the three months ended February 28 2009	February 29 2008
Cash flows from operating activities		
Net loss for the period	$ (697)	$ (541)
Items not affecting cash		
Amortization	161	200
Loss on disposal of equipment and furnishings	-	29
Stock-based compensation	-	5
Future income taxes	(152)	-
	(688)	(307)
Changes in non-cash operating working capital items		
Accounts receivable	2,014	3,140
Inventory	356	(32)
Prepaid expenses and deposits	(220)	(300)
Accounts payable and accrued liabilities	(1,331)	(1,838)
Income taxes payable	5	(91)
Deferred rent	(10)	(12)
Unearned revenue	10	(33)
	824	834
	136	527
Cash flows used in investing activities		
Development costs deferred	(18)	(87)
Additions to equipment and furnishings	(30)	(72)
Additions to leaseholds	-	(9)
Additions to intangibles and other assets	(2)	(55)
	(50)	(223)
Cash flows used in financing activities		
Repayment to operating line of credit	(66)	(9)
Repayment of capital lease obligation	(14)	-
Class B preference share dividends declared and paid	(3)	(368)
	(83)	(377)
Effect of foreign exchange on cash balances	(3)	73
Decrease in cash and cash equivalents	-	-
Cash and cash equivalents – beginning of period	-	-
Cash and cash equivalents – end of period	$ -	$ -

The accompanying notes are an integral part of the interim consolidated financial statements.

1 Basis of presentation

These unaudited interim consolidated financial statements have been prepared by management and include the accounts of OSI Geospatial Inc. and its subsidiaries, collectively referred to as OSI Geospatial or the Company. These unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP") and all amounts have been expressed in thousands of Canadian dollars unless otherwise noted.

These unaudited interim consolidated financial statements have been prepared using the same accounting policies used in the preparation of the audited annual consolidated financial statements for the year ended November 30, 2008 with the exception of the application of the accounting policies described in Note 2a and Note 4.

These unaudited interim consolidated financial statements do not include all the information and footnote disclosures required by Canadian GAAP for annual audited consolidated financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements.

The preparation of these unaudited interim consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported. Actual results could vary from these estimates and the operating results for the interim periods presented are not necessarily indicative of the results expected for the full year.

2 Accounting Changes

a) Change in reporting currency

Effective December 1, 2008, the Company adopted the Canadian dollar as its reporting currency. The change was made as a result of the Company's de-registration with the United States Securities Exchange Commission and to adopt a currency that is more appropriate for the Company's investors and other users of the financial statements.

Under Canadian GAAP, the Company's foreign operations are considered self-sustaining. Therefore, their assets and liabilities are translated at the exchange rate in effect at the balance sheet date and revenue, expense and cash flow items are translated at the exchange rate in effect on the transaction dates. Exchange gains and losses arising from the translation of the financial statements of self-sustaining foreign operations are recognized in accumulated other comprehensive income.

The financial information for all prior periods is presented in Canadian dollars as if the Canadian dollar had been used as the reporting currency during those periods. For the period March 1, 2006 to November 30, 2008, the reporting currency of the Company was U.S. dollars. Prior to March 1, 2006, the reporting currency of the Company was Canadian dollars.

The change in reporting currency impacted the reported results in the consolidated statements of loss and deficit, and the consolidated statements of cash flows as follows:

Consolidated Statements of Loss and Deficit	**For the three months ended February 29, 2008**	
In thousands of dollars	As currently reported CAD	As previously reported USD
Revenue	5,815	5,808
Gross profit	2,182	2,188
Gross profit percentage	38%	38%
Net loss	(541)	(533)
Net loss attributable to common shareholders	(697)	(692)
Accumulated deficit, end of period	(23,332)	(17,474)

Consolidated Statements of Cash Flow	**For the three months ended February 29, 2008**	
In thousands of dollars	As currently reported	As previously reported
Cash flows provided by (used in):	CAD	USD
Operating activities	527	639
Investing activities	(223)	(221)
Financing activities	(377)	(392)
Effect of foreign exchange on cash	73	(26)

b) Changes in accounting policy

The following recent pronouncements issued by the Canadian Institute of Chartered Accountants (CICA) will be monitored by the Company:

The CICA has issued CICA Handbook section 1582, *Business Combinations,* which replaces CICA Handbook section 1581, *Business Combinations.* This section establishes standards for the recognition, measurement, presentation and disclosure of business combinations. This section applies to annual and interim financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company plans to adopt the new section for its fiscal year beginning December 1, 2011. The Company does not expect that the adoption of this new Section will have a material impact on its consolidated financial statements.

The CICA has issued CICA Handbook section 1601, *Consolidated Financial Statements,* and CICA Handbook section 1602, *Non-controlling Interests*, which replace CICA Handbook section 1600, *Consolidated Financial Statements.* CICA Handbook section 1601 establishes standards for the preparation of consolidated financial statements and CICA Handbook section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements. These sections apply to annual and interim financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company plans to adopt the new section for its fiscal year beginning December 1, 2011. The Company does not expect that the adoption of this new Section will have a material impact on its consolidated financial statements.

The Canadian Accounting Standards Board has confirmed that the use of International Financial Reporting Standards ("IFRS") will be required commencing 2011 for publicly accountable, profit oriented enterprises. IFRS will be replacing current Canadian GAAP followed by the Company. The Company will be required to begin reporting under IFRS for its fiscal year ended November 30, 2012 and will be required to provide information that conforms to IFRS for the comparative periods presented. The Company is currently evaluating the impact of adopting IFRS.

3 Nature of operations

OSI Geospatial Inc. delivers systems and services that provide situational awareness solutions that meet maritime and land command and control requirements. These include our Warship Electronic Chart Display and Information System (ECPINS®-W), Warship Automated Identification Systems (W-AIS), Asset Control and Tracking systems (ACT) and Small Unit Situational Awareness system (SUSA). OSI Geospatial conducts its operations through three business units – International Systems Operations, U.S. Systems Operations and Mapping Operations. The Company's International and U.S. Systems business units develop and produce geographic information display systems and software for the marine navigation, and command and control markets, and situational awareness products for land-based and aeronautical command and control markets. The Company's Mapping business unit provides digital land map production services, and produces and distributes digital land map data.

4 Adoption of new accounting standards

Effective December 1, 2008 the Company adopted the following new accounting standards.

Inventories

The CICA has issued CICA Handbook section 3031, *Inventories,* which replaces CICA Handbook section 3030, *Inventories*. This section resulted in changes from past practice, including the elimination of the Last-In-First-Out method, and the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories and more extensive disclosure. Inventory policies, carrying amounts, amounts recognized as an expense, write-downs and the reversals of write-downs are required to be disclosed. The section is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008 and accordingly the Company adopted this new standard for its fiscal year beginning December 1, 2008. The adoption of this new Section did not have a material impact on the Company's consolidated financial statements.

Goodwill and intangible assets

The CICA has issued CICA Handbook section 3064, *Goodwill and Intangible Assets,* which replaces CICA Handbook section 3062, *Goodwill and Other Intangibles,* and CICA Handbook section 3450, *Research and Development Costs.* This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets, including the development, maintenance or enhancement of intangible resources such as scientific or technical knowledge, design and implementation of new processes or systems, licenses, intellectual property, market knowledge and trademarks. This section applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company has adopted the new section for its fiscal year beginning December 1, 2008. The adoption of this new Section did not have a material impact on the Company's consolidated financial statements.

5 Credit facilities

At February 28, 2009, the Company had total borrowing capacity under its Canadian operating line of credit of $3.0 million. The credit facility is collateralized by a general assignment of book debts and a general security agreement. This facility is, in part, guaranteed by Export Development Canada. The operating line bears interest at the chartered bank's prime lending rate plus 1.8% with interest payable monthly. Funds drawn on the operating lines and the standby letters of credit are repayable on demand.

Effective July 9, 2008, the Company moved its credit facilities to another major Canadian chartered bank. The financing agreement consists of an operating line, a foreign exchange forward contract facility and standby letters of credit.

