



Press Release

Offshore Systems International Ltd.

TSX:OSI | OTCBB:OFSYF

For Immediate Release

Offshore Systems International announces Q3 2005 financial results

Vancouver, Canada, October 14, 2005 – Offshore Systems International Ltd. (TSX: OSI/ OTCBB: OFSYF) today announced third quarter financial results for the three months ended August 31, 2005. Revenues were \$3.2 million, compared to \$3.0 million for the same quarter last year. Consolidated revenues for the first nine months were \$7.3 million, compared with \$9.8 million for the same period ended August 31, 2004. Revenues are typically affected by the timing of contract awards and existing contract delivery schedules.

The company reported a loss of \$438,996 for Q3 2005, compared to a loss of \$455,922 for the same period last year. For the three months ended August 31, 2005, the loss per share was \$0.05 cents on a basic basis and a loss of \$0.10 cents on a fully diluted basis. This compares to a loss of \$0.02 cents per share on a basic basis and \$0.03 cents per share on a fully diluted basis for the third quarter in 2004. Loss available to common shareholders for the quarter reflect accrued dividends to Class B Preference Shares Series 2 holders.

For the nine months ended August 31, 2005, the company reported a loss of \$2.4 million, compared to earnings of \$475,957 for the first nine months of 2004. The loss per share for the first nine months of 2005 was \$0.31 cents on a basic and diluted basis. This reflects a \$4.7 million one-time accretion of a beneficial conversion feature on the Class B Preference Shares Series 2, reported in Q2. For the first nine months of 2004 earnings were \$0.01 cent per share on a basic basis and \$0.00 cents per share on a diluted basis.

Total backlog* was \$20.4 million at the end of the third quarter (\$11.7 million in firm; \$8.7 million in option backlog*) for fiscal 2005, compared to \$22.6 million (\$9.0 million in firm; \$12.8 million in option backlog*) for Q3 last year.

Conference Call:

A conference call to review Q3 results will occur on Friday October 14, 2005 at 8:30 a.m. (EST). To participate, please call 416-640-4127 or 800-814-3911. A taped replay of the call will be available until October 21, 2005 by calling 416-640-1917 or 877-289-8525, passcode 21156653#. The webcast will be archived at www.osil.com for approximately 90 days.

About Offshore Systems International Ltd.:

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Offshore Systems International Ltd. (OSI) makes computer-based geospatial intelligence software, systems and data products mainly for large government and civilian customers. The company has three business units: OSI Navigation Systems (moving map display systems and software for naval surface ships and submarines); OSI Applications (network-based map and target display software and services for national defence) and Mapcon Mapping (digital map data production services for civilian customers).

***Non-GAAP Definitions:**

The company reports in accordance with U.S. GAAP. Total backlog, firm backlog, option backlog and working capital are non-GAAP measures that do not have a standardized meaning and are likely not comparable to similar measures presented by other issuers. These measures also do not have a comparable GAAP measure. Total backlog is the total of the firm and option backlogs. Firm backlog consists of firm, fixed, signed orders issued to the company and executable by the company subsequent to the balance sheet date. Option backlog consists of unexercised contract options at the balance sheet date and indefinite-quantity contracts executable by the company subsequent to the balance sheet date. Should our customers elect to exercise contract options or place orders against indefinite-quantity contracts, the option backlog converts to firm backlog.

Forward-Looking Statements:

This news release contains items that constitute forward-looking statements within the meaning of securities laws including Section 27a of the Securities Act of 1933, as amended, and Section 21e of the Securities Exchange Act of 1934, as amended. These statements are made under the 'safe harbour' provisions of the Private Securities Litigation Reform Act of 1995 and, as such, involve known and unknown risks and uncertainties and other factors that may cause the actual results to be materially different from the results implied herein. Offshore Systems International can give no assurances that its representations will be achieved or that it will update them at any time in the future.

For more information:

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Offshore Systems International Ltd.

