



ANNUAL INFORMATION FORM

for the year ended November 30, 2010

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Certain statements contained in this Annual Information Form constitute “forward-looking statements”. When used in this document, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect”, and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including among others, those which are discussed under the heading “Risk Factors”. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. We do not intend, and do not assume any obligation, to update these forward-looking statements.

Unless specifically stated otherwise, all dollar amounts set forth in this Annual Information Form are in Canadian dollars.

1. CORPORATE STRUCTURE

The Corporation

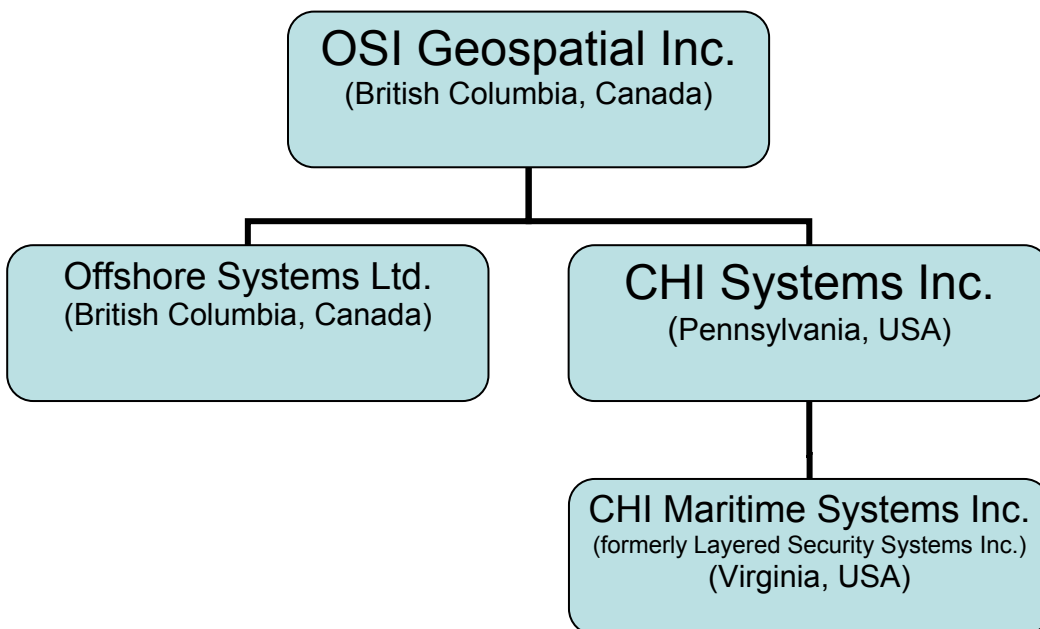
In this Annual Information Form, or “AIF”, references to “OSI Geospatial”, “the Company”, “we”, “us”, and “our” refer to OSI Geospatial Inc. and its subsidiaries, as applicable.

OSI Geospatial Inc. was incorporated under the *Company Act* (British Columbia) on June 10, 1987 under the name “Kappa Resource Corporation”. On April 23, 1990, the Memorandum of the Company was altered to change the name of the Company to “Offshore Systems International Ltd.” On June 5, 2006, the Memorandum of the Company was altered to change the name of the Company to “OSI Geospatial Inc.”

As at November 30, 2010, our head office was located at Suite 300 – 340 March Road, Ottawa, Ontario, Canada, K2K 2E4. Subsequent to the year ended November 30, 2010, we moved our head office to Suite 400 – 4585 Canada Way, Burnaby, British Columbia, Canada, V5G 4L6. Our registered and records office is located at 550 Burrard Street, Suite 2300, Vancouver, British Columbia, Canada, V6C 2B5.

Subsidiaries

As of the date of this AIF, the Company has three wholly-owned subsidiaries or sub-sub-subsidiaries. All of the outstanding shares of each corporation are owned by its parent. The following organizational chart shows the intercorporate relationships and the jurisdiction of incorporation or organization of each subsidiary as of the date of this AIF:



On January 31, 2011, the Company completed the sale of its former wholly-owned subsidiary Mapcon Mapping Ltd. and sub-subsidiary Mapcon Mapping Inc. in connection with the sale of the Company's mapping business. For further information on this transaction, see "General Development of Business – Three-Year History" below.

2. GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

OSI Geospatial is engaged in the development and marketing of integrated navigational and tactical solutions that meet naval and maritime security operational requirements, advanced technology research and development engineering services in support of the military and security requirements and mapping services that provide geospatial data production and consulting services. Our products and services are sold through three business units: maritime navigation and tactical solutions, advanced technology research and development, and mapping.

The commentary described below provides additional detail about the general development of the business over the last three fiscal years.

For the maritime navigation and tactical solutions market, we develop, produce, and sell marine electronic chart display systems for precise positioning and navigation of ships; command and control system products that support real-time decision making; and related products and services for both. We also develop and provide analysis, production, and distribution of geospatial data for electronic display.

