



FOR IMMEDIATE RELEASE

## OSI Geospatial Reports 2008 Second Quarter Results and Declares Partial Preferred Share Dividend Payment

July 9, 2008  
Ottawa, Canada

OSI Geospatial Inc. (TSX: OSI; OTCBB: OSIIF) today announced its financial results for the quarter and six months ending May 31, 2008, reported in US dollars and in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

For the second quarter of 2008, OSI Geospatial Inc. reported revenue of \$6.5 million, an increase of 6.4% from the \$6.1 million reported in the second quarter of 2007. Specifically, land and air systems revenue increased 9.3% to \$2.5 million compared with \$2.3 million, marine systems revenue decreased slightly to \$2.3 million from \$2.5 million. Mapping revenue increased 26.5% to \$1.7 million from \$1.4 million reported in Q2 2007. For the six months ending May 31, 2008, the company reported revenue of \$12.3 million, an increase of 27% from the \$9.7 million reported in the same period of 2007.

For the second quarter of 2008, the Company reported a net loss of \$1.4 million before taxes and \$1.1 million after taxes compared with a net loss of \$446,000 before taxes and a \$366,000 after taxes in the same quarter of 2007. The net loss attributable to common shareholders was \$1.5 million or \$0.03 per share, compared to the net loss of \$748,000 or \$0.02 per share in 2007. For the six months ending May 31, 2008, the company reported a net loss of \$2.0 million before taxes and a \$1.7 million loss after taxes compared to a \$2.4 million loss before and after taxes in the same period of 2007.

The Company has decided, in accordance with the Company's Articles of Incorporation and in light of current market conditions, to declare a partial dividend payment for its Class B Series 2 Preferred Shares and, thereby, preserve its financial resources. The Company will pay a dividend of \$0.0175 for each preferred share for the semi-annual payment due on May 31, 2008. The payment of future dividends will be evaluated on a semi-annual basis by the Company.

### Second Quarter Highlights

- Announced a \$10 Million Contract with U.S. Army to provide land C2 technology and services
- Signed contracts with the U.S. Army valued at \$1.5 million
- Announced a contract valued at \$1.6 million to provide U.S. military advanced training technology
- Signed a \$925,000 Simulation Based Training Contract with U.S. Army
- Closed contracts with the Australian Navy valued at more than \$1.3 million
- Awarded first Defense Research and Development Canada (DRDC) contract to develop Counter-IED technology

"In the second quarter we continued to experience delays in closing key contracts, but we are optimistic that we will achieve solid progress in our third and fourth quarter," said Ken Kirkpatrick, president and CEO of OSI Geospatial. "The



company was successful in closing more than \$16 million in new contracts in the second quarter; including a \$10 million contract with the US Army to provide our land-based command and control technology. We are confident that this win will lead to significant future business for the company in the U.S. and around the world.”

### **Conference Call**

OSI Geospatial will present the results from the 2008 first quarter at 5:00PM Eastern Time (2:00 PM Pacific Time), Wednesday, July 9, 2008. To listen to the conference call live by telephone, dial +1-800-319-4610 for participants in North America or +1-604-638-5340 for Vancouver and international participants approximately ten minutes before the call is scheduled to begin. A telephone playback will be available beginning approximately one hour after the call. Dial +1-800-319-6413 for North American callers or +1-604-638-9010 for Vancouver and international callers. Enter access code 7826#. A live and replay version of the webcast can be accessed on the company's investor website at [www.osigeospatial.com](http://www.osigeospatial.com).

### **About OSI Geospatial**

OSI Geospatial Inc. delivers advanced navigation and command and control systems that provide *shared real-time situational awareness* for military, safety and security applications. Our products and services enable our customers to integrate and visualize live data with any combination of sensor data, imagery, maps and charts. This capability provides our customers with enhanced operational performance, safety and security through shared *real-time situational awareness*. OSI Geospatial systems and software are in use by military, government and commercial customers around the world. The company is publicly traded on the Toronto Stock Exchange and the Over the Counter Bulletin Board. For additional information please visit [www.osigeospatial.com](http://www.osigeospatial.com).

