

OSI Geospatial Inc.

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

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

OSI Geospatial Inc.

Consolidated Statements of Operations (unaudited)

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

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 U.S. dollars	Three months ended August 31,		Nine months ended August 31,	
	2008	2007	2008	2007
Net (loss) earnings	\$ (691)	\$ 279	\$ (2,365)	\$ (2,076)
Unrealized loss on translation of self-sustaining foreign operations	(244)	(343)	(225)	(181)
Comprehensive loss	\$ (935)	\$ (64)	\$ (2,590)	\$ (2,257)

OSI Geospatial Inc.

Consolidated Statements of Accumulated Other Comprehensive Income (unaudited)

In thousands of U.S. dollars	August 31,		November 30,	
	2008		2007	
Accumulated other comprehensive income, beginning of the period	\$ 3,027	\$ 2,427		
Unrealized (loss) gain on translating financial statements of self-sustaining foreign operations	(225)	600		
Accumulated other comprehensive income, end of period	\$ 2,802	\$ 3,027		

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

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

OSI Geospatial Inc.

Notes to the Consolidated Financial Statements (unaudited)

Three and Nine Months Ended August 31, 2008 and 2007

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 Canadian generally accepted accounting principles ("Canadian GAAP") and all amounts have been expressed in thousands of U.S. 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, 2007 with the exception of the application of the accounting policies described in Note 4.

The annual and interim consolidated financial statements originally issued for May 31, 2007 and prior periods were prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). These previously released financial statements included a reconciliation to Canadian GAAP. The Company has restated all comparative amounts presented in accordance with Canadian GAAP and has re-issued the unaudited interim consolidated financial statements for the quarters ended February 28, 2007 and May 31, 2007, including full comparative information presented in accordance with Canadian GAAP.

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 2007 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 Changes in accounting policy

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board has now confirmed that the use of 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 and electronic nautical chart production services, and produces and distributes digital land map data and electronic nautical chart data.

4 Adoption of new accounting standards

Effective December 1, 2007 the Company adopted the following new accounting standards.

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Capital Management

The Canadian Institute of Chartered Accountants (“CICA”) Handbook section 1535, *Capital Disclosures*, requires the Company to disclose information about the Company’s objectives, policies and processes for the management of its capital. The impact of this new accounting standard on the Company’s interim and annual financial statements is limited to providing additional disclosure requirements.

Financial Instruments – Recognition and Measurement

CICA Handbook section 3862, *Financial Instruments – Disclosures*, and Handbook section 3863, *Financial Instruments- Presentation*, require the disclosure of information with regard to the significance of financial instruments for the Company’s financial position and performance, and the nature and extent of risk arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and how the Company manages those risks. The impact of this new accounting standard on the Company’s interim and annual financial statements is additional disclosure requirements.

Financial instrument classification is as follows:

- | | |
|--|-----------------------|
| • Cash and bank indebtedness | Held for trading |
| • Accounts receivable | Loans and receivables |
| • Derivative assets and liabilities | Held for trading |
| • Accounts payable and accrued liabilities | Other liabilities |
| • Long-term liabilities | Other liabilities |

5 Credit facilities

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 maximum amount available to the Company under the operating line is CAD \$3,000,000. At August 31, 2008, the Company had available borrowing capacity under its operating line of CAD \$2,100,000. The credit facilities are collateralized by a general assignment of book debts and a general security agreement. These facilities are insured through insurance solutions provided by Export Development Canada. The operating line bears interest at the chartered bank’s prime lending rate plus 1.0% with interest payable monthly. Funds drawn on the operating lines and the standby letters of credit are repayable on demand. The Company also has an operating line of \$1,200,000 with a U.S. chartered bank which bears interest at the bank’s prime lending rate plus 0.5%.

The Company is required to meet certain covenants as outlined in the credit facilities agreement. Similar to the three and six months ended May 31, 2008, the Company has not met the interest coverage ratio covenant for the three and nine months ended August 31, 2008. Management expects to receive a waiver from the bank for the three and nine months ended August 31, 2008 similar to the waiver received for the three and six months ended May 31, 2008. The Company was in compliance with these covenants at November 30, 2007.

6 Capital stock

a) Warrants

On February 12, 2008, 1,393,301 common share purchase warrants which were valued at \$437,000 using the Black-Scholes model expired. Accordingly, the Company has reduced warrants by \$437,000 with a corresponding increase to contributed surplus.