Our principal product line for the maritime navigation and tactical solutions market is ECPINS® for use in military defence and in the commercial shipping industry. ECPINS® reads navigational position inputs from the ship's position, velocity, and heading sensors, such as the speed log, the gyrocompass, and the Differential Global Positioning System receiver, and displays the ship's position continuously on a computer screen against the background of an electronic chart. The ECPINS® product line includes an optional radar overlay display system, which enables a navigator using the system to track other ships and objects. With this option, ECPINS® combines the "collision avoidance" capabilities of radar with the "grounding avoidance" capabilities of electronic nautical charts. In the past eight years, we have developed specific ECPINS® systems to meet NATO's warship electronic chart display and information systems standard and the specialized needs of the submarine market.

With growing market demand for sophisticated electronic chart navigation systems among the international defence and homeland security market, we focus on the development of advanced systems and services to meet the needs of government customers, including the Royal Navy of the United Kingdom, the Canadian Navy, the Canadian Coast Guard, the United States Coast Guard, the United States Navy, the New Zealand Royal Navy, the Royal Australian Navy, the Portuguese Navy, the Royal Danish Navy, the Royal Norwegian Navy, and the Royal Netherlands Navy. These customers have unique requirements necessitating a systems solution, which usually involves bundling the ECPINS® products with systems customization, training, and installation. These customers often have non-recurring engineering needs that are met by our engineering capabilities.

In 2009, we introduced a new product – Integrated Navigation and Tactical System (INTS). INTS is designed to be a fully-scalable command and control solution for the patrol vessel market. This solution is the migration of the Company's proven and in-service capabilities into a simple cost-effective integrated system which enhances high-speed navigation, tactical and situational awareness capabilities in a wide range of maritime platforms.

For the advanced technology research and development market, we develop, produce, and sell command, control, communication and intelligence systems (C3I), synthetic training systems, and engineering technology services to improve the mission success, work performance, and cost effectiveness of military efforts. We have successfully integrated our technology solutions into a wide range of existing systems in the defence, aerospace, health, and bioscience information management markets.

On February 1, 2010, the Company's U.S. Operations signed a contract valued at USD \$6.5 million with Harris Corporation ("Harris"). Under the terms of this contract, the Company sold all of its rights to its soldier systems intellectual property and transferred its San Diego-based employees, office and associated equipment, furniture and fixtures to Harris. This intellectual property is a non-core asset that is not aligned with the Company's maritime strategy.

On November 3, 2010, LSS changed its name to CHI Maritime Systems Inc.

In the mapping market, we produce and sell electronic chart data to national chart agencies and hydrographic offices worldwide. We also provide chart services to the United States Coast Guard, and land mapping services to local, regional, and federal governments.

On January 31, 2011, the Company closed the sale of its Mapping business unit for a selling price of \$1.15 million.

During the past few years, the strategy of forging relationships with partners in order to pursue lucrative international procurements has proven to be very successful and has positioned us as the leader in situational awareness technologies. Our teaming partners include CAE Incorporated, L-3 Communications, and General Dynamics in Canada; Northrop Grumman and Raytheon in the U.S.; Lockheed Martin in the U.S., Canada, and the U.K.; Kelvin Hughes in the U.K.; Tenix in Australia; and

Terma in Denmark. In 2007, we signed teaming agreements with BAE Systems (UK) and Sperry Marine – a division of Northrop Grumman UK.

Significant Acquisitions

There were no acquisitions during the fiscal year ended November 30, 2010.

3. BUSINESS DESCRIPTION

General

OSI Geospatial develops and provides advanced systems for the defence and security markets.

Principal Products

During the last three years, the principal products which we sold were as follows:

Maritime Navigation and Tactical Solutions

Electronic Chart Precise Integrated Navigation System (ECPINS®)

ECPINS®, introduced in 1991, is a “real-time” electronic chart display and information system. ECPINS® analyzes critical information such as the ship’s heading, speed and position; and displays the ship’s position in real time on an electronic chart, as well as tracking other vessels with its optional radar overlay and Universal Automatic Identification System interfaces. In addition, ECPINS® has the ability to display unsafe water depth (soundings) and to project an “anti-grounding sector” ahead of the ship for any selected time interval which will trigger alarms if the vessel is approaching shoals, reefs, or other hazards.

In August of 2000, we launched ECPINS®-M, a new product specifically designed for the military market; and ECPINS® 3000 series through 5000 series products for the commercial market. ECPINS® commercial products have three separate product series with functions ranging from basic entry-level to complex instruments with radar overlay display capability, all at lower price points than the original ECPINS® product. The three models are known as the ECPINS® 3000, 4000, and 5000. All current ECPINS® models run on an Intel x86 computer (“PC”) with a Microsoft Windows NT 4.0 operating system. ECPINS®-M, was designed to incorporate our high-performance seamless and simultaneous chart display with the specific navigational demands of the military market.

In 2004, we launched ECPINS®-W, a highly-advanced version of our core technology designed specifically to meet NATO’s WECDIS (Warship Electronic Chart Display and Information Systems). We have also developed a highly-specialized electronic navigation system for the submarine market, called ECPINS®-S.