The Company is required to meet certain covenants as outlined in the credit facilities agreement. Similar to the six months ended May 31, 2008, the nine months ended August 31, 2008 and the year ended November 30, 2008, the Company has not met the interest coverage ratio covenant for the three months ended February 28, 2009. As at February 28, 2009, the Company has drawn on its operating line of credit in the amount of $675,000 (November 30, 2008 - $1.5 million). Management expects to receive a waiver from the bank for the three months ended February 28, 2009 similar to the waivers received for the six months ended May 31, 2008, for the nine months ended August 31, 2008 and for the year end November 30, 2008.

The Company also has an operating line of credit of U.S. $1.2 million with a U.S. chartered bank which bears interest at the bank's prime lending rate plus 0.5%. As at February 28, 2009, the Company has drawn on its U.S. operating line of credit in the amount of U.S. $1.0 million (November 30, 2008 – U.S. $691,000).

The Company has a foreign exchange facility with a Canadian chartered bank whereby it can enter into forward foreign exchange contracts. The maximum facility is based on a bank formula for deemed risk and is calculated using recent volatility in the currency of the contract as well as the length of the contract. At November 30, 2008, the foreign exchange facility would enable the Company to enter into USD denominated forward foreign exchange contracts for approximately $8.4 million. This facility is insured through insurance solutions provided by Export Development Canada. As at February 28, 2009, the Company has drawn on its forward foreign exchange contract facility in the amount of $2.0 million (November 30, 2008 - $3.3 million). A foreign exchange gain on these contracts of $51,000 and a foreign exchange loss of $30,000 was recognized in February 28, 2009 and November 30, 2008, respectively.

6 Inventory

In thousands of Canadian dollars

	February 28 2009	November 30 2008
Materials and components	$ 845	$ 1,199
Finished goods	300	304
Provision for inventory obsolescence	(96)	(96)
	$ 1,049	$ 1,407

The cost of inventories recognized as expense and included in cost of sales for the three months ended February 28, 2009 was $848,000 (three months ended February 29, 2008 - $487,000).

7 Capital stock

a) Warrants

On February 12, 2008, 1,393,301 common share purchase warrants, which were valued at $662,000 using the Black-Scholes model, expired. Accordingly, the Company has reduced warrants by $662,000 with a corresponding increase to contributed surplus.

b) Stock option plans

A summary of the status of the Company's stock option plans at February 28, 2009 is as follows:

In Canadian dollars

	Number of shares	Weighted average exercise price
Outstanding - beginning of period	3,433,166	0.79
Granted	-	-
Forfeited	(3,000)	0.88
Expired	-	-
Outstanding - end of period	3,430,166	0.79
Exercisable – end of period	3,425,860	0.79

<u>Stock-based compensation</u>

For the three months ended February 28, 2009, the Company incurred non-cash stock-based compensation expense of $nil (three months ended February 29, 2008 - $5,000) related to stock options granted in 2007. Of the stock options granted during the year ended November 30, 2007, 52,000 will vest over one year and 52,000 will vest over two years from the grant date. The expense was included in general and administrative costs and was recorded in contributed surplus.

c) Loss per share

In thousands of Canadian. dollars, except share related data	For the three months ended	
Loss per share – basic and diluted	**February 28 2009**	**February 29 2008**
Net loss for the period	$ (697)	$ (541)
Less:		
Class B Series 2 preference share dividends (*A)	(156)	(156)
Net loss available to common shareholders	$ (853)	$ (697)
Weighted average number of common shares outstanding – basic and diluted	46,956,439	46,956,439
Loss per share – basic and diluted	$ (0.02)	$ (0.01)

(*A) Dividends of $156,000 (2008 - $156,000) are included which represents the dividends earned by the shareholders of Class B Series 2 cumulative preference shares. As at February 28, 2009 there were $775,000 (November 30, 2008 - $619,000) of dividends in arrears for the Class B Series 2 cumulative preference shares.

The preference shares, the outstanding warrants and stock options were anti-dilutive for the purposes of calculating diluted loss for the three months ended February 28, 2009.

If all preferred shares were converted, and all warrants and options were exercised, there would be a total of 76,093,696 common shares outstanding at February 28, 2009 (November 30, 2008 – 76,096,696). As a result of the exercise of all warrants and options, the Company would receive cash of $15.5 million (November 30, 2008 - $15.5 million).

8 Financial instruments

The Company has exposure to the following risks from its use of financial instruments: credit risks, market, and liquidity risk. The Company reviews its risk management framework on a quarterly basis and makes adjustments as necessary.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meets its contractual obligations. Credit risk arises principally from the Company's accounts receivable and its foreign exchange contracts. The Company provides credit to its customers in the normal course of its operations. The Company's credit risk review includes performing credit evaluations of the financial condition of significant customers. The Company's customers are for the most part national and international government clients and large public customers. A significant portion of the Company's accounts receivable is from long-time customers and at February 28, 2009, 87% (November 30, 2008 – 86%) of its accounts receivable was with national and international government clients. Due to the low risk nature of the government clients and a history of excellent collections, provisions for doubtful accounts are made on a customer by customer basis, based on ongoing customer discussions.

The Company is exposed to non-performance by counterparties to foreign currency forward contracts. These counterparties are major financial institutions and to date, no such counterparty has failed to meet its financial obligations to the Company. Management does not believe there is a significant risk of non-performance by these counterparties because the positions with and the credit rating of these counterparties are monitored.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

In thousands of Canadian dollars

	February 28 2009	November 30 2008
Trade accounts receivable	$ 6,007	$ 6,907
Unbilled revenue	2,839	4,183
Other	144	103
Allowance for doubtful accounts	(10)	(10)
	$ 8,980	$ 11,183

The aging of accounts receivable at the reporting date was:

In thousands of Canadian dollars

	February 28 2009	November 30 2008
Current	$ 4,329	$ 6,128
Past due (61 – 90 days)	1,519	506
Past due greater than 90 days	159	273
	$ 6,007	$ 6,907

Based on historic default rates, the Company believes that there are minimal requirements for an allowance for doubtful accounts.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holding of financial instruments.

Foreign exchange risk

The Company operates internationally, giving rise to exposure to market risks from changes in foreign exchange rates. The Company is exposed to foreign currency fluctuations mainly on its accounts receivable and future cash flows related to contracts denominated in a foreign currency. The Company's foreign exchange risk management includes the use of foreign currency forward contracts to fix the exchange rates on certain foreign currency exposures. The Company's objective is to manage and control exposures and secure the Company's profitability on existing contracts and therefore, the Company's policy is to hedge the majority of its foreign currency exposure. The Company does not utilize derivative financial instruments for trading or speculative purposes. The Company formally documents all relationships between derivative financial instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific firm contractually related commitments on projects.

The Company did not designate its foreign exchange forward contracts as a hedge of underlying assets, liabilities, firm commitments or anticipated transactions in accordance with CICA Handbook Section 3865, *Hedges*, and accordingly, did not use hedge accounting. As a result of this, the foreign exchange forward contracts are recorded on the consolidated balance sheet at fair value in other receivables when the contracts are in a gain position and in other accrued liabilities when the contracts are in a loss position. The fair value of the foreign exchange forward contracts was a recorded asset in other receivables of $51,000 at February 28, 2009 and was a recorded liability in accounts payable and accrued liabilities of $30,000 at November 30, 2008. Changes in fair value of these contracts are recognized as gains or losses in the consolidated statement of operations.