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b) Stock option plans

A summary of the status of the Company's stock option plans at August 31, 2008 is as follows:

In Canadian dollars

	Number of shares	Weighted average exercise price
Outstanding at November 30, 2007	3,596,166	0.80
Granted	300,000	0.45
Forfeited	(160,000)	0.89
Expired	-	-
Outstanding at August 31, 2008	<u>3,736,166</u>	<u>0.77</u>
Exercisable at August 31, 2008	<u>3,721,096</u>	<u>0.77</u>

Stock-based compensation

For the three and nine months ended August 31, 2008, the Company incurred non-cash stock-based compensation expense of \$24,000 and \$34,000, respectively (three and nine months ended August 31, 2007 - \$5,000 and \$145,000, respectively) related to 300,000 stock options granted on July 28, 2008 and 104,000 stock options granted on April 19, 2007. The options granted on July 28, 2008 vested immediately. Of the 104,000 stock options granted, 52,000 vested over one year and 52,000 will vest over two years from the grant date. The expense is included in general and administrative costs.

The fair value of stock options is estimated using the Black-Scholes option pricing model using the following weighted average assumptions by grant year:

	<u>2008</u>	<u>2007</u>
Risk-free interest rate	3.30%	4.09%
Volatility	51%	49%
Estimated average option lives	5 years	5 years
Dividend yield	0.0%	0.0%

c) Loss per share

In thousands of U.S. dollars, except share related data

For the three months ended August 31,

Loss per share – basic and diluted	<u>2008</u>	<u>2007</u>
Net (loss) earnings for the period	\$ (691)	\$ 279
Less:		
Class B Series 2 preference share dividends (*A)	156	170
Net (loss) earnings available to common shareholders	<u>\$ (847)</u>	<u>\$ 109</u>
Weighted average number of common shares outstanding – basic and diluted	<u>46,956,439</u>	<u>42,377,958</u>
Loss per share – basic and diluted	<u>\$ (0.02)</u>	<u>\$ 0.00</u>

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Three and Nine Months Ended August 31, 2008 and 2007

In thousands of U.S. dollars, except share related data	For the nine months ended August 31,	
Loss per share – basic and diluted	2008	2007
Net loss for the period	\$ (2,365)	\$ (2,076)
Less:		
Class B Series 2 preference share dividends (*A)	797	552
Net loss available to common shareholders	\$ (3,162)	\$ (2,628)
Weighted average number of common shares outstanding – basic and diluted	46,956,439	39,635,112
Loss per share – basic and diluted	\$ (0.07)	\$ (0.07)

(*A) Dividends of \$156,000 and \$797,000 (2007 - \$170,000 and \$552,000) for the three and nine months ended August 31, 2008, respectively, are included which represents the dividends earned by the shareholders of Class B Series 2 cumulative preference shares. As at August 31, 2008 there were \$309,000 (2007 - \$nil) 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 and nine months ended August 31, 2008 and therefore excluded from the diluted loss per share calculation.

If all preferred shares were converted, and all warrants and options were exercised, there would be a total of 76,399,696 common shares outstanding at August 31, 2008 (November 30, 2007 – 77,652,997). As a result of the exercise of all warrants and options, the Company would receive cash of \$14.7 million (November 30, 2007 - \$17.2 million).

7 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

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 August 31, 2008, 57% of its accounts receivable was with national and international government clients and 18% of its accounts receivable was with large international public companies. 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:

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Notes to the Consolidated Financial Statements (unaudited)

Three and Nine Months Ended August 31, 2008 and 2007

In thousands of U.S. dollars

	August 31, 2008	November 30, 2007
Trade accounts receivable	\$ 4,496	\$ 7,570
Unbilled revenue	4,125	5,312
Other	124	182
Allowance for doubtful accounts	(9)	(9)
	<u>\$ 8,736</u>	<u>\$ 13,055</u>

The aging of the trade accounts receivable at the reporting date was:

In thousands of U.S. dollars

	August 31, 2008	November 30, 2007
Current	\$ 3,717	\$ 5,965
61 – 90 days	467	1,017
Greater than 90 days	312	588
	<u>\$ 4,496</u>	<u>\$ 7,570</u>

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 \$21,000 at August 31, 2008 and a recorded liability in accounts payable and accrued liabilities of \$142,000 at November 30, 2007.