In 2006, we launched ECPINS® 5000/S-VDR, a version of our core technology combined with the International Maritime Operation’s (IMO) required simplified voyage data recorder (S-VDR). The IMO has mandated that all ships weighing more than 3000 gross tons must install an S-VDR. Our product allows vessels to meet this mandate and add the navigational capabilities of our ECPINS® product.

In 2007, we launched Tactical Asset Control and Tracking (TACT) system for the military and security markets. TACT is a versatile and fully-scalable solution based on terrestrial communications. It is designed to provide military and security operations with the ability to track a wide range of assets and ensure close command and control of these assets in high-tempo situations including Maritime Interdiction Operations and Riverine Warfare.

In 2009, we introduced a new product – Integrated Navigation and Tactical System (INTS). INTS is designed to be a fully-scalable command and control solution for the patrol vessel market. This solution is the migration of the Company’s proven and in-service capabilities into a simple cost-effective integrated system which enhances high-speed navigation, tactical and situational awareness capabilities in a wide range of maritime platforms.

Projects

From time to time, we accept contracts for the development of additional features and capabilities for incorporation into ECPINS®. These projects often become specialized products specific to the customer.

Common Operational Picture (COP) Products

In 2003, we announced the launch of COP-IDS®, a client server application that allows customers to integrate our mapping and imagery display technology into existing command and control systems rapidly and cost effectively. COP-IDS® stands for Common Operational Picture – Image Display Server. It is designed to meet the emerging requirements for international fleets to be able to operate from and share common tactical data in the field. COP-IDS® allows our customers to share data across command and control systems, regardless of the systems in use.

In the subsequent years, we expanded our Common Operational Picture (COP) product line. In addition to the integrated display server, COP-IDS®, the COP product line now includes:

- COP-TDS™: a tactical display server that provides track, target and tactical information such as mission and operational data; and
- COP-WDS™: an open GIS WMS-compliant web map server.

Our COP products are commercial, off-the-shelf solutions supporting C3ISR systems for strategic, operational, and tactical applications. These products address the needs of not only navy applications but also army, air force, special forces, and coalition forces operations.

Warship Automatic Identification Systems (“W-AIS”)

In 2006, we announced our first sale of our W-AIS product, an application installed in platform Operations and Control Rooms, and integrated into the Warship Electronic Chart Display and Information System located on the bridge of the naval ship. This system enhances maritime interdiction operations, operations room situational awareness, and contributes to the recognized maritime picture.

Advanced Technology Research and Development

iGEN™: Synthetic Characters

iGEN™ is a patented artificial intelligence engine that mimics the way people analyze and respond to a wide range of situations. This engine uses a psychological model of human thought and problem solving called COGNET within an engineering-oriented integrated software development environment. COGNET was developed over more than a decade of research at CHI Systems. Our synthetic character software allows flexible, cost-effective training, performance, support, and simulation for any environment.

Mapping

As at November 30, 2010, we provided analysis, production, and distribution of electronic nautical chart and land mapping data to customers in Canada and the U.S. These services were provided on a contract basis to government and commercial organizations such as hydrographic offices, regional and local governments, military agencies, and shipping companies. We also sold electronic navigation charts from various national hydrographic offices, and our own intellectual property inventory to commercial and government customers. On January 31, 2011, we closed the sale of our mapping business unit to Aeroquest International Limited. See “General Development of the Business – Three-Year History” above.

Distribution Strategy

We employ a common distribution strategy for all of our markets which rely on a combination of direct sales and indirect sales through teaming relationships, strategic partnerships, and distributorships to obtain major orders from both new and existing customers. This strategy has resulted in us becoming an industry leader with the most ships under contract and a supplier to eight NATO and allied navies.

Revenues

In fiscal 2010 and 2009, we recognized revenue from our three business units (International Systems Operations, U.S. Systems Operations, and Mapping Operations) categorized into three sources: Maritime Navigation and Tactical Solutions, Advanced Technology Research and Development, and Mapping. Maritime navigation and tactical solutions’ revenues are generated from the sale of systems solutions, software solutions, and engineering services to military and commercial maritime customers. Advanced technology research and development’s revenues are generated from the sale of systems solutions, software solutions, and engineering services to military land and air customers. Mapping revenues are generated from hydrographic chart and land-based mapping services and from the sales of geospatial data for electronic display. In January 2011, the Company closed the sale of its Mapping business unit for a selling price of \$1.15 million. See “General Development of the Business – Three-Year History” above.

The following tables present revenues from sales to customers outside the consolidated entity for the past two fiscal years by segment:

In thousands of Canadian dollars

	2010			
	International Systems Operations	U.S. Systems Operations	Mapping Operations	Total
Maritime navigation and tactical solutions	\$ 5,123	\$ 936	\$ –	\$ 6,059
Advanced technology research and development	–	7,442	–	7,442
Mapping	–		4,227	4,227
Total Revenue	\$ 5,123	\$ 8,378	\$ 4,227	\$ 17,728

In thousands of Canadian dollars

	2009			
	International Systems Operations	U.S. Systems Operations	Mapping Operations	Total
Maritime navigation and tactical solutions	\$ 6,726	\$ 2,836	\$ –	\$ 9,562
Advanced technology research and development	–	9,674	–	9,674
Mapping	–	–	3,758	3,758
Total Revenue	\$ 6,726	\$ 12,510	\$ 3,758	\$ 22,994

For a discussion and analysis of the variances in total revenue by business unit for the past two fiscal years, please refer to Management's Discussion and Analysis for the year ended November 30, 2010, which is incorporated by reference into this AIF.