The forward foreign exchange contracts primarily require the Company to sell certain foreign currencies for Canadian dollars at contractual rates. The Company had the following forward foreign exchange contracts:

In thousands of dollars — **February 28, 2009**

Type	Notional	Currency	Maturity	Equivalent to Canadian Dollars		Fair Value
Sell	125	GBP	March 2009	247	$	25
Buy	(240)	USD	March 2009	(247)		57
Sell	50	GPB	April 2009	89		(2)
Sell	110	GBP	May 2009	195		(5)
Sell	300	USD	May 2009	371		(10)
Sell	50	GPB	June 2009	89		(2)
Buy	(50)	GBP	June 2009	(91)		(1)
Sell	280	AUD	June 2009	224		(2)
Sell	250	GBP	July 2009	443		(9)
					$	51

In thousands of dollars — **November 30, 2008**

Type	Notional	Currency	Maturity	Equivalent to Canadian Dollars		Fair Value
Sell	195	GBP	December 2008	371	$	3
Sell	300	USD	December 2008	315		(55)
Sell	230	AUD	December 2008	186		5
Sell	25	GBP	January 2009	50		3
Sell	460	USD	January 2009	471		(96)
Buy	(300)	USD	January 2009	(307)		66
Sell	350	AUD	January 2009	283		8
Sell	150	GBP	February 2009	292		12
Sell	300	USD	February 2009	308		(61)
Sell	200	GBP	March 2009	395		24
Buy	(300)	USD	March 2009	(309)		61
					$	(30)

A 10% strengthening (weakening) of the Canadian dollar against each of the Great Britain pound, the United States dollar, the Euro and the Australian Dollar would have decreased (increased) earnings from operations at February 28, 2009 by a total of $59,000 (November 30, 2008 – $6,000). A 10% strengthening (weakening) of the Canadian dollar against the U.S. dollar would have decreased (increased) the reporting currency earnings from Canadian operations for the three months ended February 28, 2009 by a total of $19,000 (the year ended November 30, 2008 - $32,000). A 10% strengthening (weakening) of the Canadian dollar against the U.S. dollar would impact the reporting currency balance sheet values at February 28, 2008 with an offsetting adjustment of approximately $830,000 (November 30, 2008 – $864,000) to other comprehensive income.

Interest rate risk

The Company is exposed to interest rate risk on its operating line of credit. A 1% increase (decrease) in the interest rate would have resulted in $25,000 increase (decrease) in the loss of the Company for this quarter.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet liabilities when due. The Company has operating lines of credit of $3.0 million and U.S. $1.2 million. At February 28, 2009, the Company utilization's of its lines of credit was $675,000 (November 30, 2008 - $1.5 million) and U.S. $1.0 million (November 30, 2008 – U.S. $691,000). All of the Company's financial liabilities, other than capital lease obligations, have contractual maturities of less than 45 days.

The table below analyzes the following liabilities which will settle as indicated based on the remaining periods at February 28, 2009 to the contractual maturity date. The amounts disclosed in this table are the contractual undiscounted cash flows. Balances within twelve months equal the carrying balance as the impact of discounting is not significant.

Payments due by period	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
In thousands of Canadian dollars					
Facility leases	$ 4,076	$ 895	$ 1,543	$ 953	$ 685
Capital equipment leases	248	83	165	-	-
Operating equipment leases	92	44	43	5	-
Total contractual obligations	$ 4,416	$ 1,022	$ 1,751	$ 958	$ 685

Fair values

The Company's financial instruments consist of bank indebtedness, accounts receivable, accounts payable and accrued liabilities, capital lease obligations and foreign exchange contracts. The carrying value of bank indebtedness, accounts receivable and accounts payable and accrued liabilities approximates their fair value due to the immediate or short-term maturity of these financial instruments.

The fair values of the Company's forward foreign exchange contracts are based on the current market values of similar contracts with the same remaining duration as if the contracts had been entered into on February 28, 2009 and November 30, 2008.

The carrying amounts of each of the financial instruments are:

In thousands of Canadian dollars	February 28, 2009	November 30, 2008
Held for trading	$ (1,862)	$ (2,015)
Loans and receivables	6,007	6,907
Held for trading	51	(30)
Other liabilities	(3,342)	(4,763)

9 Capital structure management

The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company reviews on a semi-annual basis whether any dividends should be paid.

The Company monitors capital on a basis consistent with others in the industry based on total debt to shareholders' equity. Management defines capital as the Company's total shareholders' equity excluding accumulated other comprehensive income and total debt is defined as bank indebtedness and capital lease obligations.

There were no changes in the Company's approach to capital management during the period. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements other than disclosed on note 5.

10 Segmented information

The Company operates in four segments: International Systems Operations, U.S. Systems Operations, Mapping Operations and Corporate and public company costs. Operating segments are identified as components of the Company for which separate discrete financial information is available for evaluation by the chief operating decision maker regarding how to allocate resources and assess performance. The Company's chief operating decision maker is the Chief Executive Officer.

The Company's reportable segments are as outlined below which are defined by their primary type of service offerings. Information about the Company's reportable segments is as follows:

In thousands of Canadian dollars — **Three Months Ended February 28, 2009**

	International Systems Operations	U.S. Systems Operations	Mapping Operations	Corporate and Public Company Costs	Total
Revenue	$ 1,997	$ 3,468	$ 259	$ -	$ 5,724
Gross profit	1,141	584	(6)	-	1,719
Technology Partnerships Canada – net	96	-	-	-	96
Interest expense	1	16	-	14	31
Income tax expense (recovery)	-	(152)	-	5	(147)
Amortization	54	64	36	7	161
Net earnings (loss)	99	115	(283)	(628)	(697)
Equipment and furnishings expenditures	1	22	2	5	30
Intangible expenditures	-	2	-	-	2

In thousands of Canadian dollars — **Three Months Ended February 29, 2008**

	International Systems Operations	U.S. Systems Operations	Mapping Operations	Corporate and Public Company Costs	Total
Revenue	$ 2,472	$ 2,840	$ 503	$ -	$ 5,815
Gross profit	1,305	778	99	-	2,182
Technology Partnerships Canada – net	152	-	-	-	152
Interest expense	-	15	9	10	34
Income tax expense (recovery)	-	(112)	-		(94)
Amortization	62	93	41	4	200
Net earnings (loss)	130	361	(218)	(814)	(541)
Equipment and furnishings expenditures	10	60	4	7	81
Intangible expenditures	1	12	1	41	55

In thousands of Canadian dollars

Total assets employed	International Systems Operations	U.S. Systems Operations	Mapping Operations	Corporate and Public Company Costs	Total
As at February 28, 2009	$ 6,865	$ 15,204	$ 3,072	$ 217	$ 25,358
As at November 30, 2008	$ 8,398	$ 14,781	$ 3,976	$ 157	$ 27,312

Geographically, revenues reported are based on the location of the Company's customers as follows:

In thousands of Canadian dollars

	For the three months ended February 28 2009	February 29 2008
United States	$ 3,526	$ 2,959
Australia	1,213	975
United Kingdom	512	1,154
Canada	358	624
New Zealand	63	58
Europe	52	45
Total	$ 5,724	$ 5,815

Geographically, equipment and furnishings and intangible and other assets are reported based on location. At February 28, 2009 and November 30, 2008, all of the Company's equipment and furnishings and intangible and other assets were located in Canada and the U.S. as follows:

In thousands of Canadian dollars

February 28, 2009	Canada	U.S.	Total
Equipment and furnishings	$ 1,374	$ 306	$ 1,680
Intangible and other assets	229	448	677
Goodwill	-	10,547	10,547
Total	$ 1,603	$ 11,301	$ 12,904

In thousands of Canadian dollars

November 30, 2008	Canada	U.S.	Total
Equipment and furnishings	$ 1,427	$ 308	$ 1,735
Intangible and other assets	249	483	732
Goodwill	-	10,269	10,269
Total	$ 1,676	$ 11,060	$ 12,736

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the three months ended February 28, 2009

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MANAGEMENT'S DISCUSSION AND ANALYSIS of Financial Condition and Results of Operations

The following discussion and analysis provides a review of activities, results of operations, and financial condition of OSI Geospatial Inc. for the three months ended February 28, 2009 in comparison with those for the three months ended February 29, 2008. References to "OSI Geospatial", "the Company", "we", "us", and "our" refer to OSI Geospatial Inc. and its subsidiaries, as applicable. The following discussion should be read in conjunction with our unaudited consolidated interim financial statements, including the notes thereto, for the three months ended February 28, 2009, and the audited annual consolidated financial statements for the year ended November 30, 2008 prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The following discussion should also be read in conjunction with Management's Discussion and Analysis prepared for the year ended November 30, 2008.