### **Forward-Looking Statements**

Certain statements made in this news release that are not based on historical information are forward-looking statements which are made pursuant to the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934 and Section 138.4(9) of the Ontario Securities Act. These forward-looking statements are subject to risks and uncertainties. Actual results may differ from these projections. The risks associated with the Company's business include risks related to its reliance on international government contracts; the number of large-customer transactions and the related lengthy sales cycles in executing those opportunities; uncertainties associated with competitive bidding processes and contract negotiations; actions by government authorities; the effects of general economic and political conditions; changing foreign exchange rates; and challenges related to the company's ability to introduce, develop and implement new products and enhancements to existing products that respond to customer requirements in a changing, complex, technological market. A complete discussion of the company's risk factors is presented in the company's most recent annual reports, filed with the United States Securities and Exchange Commission (“SEC”) and the Canadian Securities Administrators (“CSA”), as well as other periodic reports filed with the SEC and the CSA. The Company does not undertake any obligation to update the forward-looking statements.



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**For more information:**

Jane Hayward

Investor Relations

Office +1 613 287 8004

Mobile +1 613 219 4762

Toll Free +1 888 880 9797

Fax +1 613 287 0466

[invest@osigeospatial.com](mailto:invest@osigeospatial.com)

**OSI Geospatial Inc.**

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

Consolidated Balance Sheets (unaudited)

	May 31, 2008	November 30, 2007
In thousands of U.S. dollars		
<b>Assets</b>		
<b>Current assets</b>		
Accounts receivable and unbilled revenue	\$ 9,367	\$ 13,055
Income taxes receivable	110	-
Inventory	1,479	1,216
Prepaid expenses and deposits	630	502
Current portion of future income tax asset	136	132
	<hr/> 11,722	<hr/> 14,905
<b>Deferred development costs</b>	344	97
<b>Future income tax asset</b>	234	271
<b>Equipment and furnishings</b>	1,816	1,914
<b>Intangible and other assets</b>	772	861
<b>Goodwill</b>	8,300	8,300
	<hr/> \$ 23,188	<hr/> \$ 26,348
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank indebtedness	\$ 1,324	\$ 822
Accounts payable and accrued liabilities	4,529	5,585
Income taxes payable	-	179
Unearned revenue	104	392
Current portion of deferred rent	37	38
Current portion of future income tax liability	-	25
Current portion of capital lease obligations	68	46
	<hr/> 6,062	<hr/> 7,087
<b>Deferred rent</b>	327	347
<b>Capital lease obligation</b>	162	200
<b>Future income tax liability</b>	55	100
	<hr/> 6,606	<hr/> 7,734
<b>Shareholders' Equity</b>		
Issued and outstanding		
30,262 Class A, Series A preference shares (2007 – 30,262)	19	19
178,530 Class B, Series 2 preference shares (2007 – 178,530)	4,542	4,542
46,956,439 common shares (2007 – 46,956,439)	21,293	21,293
	<hr/> 25,854	<hr/> 25,854
<b>Warrants</b>	4,181	4,618
<b>Contributed surplus</b>	2,116	1,679
<b>Accumulated deficit</b>	(18,615)	(16,564)
<b>Accumulated other comprehensive income</b>	3,046	3,027
	<hr/> 16,582	<hr/> 18,614
	<hr/> \$ 23,188	<hr/> \$ 26,348



## OSI Geospatial Inc.

Consolidated Statements of Operations (unaudited)