Competition

Electronic Chart Precise Integrated Navigation System (ECPINS®)

Competition for our ECPINS® products comes from companies that sell other integrated navigational systems based on electronic chart technology. These systems exist in a wide variety of formats, each offering features and benefits for differing applications.

A potential group of competitors comes from the radar and marine equipment segment of the industry, and generally consists of large corporations, including Raytheon Marine GmbH and STN Atlas Elektronik GmbH from Germany; Kongsberg Maritime AS from Norway; Kelvin Hughes Limited from the United Kingdom; Sperry Marine, a division of Northrop Grumman Corporation, from the United States; and Transas Marine Ltd. from the United Kingdom. All of these companies offer competing products.

Competition for our ECPINS® 5000/S-VDR product comes from companies also providing customized WECDIS/S-VDR solutions. The companies in this group include: Transas Marine Ltd. and Kelvin Hughes Limited from the United Kingdom; Sperry Marine a division of Northrop Grumman Corporation, and Furuno Marine Electronics from the United States; Kongsberg Maritime AS from Norway; Raytheon Marine GmbH from Germany; MARIS Marine Systems from the Netherlands; JRC Marine Electronics from Japan; Rutter Technologies from Canada; and Consilium AB from Sweden.

Common Operational Picture (COP) Products

Competition for our Common Operational Picture products comes from companies that sell similar products based on electronic chart and land map technology. Currently, the principal competitor is a product developed by Northrop Grumman known as the Command and Control Personal Computer ("C2PC"). We believe the addition of the COP-IDS® solution into the market may prompt other companies to develop and market competing products. Companies that may elect to do this would be defence and commercial contractors who currently offer products that compete with our ECPINS® products, and companies that offer similar land-based information products, such as Intergraph Corporation; Overwatch; Raytheon Solypsis; ATI Australia, the Geospatial-Intelligence Solutions division of Lockheed Martin, and ESRI.

Warship Automatic Identification Systems (W-AIS)

Competition for our Warship Automatic Identification Systems comes from the radar and maritime equipment segment of the industry and generally consists of large corporations, including Raytheon Marine GmbH and STN Atlas Elektronik GmbH from Germany; Kongsberg Maritime AS from Norway; Kelvin Hughes Limited and Transas Marine Ltd from the United Kingdom; and Sperry Marine, a division of Northrop Grumman Corporation from the United States.

iGEN™: Synthetic Characters

Competition for our iGEN™ product comes from companies that sell similar products and includes companies such as Micro Analysis and Design, a division of BMH Associates; BBN Technologies; Charles River Analytics, Inc.; SAIC, Inc.; Intelligent Automation, Inc.; and SOAR Technology Solutions from the United States.

Mapping

As at November 30, 2010, competition for our mapping products and services comes from two groups of organizations.

The first and larger group consists of organizations that are largely focused on providing photogrammetric and mapping services and products. This group is dominated by a few large- and medium-sized firms and over 300 small firms. The small firms may also provide services to the large- and medium-sized firms on a sub-contract basis. Organizations that fall in the group of large- and medium-sized firms include EarthData International Inc.; Photo Science Inc.; 3001 Inc.; Sanborn Mapping Inc.; Infotech America Inc.; BAE Systems Inc.; Surdex Corporation; NorthWest Geomatics Inc.; Woolpert LLC; Merrick & Company; Intermap Technologies Corporation; Hauts-Monts International Inc.; and SNC - LAVALIN Environment Inc. Firms outside of Canada and the U.S. that fall into this group are Institut Géographique National of France, Hansa Luftbild AG of Germany, Trabajos Catastrales, S.A. of Spain, Geocart S.A. of Spain, Cartographic Institute of Cataluña (ICC) of Spain, and Sistemas de Información Geográfica S.A. de C.V. of Mexico.

The second group consists of those organizations focused on providing analysis, production, and distribution of electronic nautical chart data. This group is dominated by the government hydrographic offices of approximately 30 countries which have historically provided the majority of the world's nautical charts. Many of these hydrographic offices now subcontract a portion of their nautical chart production to private companies. Private-sector competition is limited to a handful of companies. Companies in this group include C-Map of Norway and the U.S.; Nautical Data International Inc. of Canada; Transas Dataco Ltd. of United Kingdom; 3001 Inc. of the U.S. through their association with IIC Technologies Inc. of India; and Infotech Enterprises Limited of India.

On January 31, 2011, the Company closed the sale of its mapping business to Aeroquest International Limited. For further information on this transaction, see “General Development of the Business – Three-Year History” above.

Sources and Availability of Components

We purchase computer components and other electronic hardware for assembly into our systems. These goods are available from multiple suppliers, and prices are subject to the normal trade practices for the industry. No raw materials are used in our products.