All references in this report to financial information, excluding backlog and working capital, concerning OSI Geospatial Inc. are in accordance with Canadian GAAP and all dollar amounts are in Canadian dollars unless otherwise indicated.

This report contains forward-looking statements within the meaning of the Ontario Securities Act including Section 138.4(9) and includes statements regarding the future achievement of corporate objectives, advancement of additional project interests, analysis and development of acquisition opportunities, various project interests and other matters. These statements are neither promises nor guarantees, but involve known and unknown risks and uncertainties that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed in or implied by these forward-looking statements. These risks include risks related to the effects of general economic conditions, changing foreign exchange rates, actions by government authorities, uncertainties associated with contract negotiations, and industry supply, as well as other factors discussed below and those risks which are discussed under the heading "Risks and Uncertainties". Readers should not place undue reliance on any such forward-looking statements, which speak only as of the date they were made. We disclaim any obligation to publicly update or revise any such statements to reflect any change in our expectations or in events, conditions or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.

ECPINS® and COP-IDS are registered trademarks of Offshore Systems Ltd., an OSI Geospatial company. iGEN™ and C3CORE are registered trademarks of CHI Systems Inc., an OSI Geospatial company. Other Company brand, product and service names are for identification purposes only and may be either trademarks, service marks or registered trademarks of their respective owners. Data subject to change without notice.

Additional information relating to OSI Geospatial, including our Annual Information Form, is filed on SEDAR at www.sedar.com and is also available on the Company's investor web site at www.osigeospatial.com.

This management's discussion and analysis is dated April 8, 2009.

OVERVIEW

Founded in 1977, the Company is a leader in providing real-time situational awareness solutions. The Company delivers products and services to the large and fast-growing defence and security markets. Our systems address critical issues - namely the need for enhanced real-time situational awareness and network-enabled operations. In the changing face of war where interoperability between forces and allies is critical, OSI Geospatial provides essential tactical, strategic, and operational information to help aid decision-making, improve efficiency, and provide real-time access to all available information.

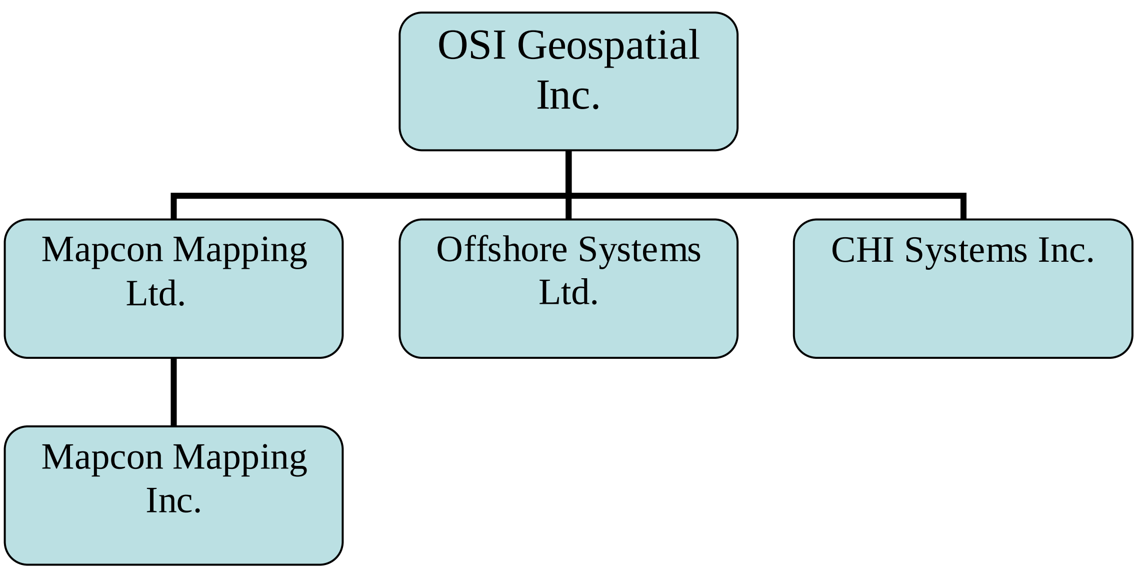
Headquartered in Ottawa, the Company is a globally focused organization with offices across North America and a sales office in the United Kingdom. The Company became a public company in 1990, and is currently listed on the Toronto Stock Exchange (symbol: OSI).

In April 2005, the Company completed the acquisition of all the outstanding shares of Mapcon Mapping Consultants Inc. ("Mapcon") of Salt Lake City, Utah. Mapcon is a land mapping company in the U.S. geospatial mapping market.

In December 2005, the Company completed the acquisition of CHI Systems Inc. ("CHI"), a United States defence contractor. CHI has four offices in the United States, is a supplier of technology and services to the U.S. Department of Defense and key defence prime contractors. CHI has developed C2, training simulation and cognitive agent applications to support its customers in multiple U.S. military agencies.

In April 2007, the Company, through its subsidiary CHI Systems Inc., acquired the assets of Liddy International Inc. ("Liddy"), a United States defence and security consultancy company and has established a new division, Layered Security Solutions ("LSS"). The Company's LSS division is primarily focused on developing the U.S. homeland security market.

The Company's current corporate structure is presented in the chart below.



Our mission is to provide our customers in the military and security markets with quality geospatial products and services that will enhance operational performance, security and safety through real-time situational awareness. Our clients include the United States Navy, Army, Coast Guard, and Department of Homeland Security, the Canadian Navy and Coast Guard, the UK Royal Navy and other NATO allies around the world. The Company is leveraging our world leading technologies, such as ECPINS®, C3CORE and iGEN™ to grow our market share, expand our customer base and enter into adjacent markets. We will also continue to partner with the world's largest defence and security contractors, such as Lockheed Martin, BAE Systems, Northrop Grumman, L-3 Communications, General Dynamics and Raytheon. As we successfully integrate our technology into the solution provided by the large defence systems integrators, we will significantly increase our reach into the defence and security markets around the world.

The Company delivers systems and services that provide situational awareness solutions that meet maritime and land command and control requirements. These include our Warship Electronic Chart Display and Information System (ECPINS®-W), Warship Automated Identification System (W-AIS), Asset Control and Tracking system (ACT) and Small Unit Situational Awareness system (SUSA).

Real-time situational awareness solutions are critical to mission execution. With the new face of war and the continuing threat of terror, OSI Geospatial's systems and services can provide the solutions that military, and security organizations need, including the essential tactical, strategic, and operational information that can be securely shared between forces, allies, and civilians to help ensure interoperability and mission success.

SELECTED DATA

The following tables contain financial information that is derived from the unaudited interim consolidated financial statements for the three months ended February 28, 2009.

Operations:	**For the three months ended**	
In thousands of Canadian dollars except share related data	**February 28 2009**	**February 29 2008**
	$	**$**
Revenue	5,724	5,815
Gross profit	1,719	2,182
Gross profit percentage	30%	38%
Net loss	(697)	(541)
Net loss attributable to common shareholders	(853)	(697)
Loss per share – basic	(0.02)	(0.01)
Loss per share – diluted	(0.02)	(0.01)
Weighted average common shares outstanding – basic and diluted	46,956,439	46,956,439
<u>Dividends declared per share</u>		
Class A Preference Shares – Series A	–	–
Class B Preference Shares – Series 2	$0.02	$1.75
Common Shares	–	–

The Company's annual and quarterly operating results are primarily affected by the level, timing and duration of customer orders, relative mix of value added products and services, and fluctuations in material costs. The Company's operating results are also affected by factors such as price competition, manufacturing effectiveness and efficiency, the ability to manage inventory and capital assets effectively, the timing of expenditures in anticipation of increased sales, customer product delivery requirements and shortages of components or labour. Economic factors such as foreign exchange fluctuations, government and corporate spending patterns and regulatory developments may also affect our operating results.