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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				August 31, 2008	
Type	Notional	Currency	Maturity	Equivalent to US Dollars	Fair Value
Sell	325	GBP	September 2008	585	20
Sell	350	USD	September 2008	350	(15)
Sell	42	AUD	September 2008	36	2
Sell	100	GBP	October 2008	179	8
Buy	(270)	GBP	October 2008	(491)	(12)
Sell	265	USD	October 2008	265	(12)
Buy	(100)	USD	October 2008	(100)	-
Buy	100	GBP	November 2008	181	-
Sell	210	USD	November 2008	210	(3)
Sell	120	AUD	November 2008	101	-
Sell	70	GBP	December 2008	126	-
Sell	200	USD	December 2008	200	-
Sell	25	GBP	January 2009	45	3
Sell	160	USD	January 2009	160	(7)
Buy	(300)	USD	January 2009	(300)	13
Sell	100	GBP	February 2009	178	8
Sell	200	GBP	March 2009	356	16
				\$	21

In thousands of dollars				November 30, 2007	
Type	Notional	Currency	Maturity	Equivalent to US Dollars	Fair Value
Sell	330	GBP	February 2008	666	\$ (11)
Sell	100	GBP	March 2008	197	(8)
Sell	100	GBP	April 2008	197	(8)
Sell	100	GBP	May 2008	197	(8)
Sell	500	GBP	June 2008	980	(41)
Sell	50	GBP	August 2008	98	(4)
Sell	150	GBP	September 2008	293	(12)
Sell	1,100	USD	January 2008	1,074	(25)
Sell	600	USD	February 2008	600	-
Sell	500	USD	March 2008	475	(25)
				\$	(142)

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 by a total of \$10,000. A 10% strengthening (weakening) of the Canadian dollar against the U.S. dollar would also impact the reporting currency balance sheet values with an offsetting adjustment of approximately \$342,000 to other comprehensive income.

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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 \$3,000 increase (decrease) in the loss of the Company.

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 CAD \$3,000,000 and U.S. \$1,200,000. At August 31, 2008, the Company utilized CAD \$880,000 (2007 - CAD \$265,000) and U.S. \$552,000 (2007 - U.S. \$520,000) of its lines of credit. 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 August 31, 2008 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
<i>In thousands of U.S. dollars</i>					
Facility leases	\$ 3,948	\$ 561	\$ 1,396	\$ 879	\$ 1,112
Capital equipment leases	252	89	116	47	-
Operating equipment leases	97	38	51	8	-
Total contractual obligations	<u>\$ 4,297</u>	<u>\$ 688</u>	<u>\$ 1,563</u>	<u>\$ 934</u>	<u>\$ 1,112</u>

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 August 31, 2008.

8 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. Management defines capital as the Company's total shareholders' equity excluding accumulated other comprehensive income. The Company reviews on a semi-annual basis whether any dividends should be paid.

The Company has certain credit facilities with a Canadian chartered bank, which consist of an operating line, a foreign exchange forward contract facility and standby letters of credit. The operating line bears interest at the chartered bank's prime lending rate plus 1.0% with interest payable monthly. The Company also has an operating line with a U.S. chartered bank which bears interest at the bank's prime lending rate plus 0.5%. In

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addition, the Company is required to meet certain covenants as outlined in the credit facilities agreement. The Company was in compliance with these covenants at August 31, 2008 and November 30, 2007.

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.

9 Segmented information

The Company's reportable segments are International Systems Operations, U.S. Systems Operations, Mapping Operations and Corporate and Public Company costs. Information about the Company's reportable segments is as follows:

In thousands of U.S. dollars

Three Months Ended August 31, 2008

	International Systems Operations	U.S. Systems Operations	Mapping Operations	Corporate and Public Company Costs	Total
Revenue	\$ 2,687	\$ 2,635	\$ 921	\$ -	\$ 6,243
Gross profit	1,241	729	234	-	2,204
Technology Partnerships Canada	136	-	-	-	136
Interest expense	10	14	-	18	42
Income tax expense (recovery)	-	21	-	(30)	(9)
Net earnings (loss)	142	(37)	(76)	(720)	(691)
Equipment and furnishings expenditures	23	21	4	-	48
Intangible expenditures	-	-	-	-	-
Amortization	64	56	41	4	165

In thousands of U.S. dollars

Nine Months Ended August 31, 2008

	International Systems Operations	U.S. Systems Operations	Mapping Operations	Corporate and Public Company Costs	Total
Revenue	\$ 6,965	\$ 8,450	\$ 3,165	\$ -	\$ 18,580
Gross profit	3,064	2,543	804	-	6,411
Technology Partnerships Canada	381	-	-	-	381
Interest expense	21	43	-	43	107
Income tax expense (recovery)	-	(395)	-	39	(356)
Net earnings (loss)	(515)	887	(229)	(2,508)	(2,365)
Equipment and furnishings expenditures	66	66	9	8	149
Intangible expenditures	2	48	3	41	94
Amortization	193	204	123	12	532

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In thousands of U.S. dollars