Trademarks and Intellectual Property Rights

We have registered trademarks for “ECPINS®” and “COP-IDS®” in Canada, and “iGEN™ The Cognitive Agent Software Toolkit™” and “Serious Games for Serious Times™” in the United States. We either own or license the rights to all intellectual properties used in our products.

Our trademark and copyright protection contributes to the preservation of our competitive position in the market. There can be no assurance that any of these will not be challenged, invalidated, or circumvented by third parties. In the future, we may not be able to obtain necessary licenses on commercially-reasonable terms. We enter into confidentiality and invention assignment agreements with our employees, and enter into nondisclosure agreements with our suppliers and customers, as appropriate, so as to limit access to and disclosure of our proprietary information. These measures may not suffice to deter misappropriation or independent third-party development of similar technologies, which may adversely affect the Company.

Employees

As of November 30, 2010, we had 93 employees.

Foreign Operations

On December 14, 2005, we acquired U.S.-based CHI Systems Inc. In 2010, our U.S. Systems operations contributed approximately 62% to the Company’s revenues and form approximately half of our operations. On January 31, 2011, the Company closed the sale of its mapping business unit, including Mapcon Mapping Inc., for a selling price of \$1.15 million.

In January 2011, our International Systems operations opened an office in the United Kingdom.

Specialized Skill and Knowledge

Due to the specialized nature of our business, our future performance is dependent upon the continued services of our key engineering personnel and executive officers. Our prospects depend upon our ability to attract and retain qualified engineering, manufacturing, marketing, sales, and management personnel for our operations. Competition for personnel is intense, and we may not be successful in attracting or retaining qualified personnel. Our failure to compete for these personnel could harm our business, results of operations, and financial condition.

Risk Factors

An investment in our shares involves risk. Investors should carefully consider the risks described in Management’s Discussion and Analysis for the financial year ended November 30, 2010, under the heading “Risks and Uncertainties” which information is incorporated by reference into this AIF and can also be found on SEDAR at www.sedar.com. The risks and uncertainties described are not the only ones we face. Additional risks and uncertainties, including those that we do not know about now or that we currently deem immaterial, may also affect our business.

4. DIVIDENDS

The Company has declared and paid dividends per share during the past three years as follows:

<u>Years ended November 30</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Class A Preference Shares – Series A	–	–	–
Class B Preference Shares – Series 2	\$0.02	\$0.04	\$1.77
Common Shares	–	–	–

The Company declared semi-annual dividends to the Class B, Series 2 preference shareholders as follows:

<u>Date declared</u>	<u>Period covered</u>	<u>Dividends per share</u>
December 2008	June 2008 – November 2008	\$ 0.0175
July 2009	December 2008 – May 2009	0.0175
January 2010	June 2009 – November 2009	0.0175
May 2010	December 2009 – May 2010	0.0175

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. As at November 30, 2010, there were \$1,576,000 (2009 - \$1,219,000; 2008 - \$621,000) of dividends in arrears for the Class B Series 2 cumulative preference shares.

There are no restrictions that could prevent the Company from paying dividends, other than the varying rights attached to the classes of shares as described below under "Capital Structure"; however, we have not declared or paid dividends on any of our outstanding common shares, and do not intend to do so in the foreseeable future. We intend to retain any future earnings to finance the expansion of the business. Any future determination to pay dividends will be at the discretion of the Board of Directors and will be dependent upon our earnings, capital requirements, and financial position, as well as any other factors deemed relevant by the Board of Directors.

5. CAPITAL STRUCTURE

Capital Structure

The Company has the following authorized capital stock:

- An unlimited number of Common Shares without par value;
- 100,000,000 Class A Preference Shares without par value, issuable in series, of which one series has been created, being 10,000,000 shares designated as Class A Preference Shares Series A Convertible;
- 100,000,000 Class B Preference Shares with a par value of \$50 each, issuable in series, of which two series have been created as follows:
 - 10,000,000 shares designated as Class B Series 1 Preference Shares; and
 - 10,000,000 shares designated as Class B Series 2 Preference Shares; and
- An unlimited number of Class C Preference Shares without par value, issuable in series.

Rights Attached to Shares

The following is a description of the special rights, privileges, restrictions, and preferences, attached to each class and series of our shares and is qualified by the detailed provisions of the Articles of the Company:

- a) An unlimited number of Common Shares without par value. Each Common Share carries the right to one vote at any general meeting of shareholders of the Company. Cumulative voting is not permitted or required. Dividends are payable on the Common Shares at the discretion of the Board of Directors. The holders of the Common Shares are not liable to further capital calls on such shares by the Company. In the event of the liquidation, dissolution or winding-up of the Company, or any distribution of its assets for the purpose of winding up its affairs, the Common Shares rank subordinate to the Class "A" Preference Shares, the Class "B" Preference Shares, and the Class "C" Preference Shares with respect to the payment of any declared but unpaid dividends and repayment of the amount of capital paid up with respect of such Class "A" Preference Shares, Class "B" Preference Shares, and Class "C" Preference Shares. Thereafter, the Class "A" Preference Shares, Class "B" Preference Shares, and Class "C" Preference Shares are not entitled to any further distributions, and the holders of the Common Shares shall be entitled to the distribution of all residual amounts on a pro-rated basis. Except as expressly provided by any special rights and restrictions which the directors may create, define, or attach to any series of Class "A", Class "B", or Class "C" Preference Shares (described below), the directors of the Company may, in their discretion, declare dividends with respect to the Common Shares only or with respect to any other class or series of shares. To date, the Class "A" Preference Shares Series A Convertible, and the Class "B" Series 1 Preference Shares, and the Class "B" Series 2 Preference Shares are the only Preference Shares which have been issued with a priority for payment of dividends over the Common Shares.
- b) 100,000,000 Class "A" Preference Shares without par value. These shares may be issued in one or more series. The directors have the power to alter the Notice of Articles and Articles of the Company from time to time to fix the number of shares in, and to determine the rights, privileges, and restrictions attached to, each series of Class "A" Preference Shares, including voting rights; however, no one series of Class "A" Preference Shares may be issued with a right to payment of dividends or a return of capital on a winding-up or dissolution of the Company in priority to any other series of Class "A" Preference Shares. In addition, if the right to cumulative dividends is attached to a series of Class "A" Preference Shares issued by the Company, and such dividends are not paid in full, the shares of all series of the Class "A" Preference Shares are entitled to participate ratably in respect of accumulated dividends in accordance with the amounts that would be payable on those shares if all the accumulated dividends were paid in full. In the event of the liquidation, dissolution, or winding-up of the Company, or any distribution of its assets for the purpose of winding up its affairs, after the payment of any dividends which have been declared but unpaid, the holders of the Class "A" Preference Shares and the Class "B" Preference Shares (described below) shall be entitled *pari passu* to be paid such amount as the special rights and restrictions attaching to such shares shall provide, and, in the absence of any express provision with respect to such payments, the amount of paid-up capital on such shares, out of the assets of the Company in preference to and in priority over any payment or distribution of any capital asset or monies to the holders of the Common Shares of the Company. After such payment, the holders of the Class "A" Preference Shares and Class "B" Preference Shares shall not be entitled to share in any other distribution of the property or assets of the Company. Once a series of Class "A" Preference Shares is designated by the Board of Directors, the rights, privileges, and conditions attached to such series of Class "A" Preference Shares may be altered or amended only by way of a special resolution passed by a majority of not less than 66⅔% of the votes cast by holders of voting shares at a meeting of the holders of that series of Class "A" Preference Shares.

To date, only one series of shares has been created by the Board of Directors out of the Class "A" Preference Shares, namely, 10,000,000 shares which have been designated as Class "A" Preference Shares Series A Convertible without par value (the "Series A Convertible Shares"). Each Series A Convertible Share entitles the holder to one vote either in person or by proxy at any general meeting of the shareholders of the Company. Each Series A Convertible Share may be converted at the option of the holder into one Common Share at any time. In each calendar year, the holders of the Series A Convertible Shares shall be entitled to receive, in priority to the Common Shares, non-cumulative dividends at a rate not exceeding \$0.01 per Series A Convertible Share, when, as, and if so declared by the Board of Directors, in its discretion, out of the net profits and surplus of the Company properly applicable to the payment of dividends. The Series A Convertible Shares are not subject to any right of redemption at the option of the holder or the Company. In the event of the liquidation, dissolution, or winding-up of the Company or any distribution of its assets for the purpose of winding up its affairs, after the payment of any dividends which have been declared or accrued but unpaid, the holders of the Series A Convertible Shares shall be entitled to be paid the amount of paid-up capital on such shares, out of the assets of the Company in preference to and in priority over any payment or distribution of any capital asset or monies to the holders of the Common Shares of the Company, but in subordination to payment of the paid-up capital plus any accrued but unpaid dividends on the Class "B" Preference Shares. After such payment, the holders of the Series A Convertible Shares shall not be entitled to share in any other distribution of the property or assets of the Company. There are no sinking fund provisions for any further capital calls on such shares. All issued and outstanding Series A Convertible Shares are fully paid.

- c) 100,000,000 Class "B" Preference Shares with a par value of \$50.00 each. These shares may be issued in one or more series. The directors have the power to alter the Notice of Articles and Articles of the Company from time to time to fix the number of shares in, and to determine the rights, privileges, and restrictions attached to, each series of Class "B" Preference Shares, including voting rights; however, no one series of Class "B" Preference Shares may be issued with rights to payment of dividends or a return of capital on a winding-up or dissolution of the Company in priority to any other series of Class "B" Preference Shares. In addition, if the right to cumulative dividends is attached to a series of Class "B" Preference Shares issued by the Company, and such dividends are not paid in full, the shares of all series of Class "B" Preference Shares are entitled to participate ratably in respect of accumulated dividends in accordance with the amounts that would be payable on those shares if all the accumulated dividends were paid in full. In the event of the liquidation, dissolution, or winding-up of the Company, or any distribution of its assets for the purpose of winding up its affairs, after the payment of any dividends which have been declared but unpaid, the holders of the Class "A" Preference Shares described above and the Class "B" Preference Shares shall be entitled *pari passu* to be paid such amount as the special rights and restrictions attached to such shares shall provide, and, in the absence of any express provision with respect to such payments, the amount of paid-up capital on such shares, out of the assets of the Company in preference to and priority over any payment or distribution of any capital asset or monies to the holders of the Common Shares of the Company. After such payment, the holders of the Class "A" Preference Shares and Class "B" Preference Shares shall not be entitled to share in any other distribution of the property or assets of the Company. Once a series of Class "B" Preference Shares is designated by the Board of Directors, the rights, privileges, and conditions attached to such series of Class "B" Preference Shares may be altered or amended only by a special resolution passed by a majority of not less than 66 $\frac{2}{3}$ % of the votes cast by holders of voting shares at a meeting of the holders of that series of Class "B" Preference Shares.