We depend heavily on government contracts and derive a significant amount of revenue from a few customers, which may result in varying revenue, gross profit, and earnings. Some of our government customers have cyclical purchasing patterns which can also impact our quarterly and annual results.

The decrease in revenue for the three months ended February 28, 2009 as compared to the three months ended February 29, 2008 is largely due to the timing of new contracts that are awarded and the delivery schedules of existing contracts.

The lower gross profit and gross profit percentage in the three months ended February 28, 2009 as compared to the three months ended February 29, 2008 is due to the decrease in revenue in the International Systems and Mapping operations, the mix of revenue and the level of fixed costs included in cost of sales across all operating units. There was less software revenue and more engineering services revenue in the three months ended February 28, 2009 than in the three months ended February 29, 2008. Software revenue generates more favorable margins than other revenue streams and services revenue generates less favorable margins than other revenue streams.

Fluctuations in gross profit are influenced by the proportion of engineering labour, third-party systems or third-party labour or portions of all three required for a project, and a high proportion of these factors can result in increased cost of sales and therefore lower gross profit. Certain contracts awarded may require the inclusion of engineering labour, third-party systems or third-party labour. In order to maintain competitiveness on these contracts, we may elect to reduce our usual margins on the third-party components.

The recent economic uncertainty has not affected the Company to date, either in a positive or negative way. The Company's sales strategy's focuses on markets such as military command and control, homeland security, and maritime defence that to date have not been impacted by the recent economic downturn. To date, there are no indications that government spending in the Company's niches in the defence market has been curtailed. The Company is aware of only one minor delay in project execution of an existing project for the fiscal year 2009 and has not had any contract cancellations as a result of current economic conditions.

Financial Position:	**At February 28 2009**	**At November 30 2008**
In thousands of Canadian dollars		
	$	$
Working capital(1)	5,702	6,388
Current assets	11,129	13,316
Long term assets	14,229	13,996
Total assets	25,358	27,312
Current liabilities	5,427	6,928
Long term liabilities	679	793
Total liabilities	6,106	7,721
Shareholders' equity	19,252	19,591

(1) Working capital is defined as current assets less current liabilities. Working capital does not have a standardized meaning or comparable measure under generally accepted accounting principles and may not be comparable to similar measures presented by other companies.

RESULTS OF OPERATIONS – Three months ended February 28, 2009 as compared to three months ended February 29, 2008

Overall Performance

Three months ended		**February 28 2009**		**February 29 2008**		**2009 to 2008**
In thousands of Canadian dollars						
Net loss before income taxes	**$**	**(844)**	**$**	**(635)**	**$**	**(209)**
Net loss	**$**	**(697)**	**$**	**(541)**	**$**	**(156)**
Net loss attributable to common shareholders	**$**	**(853)**	**$**	**(697)**	**$**	**(156)**
Loss per share – basic and diluted		**(0.02)**		**(0.01)**		**(0.01)**

The higher net loss reported for the three months ended February 28, 2009 compared to February 29, 2008 was largely driven by lower revenues, the mix of contracts executed in the period and lower gross profit. There was more systems and services revenue for the quarter ended February 28, 2009 than for the quarter ended February 29, 2008. Software revenue generates more favorable margins than other revenue streams and services revenue generates less favorable margins than other revenue streams.

Backlog

Firm backlog consists of firm, fixed, or signed orders issued and executable subsequent to the balance sheet date. Firm backlog as at February 28, 2009 was at $53 million compared to $42 million at February 29, 2008. Of the $53 million firm backlog, $10 million is expected to be executed in fiscal 2009 and $43 million is expected to be executed in fiscal year 2010 and beyond.

Firm backlog is a non-GAAP measure. This measure does not have a standardized meaning or comparable GAAP measure and is likely not comparable to similar measures presented by other companies and cannot be reconciled to any GAAP measurements. The Company discloses this non-GAAP measure as we believe it provides more insight into our performance specifically regarding revenue available for periods subsequent to February 28, 2009.

The timing of major contracts awarded can significantly impact our firm backlog position and revenue. Historically, major contracts awarded have taken up to three years to finalize. The contracting process involves lengthy discussions and negotiations with several groups of people within the prospective customer's organization. We have continually pursued, and will continue to pursue, major contracts with lengthy sales cycles, and as a result, there could be large variations in backlog and revenue from quarter to quarter.

Multi-year contracts with government agencies have a termination-for-convenience clause because governments approve budget expenditures on an annual basis. This allows contracts to be terminated by the contracting government agency should future budget funding not be approved. In International Systems operations and U.S. Systems operations, the termination-for-convenience clause has not been exercised by any of our customers. In Mapping operations, a government contract was terminated for convenience in the quarter ended February 29, 2008. The Company negotiated a settlement with the customer and the customer paid the negotiated settlement. We have included the full value of multi-year government contracts having a termination-for-convenience clause in firm backlog.

Revenue

Three months ended		February 28 2009	% of total revenue		February 29 2008	% of total revenue		2009 to 2008
In thousands of Canadian dollars								
Marine systems	$	2,098	37	$	2,506	43	$	(408)
Land and air systems		3,367	59		2,806	48		561
Mapping		259	4		503	9		(244)
	$	5,724	100	$	5,815	100	$	(91)

Our core revenue stream is derived from three sources: marine systems, land and air systems, and mapping. In Marine systems, our principal developed product, ECPINS®, delivers the majority of the marine systems revenue. We also derive revenue from the delivery of the ECPINS® software component of our system product. Marine systems delivered 37% and 43% of the revenue for the three months ended February 28, 2009 and February 29, 2008, respectively. Land and air systems through our U.S. Systems operations delivered 59% and 48% of the revenue for the three months ended February 28, 2009 and February 29, 2008, respectively.

Our results are primarily affected by the level, timing, and duration of customer orders and customer product delivery requirements. The main customers for our products and services in the three months ended February 28, 2009 were the Royal Australian Navy, the U.S Coast Guard, U.S. Army and the Royal Navy of the U.K. Revenue from these customers accounted for 55% of the consolidated revenue. The main customers for our products and services in the three months ended February 29, 2008 were the Royal Australian Navy, the Department of Homeland Security and the Royal Navy of the U.K. Revenue from these customers accounted for 57% of the consolidated revenue.

Revenue by Segment

Three months ended		February 28 2009	% of total revenue		February 29 2008	% of total revenue		2009 to 2008
In thousands of Canadian dollars								
International Systems operations	$	1,997	35	$	2,472	42	$	(475)
U.S. Systems operations		3,468	61		2,840	49		628
Mapping operations		259	4		503	9		(244)
	$	5,724	100	$	5,815	100	$	(91)

Revenue from the International Systems operations for the three months ended February 28, 2009 decreased 19% due to the timing of new contracts awarded and the delivery schedules of existing contracts.

Revenue from the U.S. Systems operations for the three months ended February 28, 2009 increased over the same period from the prior year by 22%. The increase is mainly due to the delivery schedules of existing contracts and the timely passage of the U.S. defence budget.

Revenue from the Mapping operations for the three months ended February 28, 2009 decreased over the same period from the prior year by 49% due to the timing of new contracts awarded and the delivery schedules of existing contracts.

We continue to invest significant corporate, sales, and marketing resources in identifying and pursuing new opportunities and contracts, both in our existing customer base and with new prospective customers.

Gross Profit

Three months ended		February 28 2009		February 29 2008		2009 to 2008
In thousands of Canadian dollars						
Gross profit	$	1,719	$	2,182	$	(463)
Gross profit percentage		30%		38%		8%

Gross profit decreased by 21% in the three months ended February 28, 2009 compared to the three months ended February 29, 2008 and the gross profit percentage was 8% lower period-over-period. The decreased gross profit and gross profit percentage compared to the prior period is due to lower revenues, the mix of contracts in the period with more revenue derived from lower margin systems and services revenues, and the level of fixed costs included in cost of sales across all operating units.