U.S. GAAP

Condensed Balance Sheets (unaudited)

(Incorporated under the laws of the Province of British Columbia, Canada)
(expressed in Canadian dollars)

	As at	
	August 31, 2005	November 30, 2004
	\$	\$
<u>Assets</u>		
Current assets		
Cash	11,504,630	251,037
Restricted cash	220,000	-
Accounts receivable	7,490,486	9,140,478
Inventory	979,295	649,427
Prepaid expenses and deposits	641,006	142,752
Deferred income taxes	868,132	780,331
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	21,703,549	10,964,025
Plant and equipment	1,036,614	938,102
Intangible and other assets	809,468	408,611
Goodwill	531,976	-
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	24,081,607	12,310,738
<u>Liabilities</u>		
Current liabilities		
Accounts payable and accrued liabilities	1,974,111	2,596,362
Income taxes payable	186,440	-
Unearned revenue	396,185	79,865
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	2,556,736	2,676,227
Deferred income taxes	312,766	-
	<hr/>	<hr/>
	2,869,502	2,676,227
<u>Stockholders' Equity</u>		
Capital stock		
Issued and outstanding		
30,262 Class A preference shares – Series A (2004 – 30,262)	30,262	30,262
368,640 Class B preference shares – Series 2 (2004 – nil)	12,118,306	-
nil Class B preference shares – Series 1 (2004 – 57,711)	-	2,163,621
28,745,536 common shares (2004 - 27,488,074)	21,330,449	20,047,731
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	33,479,017	22,241,614
Warrants	5,206,844	661,575
Additional paid in capital	4,838,380	928,169
Accumulated deficit	(22,326,083)	(14,196,847)
Accumulated other comprehensive income	13,947	-
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	21,212,105	9,634,511
	<hr/>	<hr/>
	24,081,607	12,310,738
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Offshore Systems International Ltd.

U.S. GAAP

Condensed Statement of Earnings (unaudited)

(expressed in Canadian dollars)

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2005	2004	2005	2004
	\$	\$	\$	\$
Revenue				
Software	919,594	279,060	2,692,283	4,669,839
Geomatics	1,029,606	507,196	2,243,196	2,224,899
Systems and system components	1,192,482	1,987,301	2,153,296	2,401,539
Other	53,354	178,014	247,803	458,889
	<u>3,195,036</u>	<u>2,951,571</u>	<u>7,336,578</u>	<u>9,755,166</u>
Cost of sales	<u>1,431,770</u>	<u>1,482,017</u>	<u>3,970,852</u>	<u>3,941,836</u>
Gross profit	<u>1,763,266</u>	<u>1,469,554</u>	<u>3,365,726</u>	<u>5,813,330</u>
Expenses				
General and administrative	982,226	814,202	3,018,187	2,469,319
Research and development	501,560	562,024	1,282,718	1,608,599
Sales and marketing	696,371	761,311	1,923,189	2,290,129
Depreciation and amortization	96,950	58,613	229,667	166,657
Interest	3,950	862	25,353	1,233
Foreign exchange loss	144,609	48,331	122,377	31,691
Technology Partnerships Canada royalty	68,886	25,126	161,444	81,760
Technology Partnerships Canada contribution	(363,420)	(373,997)	(1,099,565)	(1,225,539)
	<u>2,131,132</u>	<u>1,896,472</u>	<u>5,663,370</u>	<u>5,423,849</u>
Net earnings (loss) before income taxes	<u>(367,866)</u>	<u>(426,918)</u>	<u>(2,297,644)</u>	<u>389,481</u>
Income tax expense (recovery)				
Deferred income tax expense (recovery)	87,639	115,160	(7,537)	(381,106)
Current income tax expense (recovery)	(16,509)	(86,156)	66,247	294,630
	<u>71,130</u>	<u>29,004</u>	<u>58,710</u>	<u>(86,476)</u>
Net earnings (loss)	<u>(438,996)</u>	<u>(455,922)</u>	<u>(2,356,354)</u>	<u>475,957</u>
Other comprehensive income (loss)				
Foreign currency translation adjustment	13,103	-	(13,947)	-
Comprehensive income (loss)	<u>(425,893)</u>	<u>-</u>	<u>(2,370,301)</u>	<u>-</u>
Net earnings (loss) available to common shareholders	<u>(1,316,207)</u>	<u>(532,644)</u>	<u>(8,449,372)</u>	<u>245,790</u>
Earnings (loss) per share				
Basic earnings (loss) per share	(0.05)	(0.02)	(0.31)	0.01
Diluted earnings (loss) per share	(0.10)	(0.03)	(0.31)	0.00
Weighted average number of common shares outstanding				
Basic	27,556,109	27,394,151	27,510,254	27,147,246
Diluted	49,240,815	30,020,002	27,510,254	29,773,097