To date, two series of shares have been created and issued by the Board of Directors out of the Class "B" Preference Shares, namely:

- 10,000,000 shares which have been designated as Class "B" Series 1 Preference Shares with a par value of \$50.00 each (the "Series 1 Preference Shares"). Each Series 1 Preference Share entitles the holder to one vote either in person or by proxy at any general meeting of the shareholders of the Company. Each Series 1 Preference Share may be converted at the option of the holder into 45.5 Common Shares at any time. The Company has the right to require the shareholders of the Series 1 Preference Shares to convert each such share into 45.5 Common Shares if (i) at any time after 13 months following the issuance of the Series 1 Preference Share, the closing trade price of the Company's Common Shares exceeds \$2.20 for at least 20 consecutive trading days; or (ii) at any time, the Company completes a firm public underwritten offering of its Common Shares for more than \$40,000,000 U.S. at a price per Common Share greater than \$2.20. The holders of the Series 1 Preference Shares shall be entitled to receive in each calendar year when, as, and if declared by the Board of Directors, in its discretion, cumulative dividends at a rate of \$3.00 per Series 1 Preference Share, out of the net profits and surplus of the Company properly applicable to the payment of dividends, in priority to the payment of any dividend on any shares of any other class. The Series 1 Preference Shares are redeemable at the option of the Company at any time after the fifth anniversary of the issuance date for an amount equal to the original issuance price plus all accrued but unpaid dividends on such shares. The Series 1 Preference Shares are not subject to any right of redemption at the option of the holder. In the event of the liquidation, dissolution, or winding-up of the Company, or any distribution of its assets for the purpose of winding up its affairs, the holders of the Series 1 Preference Shares shall be entitled to be paid the amount of paid-up capital plus all accrued but unpaid dividends on such shares, out of the assets of the Company in preference to and in priority over any payment or distribution of any capital asset or monies to the holders of shares of any other class. After such payment, the holders of the Series 1 Preference Shares shall not be entitled to share in any other distribution of the property or assets of the Company. There are no sinking fund provisions for any further capital calls on such shares. There are currently no Series 1 Preference Shares issued and outstanding.

- 10,000,000 million shares which have been designated as Class "B" Series 2 Preference Shares with a par value of \$50.00 each (the "Series 2 Preference Shares"). Each Series 2 Preference Share entitles the holder to one vote either in person or by proxy at any general meeting of the shareholders of the Company. Each Series 2 Preference Share may be converted at the option of the holder into 58.82353 Common Shares at any time. The Company has the right to require the shareholders of the Series 2 Preference Shares to convert each such share into 58.82353 Common Shares if (i) at any time after 12 months following the issuance of the Series 2 Preference Share, the closing trade price of the Company's Common Shares exceeds \$2.13 for at least 20 consecutive trading days; or (ii) at any time, the Company completes a firm public underwritten offering of its Common Shares for more than \$40,000,000 CAD at a price per Common Share greater than \$1.70. The holders of the Series 2 Preference Shares shall be entitled to receive in each calendar year when, as and if declared by the Board of Directors, in its discretion, cumulative dividends at a rate of 7% per annum, out of the net profits and surplus of the Company properly applicable to the payment of dividends, in priority to the payment of any dividend on any shares of any other class. The Series 2 Preference Shares are redeemable at the option of the Company at any time after the third anniversary of the issuance date for an amount equal to the original issuance price plus a premium of 20% and payment of all accrued but unpaid dividends on such shares. The Series 2

Preference Shares are not subject to any right of redemption at the option of the holder. In the event of the liquidation, dissolution, or winding-up of the Company, or any distribution of its assets for the purpose of winding up its affairs, the holders of the Series 2 Preference Shares shall be entitled to be paid the amount of paid-up capital plus all accrued but unpaid dividends on such shares, out of the assets of the Company in preference to and in priority over any payment or distribution of any capital asset or monies to the holders of any other class. After such payment, the holders of the Series 2 Preference Shares shall not be entitled to share in any other distribution of the property or assets of the Company. There are no sinking fund provisions for any further capital calls on such shares. All issued and outstanding Series 2 Preference Shares are fully paid; and