Gross Profit by Segment

Three months ended	February 28 2009	February 29 2008	2009 to 2008
In thousands of Canadian dollars			
Gross profit:			
International Systems operations	$ 1,141	$ 1,305	$ (164)
U.S. Systems operations	584	778	(194)
Mapping operations	(6)	99	(105)
Consolidated operations	$ 1,719	$ 2,182	$ (463)
Gross profit percentage:			
International Systems operations	57%	53%	4%
U.S. Systems operations	17%	27%	(10)%
Mapping operations	-%	20%	(20)%
Consolidated operations	30%	38%	(8)%

Gross profit from the International Systems operations decreased 13% and gross profit percentage was 4% higher when compared to the prior period. The decrease in gross profit for the first quarter of 2009 is the result of lower revenues in the International Systems operations and the higher gross profit margin is the result of higher software sales compared to more revenues from lower margins on systems and services projects in the prior period.

Gross profit from the U.S. Systems operations for the three months ended February 28, 2009 decreased 25% and gross profit percentage was 10% lower when compared to February 29, 2008. The decrease is due to a greater proportion of low margin engineering services revenues when compared to the same period last year.

Gross profit from the Mapping operations for the three months ended February 28, 2009 decreased 106% and gross profit percentage dropped 20% when compared to the prior period. Gross profit was negatively impacted by the level of fixed costs included in cost of sales. Gross profit percentages are influenced by the reduction in revenue from the prior year's first quarter. The gross profit percentage of any given mapping project is largely influenced by two factors:

1. the proportion of production services that are performed in-house versus subcontracted to either specialized production service companies in North America or offshore production companies in India or China, and

2. the customer's primary driver, being either price or quality.

Projects where the Company can rely heavily on offshore production will typically have higher gross margin percentages than those that include a large component of specialized or in-house services. Projects were the primary customer driver is quality will generally have higher margins than projects where the primary driver is price.

Operating Expenses

Three months ended	February 28 2009	% of total revenue	February 29 2008	% of total revenue	2009 to 2008
In thousands of Canadian dollars					
General and administrative	**$ 1,209**	**21%**	**$ 1,245**	**21%**	**$ (36)**
Engineering	**301**	**5%**	**262**	**5%**	**39**
Sales and marketing	**813**	**14%**	**914**	**16%**	**(101)**

General and administrative ("G&A") expenses consist mainly of salaries and benefits of management and administrative personnel, professional fees, public company expenses, related facility costs, and other general administrative expenses.

G&A decreased 3% for three months ended February 28, 2009 compared to the previous year's first quarter. The decrease was largely the result of a reduction in staff levels and lower public company costs.

Engineering expenses consist mainly of salaries and benefits of software and hardware engineering personnel, facilities expenses, and related expenses. The Company expenses research and development-related costs in the period incurred unless, in the opinion of management, certain development costs meet the deferral criteria under Canadian GAAP, in which case development expenditures are capitalized and amortized over the estimated lives of the related products.

Engineering costs increased 15% for the three months ended February 28, 2009, compared to the three months ended February 29, 2008. The increase is mainly related to lower engineering staff and related costs being charged to cost of sales to support specific customer orders during the three months ended February 28, 2009 when compared to the same period last year. We believe that in order to maintain our technological leadership, we must continue to develop existing products and introduce innovative new products that challenge and redefine the industry standards.

Sales and marketing ("S&M") expenses consist primarily of compensation of sales and marketing personnel, as well as expenses associated with advertising, trade shows, facilities, and other expenses related to the sales and marketing of our products and services.

S&M expenses decreased by 11% for three months ended February 28, 2009 compared to the three months ended February 29, 2008. The decrease is primarily due to lower commissions and a reduction in discretionary spending. We believe our current level of S&M staff continues to allow us to pursue business development activities relating to our expansion efforts targeting new and existing customers in the military agencies of Canada, the U.S., European NATO, and other allies of Canada, and national and international commercial marine transportation companies. To increase our profile and our products, and to broaden our customer base in international markets, we have established marketing agreements with companies local to the targeted regions. Some of these activities will not result in closing orders during the current year but may yield orders in subsequent fiscal years.

Amortization

Three months ended	February 28 2009	February 29 2008	2009 to 2008
In thousands of Canadian dollars			
Amortization	**$ 113**	**$ 150**	**$ (37)**

Total amortization decreased by 27% on the three months ended February 28, 2009 as compared to the three months ended February 29, 2008. For the three months ended February 28, 2009 and February 29, 2008, a portion of the amortization, $48,000 and $51,000 respectively, was included in cost of sales for equipment used in revenue-generating activities.

Interest expense

Three months ended	February 28 2009	February 29 2008	2009 to 2008
In thousands of Canadian dollars			
Interest expense	**$ 31**	**$ 34**	**$ (3)**

Interest expense decreased by $3,000 in the three months ended February 28, 2009 as compared to the three months ended February 29, 2008. The Company continued to utilize its operating line credit facility during the period.

Interest income

Three months ended	February 28 2009	February 29 2008	2009 to 2008
In thousands of Canadian dollars			
Interest income	**$ -**	**$ (3)**	**$ (3)**

Interest income decreased in the three months ended February 28, 2009 as compared to the three months ended February 29, 2008 as the result of the Company's not having any surplus cash.

Foreign exchange

Three months ended	February 28 2009	February 29 2008	2009 to 2008
In thousands of Canadian dollars			
Foreign exchange loss (gain)	**$ -**	**$ 35**	**$ (35)**

The Company's Canadian subsidiaries, whose functional currency is the Canadian dollar, are exposed to foreign exchange gain and loss due to exchange rate movements of the U.S. dollar, the Australian dollar and the UK pound. These fluctuations did not impact the Company's results for the three months ended February 28, 2009 and were not in the Company's favour during the three months ended February 28, 2008.

Technology Partnerships Canada

Three months ended	February 28 2009	February 29 2008	2009 to 2008
In thousands of Canadian dollars			
Royalty	**$ 96**	**$ 152**	**$ (56)**

The Company entered into two agreements with Technology Partnerships Canada ("TPC") whereby TPC granted financial assistance for the purpose of funding research and development activities which were completed on March 31, 2007. The contributions we received were based on the eligible expenditures incurred.

As part of the agreement entered into on November 15, 1999 with TPC, we are required to pay a royalty of 3% on annual gross revenue in our subsidiary Offshore Systems Ltd. for the period December 1, 1999 to November 30, 2008. In addition, as part of the agreement entered into on April 26, 2004, we are required to pay a royalty of 1.4% on annual gross revenue in our subsidiary Offshore Systems for the period January 1, 2006 to December 31, 2008 and a royalty of 2.5% on annual gross revenue for the period January 1, 2009 to December 31, 2013.

Although we believe that our submissions for TPC funding meet the terms and conditions of the TPC agreements, the final determination is subject to audit by government authorities in the ordinary course of business.

Income Taxes

Three months ended	February 28 2009	February 29 2008	2009 to 2008
In thousands of Canadian dollars			
Future income tax expense (recovery)	$ (152)	$ -	$ (152)
Current income tax (recovery) expense	5	(94)	99
	(147)	(94)	(53)

Based on the information available at the time of the issue of the interim financial statements for the three months ended February 28, 2009, we estimated that we would not have sufficient taxable earnings in Canada in future periods to utilize a portion of our $3.9 million Canadian non-capital losses carried forward, $8.6 million scientific research and experimental development costs and other Canadian tax balances.

We have recognized a future tax recovery for the three months ended February 28, 2009 related to temporary timing differences between accounting income and income for tax purposes in our U.S. subsidiaries as we believe that it is more likely than not that these differences will be realized in future fiscal years. In accordance with Canadian GAAP, we have provided a valuation allowance against future tax assets where realization did not meet the requirements of "more likely than not" under the liability method of tax allocation. We continue to evaluate our taxable position quarterly and consider factors such as estimated taxable income, the history of losses for tax purposes, and the growth of the Company, among others.