In thousands of U.S. dollars, except share related data	Three months ended May 31,		Six months ended May 31,	
	2008	2007	2008	2007
<b>Revenue</b>				
Marine systems	\$ 2,320	\$ 2,504	\$ 4,833	\$ 3,204
Land and air systems	2,470	2,259	5,261	4,607
Mapping	1,739	1,375	2,244	1,898
	6,529	6,138	12,338	9,709
<b>Cost of sales</b>	4,510	3,683	8,130	6,585
<b>Gross profit</b>	2,019	2,455	4,208	3,124
<b>Expenses (income)</b>				
General and administrative	1,687	1,452	2,947	2,699
Engineering	308	389	569	870
Sales and marketing	1,168	815	2,075	1,595
Amortization	115	34	264	145
Interest expense	41	5	65	27
Interest income	-	(8)	(3)	(8)
Foreign exchange loss	-	107	38	22
Loss on disposal of intangible and other assets	-	-	28	-
Technology Partnerships Canada royalty	94	107	246	137
	3,413	2,901	6,229	5,487
<b>Net loss before income taxes</b>	(1,394)	(446)	(2,021)	(2,363)
Future income tax recovery	(38)	(19)	(38)	(50)
Current income tax (recovery) expense	(215)	(61)	(309)	42
<b>Income tax recovery</b>	(253)	(80)	(347)	(8)
<b>Net loss</b>	\$ (1,141)	\$ (366)	\$ (1,674)	\$ (2,355)
Accumulated deficit, beginning of period	\$ (17,474)	\$ (15,285)	\$ (16,564)	\$ (13,296)
Dividends on Class B preference shares	-	(382)	(338)	(382)
Tax expense on dividends	-	(52)	(39)	(52)
<b>Accumulated deficit, end of period</b>	\$ (18,615)	\$ (16,085)	\$ (18,615)	\$ (16,085)
<b>Net loss available to common shareholders</b> (note 4c)	\$ (1,455)	\$ (748)	\$ (1,988)	\$ (2,737)
<b>Loss per share</b> (note 4c) - basic and diluted	\$ (0.03)	\$ (0.02)	\$ (0.04)	\$ (0.07)
<b>Weighted average number of common shares outstanding</b> (note 4c) – basic and diluted	46,956,439	39,251,264	46,956,439	38,248,619



## OSI Geospatial Inc.

Consolidated Statements of Cash Flows (unaudited)

In thousands of U.S. dollars	Three Months ended May 31,		Six months ended May 31,	
	2008	2007	2008	2007
<b>Cash flows (used in)/from operating activities</b>				
Net loss for the period	\$ (1,141)	\$ (366)	\$ (1,674)	\$ (2,355)
Items not affecting cash				
Amortization	168	84	367	248
Loss on disposal of intangible and other assets	-	-	28	-
Stock-based compensation	5	87	10	139
Future income taxes	(38)	(33)	(38)	(46)
	(1,006)	(228)	(1,307)	(2,014)
Changes in non-cash working capital items				
Accounts receivable	490	551	3,711	5,148
Inventory	(221)	7	(250)	(251)
Prepaid expenses and deposits	174	383	(126)	(39)
Accounts payable and accrued liabilities	832	(464)	(1,063)	(1,748)
Dividends payable	-	382	-	382
Income taxes receivable/payable	(269)	(74)	(282)	(277)
Unearned revenue	(253)	(146)	(286)	(273)
Deferred rent	(11)	-	(22)	-
	742	639	1,682	2,942
	(264)	411	375	928
<b>Cash flows used in investing activities</b>				
Purchase of Liddy International Inc.	-	(25)	-	(25)
Deferred development costs	(158)	-	(246)	-
Additions to plant and furnishings	(58)	(57)	(91)	(84)
Additions to leaseholds	-	-	(10)	-
Additions to intangible and other assets	(4)	(39)	(94)	(61)
	(220)	(121)	(441)	(170)
<b>Cash flows from/(used in) financing activities</b>				
Advances from (repayment of) operating line of credit	517	121	502	(356)
Repayment of capital lease obligation	(16)	-	(16)	-
Class B preference share dividends	-	(382)	(377)	(382)
	501	(261)	109	(738)
<b>Effect of foreign exchange on cash balances</b>	(17)	(29)	(43)	(20)
<b>Decrease in cash and cash equivalents</b>	-	-	-	-
<b>Cash and cash equivalents – beginning of period</b>	-	-	-	-
<b>Cash and cash equivalents – end of period</b>	\$ -	\$ -	\$ -	\$ -