Three Months Ended August 31, 2007

	International Systems Operations	U.S. Systems Operations	Mapping Operations	Corporate and Public Company Costs	Total
Revenue	\$ 2,390	\$ 3,361	\$ 1,591	\$ -	\$ 7,342
Gross profit	1,331	1,127	590	-	3,048
Technology Partnerships Canada	139	-	-	-	139
Interest expense	-	7	-	15	22
Income tax expense (recovery)	-	(6)	36	23	53
Net earnings (loss)	287	578	194	(780)	279
Equipment and furnishings expenditures	441	15	170	25	651
Intangible expenditures	5	(12)	6	1	-
Amortization	56	43	28	2	129

In thousands of U.S. dollars

Nine Months Ended August 31, 2007

	International Systems Operations	U.S. Systems Operations	Mapping Operations	Corporate and Public Company Costs	Total
Revenue	\$ 5,533	\$ 8,028	\$ 3,489	\$ -	\$ 17,050
Gross profit	2,915	2,092	1,165	-	6,172
Technology Partnerships Canada - net	276	-	-	-	276
Interest expense	-	8	-	40	48
Income tax expense (recovery)	-	(17)	(25)	86	44
Net earnings (loss)	(656)	859	117	(2,396)	(2,076)
Equipment and furnishings expenditures	489	58	183	35	765
Intangible expenditures	15	(3)	18	1	31
Amortization	159	113	101	4	377

In thousands of U.S. dollars

Total assets employed	International Systems Operations	U.S. Systems Operations	Mapping Operations	Corporate and Public Company Costs	Total
As at August 31, 2008	\$ 6,250	\$ 11,843	\$ 3,612	\$ 185	\$ 21,890
As at November 30, 2007	\$ 8,704	\$ 13,859	\$ 3,648	\$ 137	\$ 26,348

OSI Geospatial Inc.

Notes to the Consolidated Financial Statements (unaudited)

Three and Nine Months Ended August 31, 2008 and 2007

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

In thousands of U.S. dollars	Three months ended August 31,		Nine months ended August 31,	
	2008	2007	2008	2007
United States	\$ 2,723	\$ 4,235	\$ 9,332	\$ 9,773
Australia	974	1,025	2,441	1,177
New Zealand	163	60	347	343
Canada	663	820	1,979	2,424
United Kingdom	1,009	1,166	2,213	3,297
Europe	276	-	1,319	-
Other	435	36	949	36
Total	\$ 6,243	\$ 7,342	\$ 18,580	\$ 17,050

Geographically, equipment and furnishings and intangible and other assets are reported based on location. At August 31, 2008 and November 30, 2007, 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 U.S. dollars	August 31, 2008		
	Canada	U.S.	Total
Equipment and furnishings	\$ 1,378	\$ 288	\$ 1,666
Intangible and other assets	256	433	689
Goodwill	-	8,300	8,300
Total	\$ 1,634	\$ 9,021	\$ 10,655

In thousands of U.S. dollars	November 30, 2007		
	Canada	U.S.	Total
Equipment and furnishings	\$ 1,588	\$ 326	\$ 1,914
Intangible and other assets	300	561	861
Goodwill	-	8,300	8,300
Total	\$ 1,888	\$ 9,187	\$ 11,075

10 Restructuring charges

During the fourth quarter of fiscal year 2007, the Company reduced its headcount by three persons who were principally involved in sales and administration. The Company recorded a personnel restructuring charge of \$331,000 consisting of severance and certain other benefit costs. For the three and nine months ended August 31, 2008, the Company paid \$75,000 and \$270,000 of these restructuring charges, respectively. All of the remaining 2007 restructuring charges are expected to be paid by November 30, 2008.

11 Commitments and contingencies

In July 2002, two of the Company's subsidiaries, Offshore Systems Ltd. and Mapcon Mapping Ltd., and four employees became subject to a lawsuit for an undisclosed amount by Triathlon Ltd., a former subsidiary of MacDonald, Dettwiler and Associates Ltd., related to the use of confidential information and breach of fiduciary duty. On August 13, 2008, a settlement was reached and this lawsuit was settled for an undisclosed amount. The Company adequately accrued for this settlement in November 2007.

OSI Geospatial Inc.

Notes to the Consolidated Financial Statements (unaudited)

Three and Nine Months Ended August 31, 2008 and 2007

12 Subsequent event

On October 8, 2008, the Board of Directors rescinded the 300,000 stock options granted in the three months ended August 31, 2008. These stock options were granted contrary to a clause in the 1998 Stock Option plan.

13 Comparative figures

Certain comparative amounts have been reclassified to conform to the current presentation. Certain business and development costs were previously included under general and administration expenses.