LIQUIDITY AND CAPITAL RESOURCES - February 28, 2009 compared to November 30, 2008

In thousands of Canadian dollars	February 28 2009	November 30 2008	2009 to 2008
Current assets	$ 11,129	$ 13,316	$ (2,187)
Current liabilities	5,427	6,928	(1,501)
Working capital (1)	5,702	6,388	(686)

(1) Working capital is defined as current assets less current liabilities. Working capital does not have a standardized meaning or comparable measure under generally accepted accounting principles and may not be comparable to similar measures presented by other companies.

We strive to maintain cash-contributing profitable operations that provide an adequate liquidity and capital resource base for growth. We believe that cash flow from operating activities, together with lines of credit borrowings of Canadian $3.0 million and US $1.2 million available under our revolving credit facilities, will be sufficient to fund currently anticipated working capital, planned capital spending, and debt service requirements for the next 12 months. We expect cash flow from operations will continue to improve next year as scheduled contract milestone payments will be made on several contracts. The expenditures associated with these contracts have been incurred in prior periods.

At February 28, 2009 our current assets decreased primarily due to a decrease in accounts receivable. Our working capital has decreased mainly due to the decrease in accounts receivable offset by a decrease in accounts payable and accrued liabilities. Accounts receivable decreased due to lower revenues in the first quarter of 2009 compared to the fourth quarter of 2008 and due to collection of significant receivables. Accounts payable and accrued liabilities decreased due to payment of specific project costs related to receivable that were collected during the same period.

We have credit facilities consisting of an operating lines, standby letters of credit, and forward exchange contract facilities. The credit facilities permit us to borrow funds directly for general corporate purposes, including acquisitions, at floating rates. At February 28, 2009, we had borrowings of $1.3 million against our Canadian operating line. We have an operating line of Canadian $3.0 million available with a Canadian chartered bank collateralized by accounts receivable and U.S. $1.2 million with a U.S. chartered bank. During the three months ended February 28, 2009, we utilized these facilities which increased interest expense for the year. We utilize our forward exchange contract facility to reduce our exposure to exchange rate movements.

In July 2008, we declared and paid partial semi-annual dividends in the amount of Canadian $0.0175 per share to the Class B Series 2 preference shareholders during the year ended November 30, 2008. On December 1, 2008, the Board of Directors declared partial semi-annual dividend in the amount of Canadian $0.0175 per share on the Class B Series 2 preference shareholders. The partial dividends were paid in accordance with the Company's Articles of Incorporation and to preserve our financial resources in light of the current market conditions. The Company will be assessing its financial resources on a regular basis to determine when we can increase or reinstate the dividends.

We are required to meet certain covenants as outlined in our credit facilities agreement with a major Canadian chartered bank. Compliance with these covenants is measured on a quarterly basis. For the periods ending May 31, 2008, August 31, 2008, November 30, 2008 and February 28, 2009 we did not meet the interest coverage ratio covenant. For the periods ended May 31, 2008, August 31, 2008 and November 30, 2008 we received a waiver from the bank. We expect to receive a waiver from the bank for the period ended February 28, 2009. We expect our operating performance in 2009 will allow us to remedy this deficiency.

Cash Flows

Three months ended	February 28 2009	February 29 2008	2009 to 2008
In thousands of Canadian dollars			
Cash flows provided by (used in):			
Operating activities	**$ 136**	**$ 527**	**$ (391)**
Investing activities	**(50)**	**(223)**	**173**
Financing activities	**(83)**	**(377)**	**294**
Effect of foreign exchange on cash	**(3)**	**73**	**(76)**

Cash flows provided by operating activities for the three months ended February 28, 2009 were the result of the net loss for the three months ended February 28, 2009 which was reduced by amortization and stock-based compensation and a decrease in accounts receivable offset by a decrease in accounts payable and accrued liabilities.

Cash flows used in investing activities for the three months ended February 28, 2009 were primarily reflective of the acquisitions of equipment, furnishings and intangibles commensurate with our plans to obtain additional systems and facilities to accommodate our current and future anticipated growth.

Cash flows used in financing activities for the three months ended February 28, 2009 were the result of a decrease in the operating line of credit, the repayment of capital lease obligations and the semi-annual dividends on our Class B preference shares.

As a result of the above mentioned changes, the line of credit utilization decreased by $18,000 for the three months ended February 28, 2009.

In order to reduce the impact of exchange rate fluctuations, we use the forward exchange contract facility to mitigate any foreign exchange gain or loss that might occur. We use the forward exchange contract facility only for known or reasonably certain future foreign currency transactions. At February 28, 2009 we had entered into forward exchange contracts in the amount of U.S. $540,000, £635,000 and Australian $280,000.

There can be no assurance that we will have adequate financial resources, financing, or cash flows to support the Company into the future.

CONTRACTUAL OBLIGATIONS

The following table provides a summary of the contractual obligations and the payments due for each of the next five years and thereafter.

Payments due by period	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
In thousands of Canadian dollars					
Facility leases	**$ 4,076**	**$ 895**	**$ 1,543**	**$ 953**	**$ 685**
Capital equipment leases	**248**	**83**	**165**	**-**	**-**
Operating equipment leases	**92**	**44**	**43**	**5**	**-**
Total contractual obligations	**$ 4,416**	**$ 1,022**	**$ 1,751**	**$ 958**	**$ 685**

OFF BALANCE SHEET ARRANGEMENTS

Guarantees

The Company has entered into a one year guarantee for one of the Company's subsidiaries, CHI Systems Inc ("CHI"). The Company has guaranteed CHI's bank line of credit that was put in place by the previous owners prior to OSI Geospatial's acquisition of CHI. The maximum potential amount of future payments the Company could be required to make under this guarantee is U.S. $1.2 million. At February 28, 2009, the carrying amount of the liability was U.S. $1.0 million (November 28, 2008- U.S. $691,000).

In January 2007, the Company signed a 10 year lease for new office facilities in Burnaby, British Columbia. It relocated its North Vancouver, British Columbia operations to Burnaby, British Columbia on August 1, 2007.

In April 2007, the Company signed a three year lease for new office facilities in Ottawa, Ontario. It opened the corporate head office in Ottawa on June 1, 2007.

We warrant that our software and hardware products will operate substantially in conformity with product documentation and that the physical media will be free from defect. The specific terms and conditions of the warranties are generally one year but may vary depending on the country in which the products are sold. We accrue for known warranty issues if a loss is probable and can be reasonably estimated, and accrue for estimated incurred but unidentified warranty issues based on historical activity. To date, we have had no material warranty claims.

TRANSACTIONS WITH RELATED PARTIES

The Company had no related party transactions during the periods reported.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian GAAP requires the Company's management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the years reported. Significant areas requiring the use of estimates include valuation of goodwill and intangible assets, future income tax assets, and revenue recognition. Management reviews its estimates based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results could differ from these estimates.

The Company's critical accounting policies are those that it believes are the most important in determining its financial condition and results, and requires significant subjective judgement by management. The Company considers an accounting estimate to be critical if the estimate requires management to make assumptions about matters that were highly uncertain at the time the estimate was made, if different estimates could have been reasonably used or if changes in the estimate would have a material impact on the Company's financial condition or results of operations are likely to occur from period to period.

Valuation of goodwill and intangible assets impairment

In November 2008 and 2007, the Company performed impairment tests for goodwill and intangible assets with indefinite useful lives, and determined that these assets were not impaired. The impairment test involves considerable use of judgment, and requires management to make estimates and assumptions. The fair values of the reporting units are derived from certain valuation models, which consider various factors such as cost of capital, discount rates, the Company's stock price, future earnings and earnings multiples. Changes in estimates and assumptions can affect the reported value of goodwill and intangible assets with indefinite useful lives.

Future income tax assets

The Company is required to determine if the "more likely than not" test under the liability method of accounting for income taxes is met in order to include in income the potential tax benefits relating to increases in future income tax assets. The valuation of income tax assets involves considerable use of judgment and requires management to make estimates and assumptions. Estimates and assumptions include projected earnings, projected growth, projected taxable income and tax planning strategies. Changes in estimates and assumptions can affect the reported value of net future tax assets.

Revenue recognition

The Company generates a portion of International Systems revenues from long-term fixed fee contracts to render specific consulting and software modification services. Revenues from long-term contracts are recognized using the percentage of completion method based on labour costs incurred relative to total estimated labour costs. The long-term nature of contracts involves considerable use of judgment and estimates in determining total revenues, total labour costs and percentage of completion. There are numerous factors to consider, including variances in the contract deliverables, scheduling, labour costs and productivity. The Company has developed methods and systems to provide dependable expenditure estimates for its long-term contracts.

Change in reporting currency

Effective December 1, 2008, the Company adopted the Canadian dollar as its reporting currency. The change was made as a result of the Company's de-registration in the U.S. to adopt a currency that is more appropriate for the Company's investors and other users of the financial statements.

Under Canadian GAAP, the Company's foreign operations are considered self-sustaining. Therefore, their assets and liabilities are translated at the exchange rate in effect at the balance sheet date and revenue, expense and cash flow items are translated at the exchange rate in effect on the transaction dates. Exchange gains and losses arising from the translation of the financial statements of self-sustaining foreign operations are recognized in accumulated other comprehensive income.

The financial information for all prior periods is presented in Canadian dollars as if the Canadian dollar had been used as the reporting currency during those periods.

PROPOSED TRANSACTIONS

We are not currently engaged in any proposed transactions.

SELECTED QUARTERLY DATA (UNAUDITED)

In thousands of Canadian dollars

For the three months ended	February 28 2009	November 30 2008	August 31 2008	May 31 2008
Revenue	$ 5,724	$ 8,145	$ 6,327	$ 6,574
Gross profit	1,719	3,336	2,243	2,026
Gross profit percentage	30%	41%	36%	31%
Net earnings (loss)	(697)	1,020	(682)	(1,174)
Net earnings (loss) attributable to common shareholders	(853)	864	(838)	(1,330)
Loss per share – basic	(0.02)	0.02	(0.02)	(0.03)
Loss per share – diluted	(0.02)	0.02	(0.02)	(0.03)

For the three months ended	February 29 2008	November 30 2007	August 31 2007	May 31 2007
Revenue	$ 5,815	$ 8,082	$ 7,661	$ 6,885
Gross profit	2,182	3,497	3,135	2,731
Gross profit percentage	38%	43%	41%	40%
Net earnings (loss)	(541)	(869)	320	(448)
Net earnings (loss) attributable to common shareholders	(697)	(1,025)	153	(624)
Loss per share – basic	(0.01)	(0.02)	0.00	(0.02)
Loss per share – diluted	(0.01)	(0.02)	0.00	(0.02)

CRITICAL ACCOUNTING POLICIES

These items are substantially unchanged as discussed in the Company's MD&A for the year ended November 30, 2008 as contained in our 2008 Annual Report filed on SEDAR at www.sedar.com.

RECENT ACCOUNTING PRONOUNCEMENTS

The following recent pronouncements issued by the CICA will be monitored by the Company:

The CICA has issued CICA Handbook section 1582, *Business Combinations,* which replaces CICA Handbook section 1581, *Business Combinations.* This section establishes standards for the recognition, measurement, presentation and disclosure of business combinations. This section applies to annual and interim financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company will adopt the new section for its fiscal year beginning December 1, 2011. The Company does not expect that the adoption of this new Section will have a material impact on its consolidated financial statements.

The CICA has issued CICA Handbook section 1601, *Consolidated Financial Statements,* and CICA Handbook section 1602, Non-controlling Interests, which replace CICA Handbook section 1600, *Consolidated Financial Statements.* CICA Handbook section 1601 establishes standards for the preparation of consolidated financial statements and CICA Handbook section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements. These sections apply to annual and interim financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company will adopt the new section for its fiscal year beginning December 1, 2011. The Company does not expect that the adoption of this new Section will have a material impact on its consolidated financial statements.

The Canadian Accounting Standards Board has confirmed that the use of International Financial Reporting Standards ("IFRS") will be required commencing 2011 for publicly accountable, profit oriented enterprises. IFRS will be replacing current Canadian GAAP followed by the Company. The Company will be required to begin reporting under IFRS for its fiscal year ended November 30, 2012 and will be required to provide information that conforms to IFRS for the comparative periods presented. The Company has not assessed the impact of adopting IFRS on its consolidated financial statements

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Foreign Exchange Forward Contracts

Derivative financial instruments are utilized by the Company in the management of its foreign currency exposure to reduce its exposure to fluctuations in foreign exchange on certain committed and anticipated transactions. The Company formally documents the relationships between derivative financial instruments and hedged items, as well as the risk management objective and strategy. The Company assesses, on an ongoing basis, whether the derivative financial instruments continue to be effective in offsetting changes in fair values or cash flows of the hedged transactions.

Changes in fair value of foreign currency denominated derivative financial instruments used to hedge anticipated or committed foreign currency exposures are recognized as an adjustment to the related operating costs or revenue when the hedged transaction is recorded. Derivatives are not subject to hedge accounting and are recorded on the consolidated balance sheets with the changes in fair value being recorded in the consolidated statement of operations each period.

The Company purchases foreign exchange forward contracts to mitigate the exposure to sales and the related accounts receivable to customers denominated in U.S. dollars, UK pounds, Australian dollars and Euros.

At February 28, 2009, we had entered into the following foreign exchange forward contracts, which were not treated as hedges in accordance with CICA Section 3865:

Sell	*Exchange rate in relation to CAD*	*Value date*
GBP 535,000	1.7699 to 1.9755	March 25, 2009 to June 15, 2009
AUD 280,000	0.8014	June 15, 2009
USD 60,000	1.0295 to 1.2359	March 25, 2009 to May 29, 2009

DISCLOSURE OF OUTSTANDING SHARE DATA

As at April 9, 2009, we had 46,956,439 issued and outstanding common shares and 3,430,166 outstanding stock options. As at April 9, 2009, we also had 30,262 issued and outstanding class A preference shares and

178,530 issued and outstanding class B preference shares series 2 convertible into common shares at conversion ratios of 1:1 and 1:58.82353 respectively which represents 10,501,765 common shares. Also at April 9, 2009, we had 15,175,067 outstanding common share purchase warrants convertible to common shares at a conversion ratio of 1:1, representing 15,175,067 common shares.

DISCLOSURE CONTROLS AND PROCEDURES

Management, including the chief executive officer and the chief financial officer, is responsible for establishing and maintaining disclosure controls and procedures as defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*. Management, as at the end of the period covered by this interim filing, designed disclosure controls and procedures to provide reasonable, but not absolute, assurance that (i) material information relating to the issuer is made known to management by others, particularly during the period in which the interim filings were being prepared; and (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Disclosure controls and procedures provide only a reasonable level of assurance that they are effective. Accordingly, they may not detect that all disclosure requirements have not been met. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management, including the chief executive officer and the chief financial officer, is responsible for establishing and maintaining internal controls over financial reporting as defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*. Management, as at the end of the period covered by this interim filing, designed internal controls over financial reporting to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The control framework management used to design the issuer's internal controls over financial reporting is the Committee of Sponsoring Organizations of the Treadway Committee (COSO) control framework. Management did not identify material weaknesses relating to the design of internal controls over financial reporting existing at the end of the period covered by this interim filing.

Because of the inherent limitations of internal controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the design of internal controls over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. The Company has not formally evaluated the operating effectiveness of internal controls over financial reporting.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no material changes in the Company's internal controls over financial reporting that occurred since the beginning of the Company's first quarter to the date of this document that have materially affected, or are reasonably likely to materially affect the Company's internal controls over financial reporting.

RISKS AND UNCERTAINTIES

The primary risks and uncertainties that affect and may affect us and our business, financial condition and results of operations are substantially unchanged as discussed in the Company's MD&A for the year ended November 30, 2008 as contained in our 2008 Annual Report filed on SEDAR at www.sedar.com.