- d) An unlimited number of "C" Preference Shares without par value. These shares may be issued in one or more series. The directors have the power to alter the Notice of Articles and Articles of the Company from time to time to fix the number of shares in, and to determine the rights, privileges, and restrictions attached to, each series of Class "C" Preference Shares, including voting rights. In the event of the liquidation, dissolution, or winding-up of the Company, or any distribution of its assets for the purpose of winding up its affairs, after the payment of any dividends which have been declared but unpaid, the holders of the Class "C" Preference Shares described above shall be entitled to be paid such amount as the special rights and restrictions attached to such shares shall provide, and, in the absence of any express provision with respect to such payments, the amount of paid-up capital on such shares, out of the assets of the Company in preference to and priority over any payment or distribution of any capital asset or monies to the holders of the Common Shares and any other shares ranking junior to the Class "C" Preference Shares. After such payment, the holders of the Class "C" Preference Shares shall not be entitled to share in any other distribution of the property or assets of the Company except as specifically provided in the special rights and restrictions attached to any series. Once a series of Class "C" Preference Shares is designated by the Board of Directors, the rights, privileges and conditions attached to such series of Class "C" Preference Shares may be altered or amended only by a special resolution passed by a majority of not less than 66 2/3% of the votes cast by holders of Class "C" Preference Shares at a meeting of the holders of that series of shares. To date, no series of shares has been designated by the Board of Directors out of the Class "C" Preference Shares.

6. MARKET FOR SECURITIES

Trading Price and Volume

The issued and outstanding common shares of OSI Geospatial (53,031,494 as at November 30, 2010 and as of the date of this AIF) are listed for trading on the Toronto Stock Exchange ("TSX") under the symbol "OSI".

The following table summarizes the stock market activity, in Canadian dollars, for our common shares on the TSX for the 12 months ended November 30, 2010 and to the date of this AIF.

Month	Opening price	High	Low	Closing price	Trading volume
Dec-09	\$ 0.15	\$ 0.21	\$ 0.14	\$ 0.20	3,606,200
Jan-10	\$ 0.20	\$ 0.25	\$ 0.18	\$ 0.20	1,703,800
Feb-10	\$ 0.21	\$ 0.26	\$ 0.18	\$ 0.24	4,738,900
Mar-10	\$ 0.25	\$ 0.25	\$ 0.16	\$ 0.16	4,126,700
Apr-10	\$ 0.16	\$ 0.21	\$ 0.16	\$ 0.21	4,716,900
May-10	\$ 0.21	\$ 0.30	\$ 0.20	\$ 0.25	3,073,700
Jun-10	\$ 0.25	\$ 0.28	\$ 0.21	\$ 0.28	1,259,600
Jul-10	\$ 0.27	\$ 0.29	\$ 0.21	\$ 0.25	3,143,800
Aug-10	\$ 0.24	\$ 0.28	\$ 0.22	\$ 0.26	1,433,100
Sep-10	\$ 0.28	\$ 0.37	\$ 0.27	\$ 0.37	6,491,900
Oct-10	\$ 0.36	\$ 0.36	\$ 0.28	\$ 0.30	1,675,200
Nov-10	\$ 0.30	\$ 0.30	\$ 0.24	\$ 0.26	4,429,000
Dec-10	\$ 0.25	\$ 0.28	\$ 0.24	\$ 0.25	5,869,000
Jan-11	\$ 0.25	\$ 0.25	\$ 0.20	\$ 0.21	1,863,100
Feb-11	\$ 0.20	\$ 0.20	\$ 0.14	\$ 0.14	2,755,700

As of the date of this AIF, the Company has applied to de-list its common shares from the TSX and to list these shares on the TSX Venture Exchange. It is anticipated that the common shares will commence trading on the TSX Venture Exchange as of February 28, 2011.

7. ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Designation of class	Number of securities held in escrow or subject to contractual restriction on transfer	Percentage (%) of class
Class A preference shares – Series A	30,262	100.0
Class B preference shares – Series 1	–	0.0
Class B preference shares – Series 2	–	0.0
Common shares	–	0.0

All of the Class "A" Preference Shares have been released from escrow and converted into common shares with the exception of 30,262 of such shares. Those shares are no longer subject to any escrow restrictions and may be converted at any time into common shares of the Company, by notice in writing from the holders.

8. DIRECTORS AND OFFICERS

The following table sets forth the names, province or state, and country of residence of all of our directors and executive officers as of the date of this AIF as well as the positions and offices held by such persons with us, and their principal occupations during the past five years.

Name and office held	Principal occupation for past five years	Director since⁽⁵⁾
RAYMOND JOHNSTON ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ Director, Chair of the Board Québec, Canada	<u>12/99 to present:</u> President of Chamber of Marine Commerce, an entity which promotes the interests of the commercial marine industry in Canada.	11/14/00 (and from 12/94 to 9/98)
HELMUT F. LOBMEIER ⁽¹⁾ Director British Columbia, Canada	<u>2001 to present:</u> Investor / Corporate Director <u>1979 to 2001:</u> Co-owner PSL Steel Ltd., and Independent Businessman	4/26/90
CAPTAIN WALTER P. PURIO ⁽²⁾⁽⁷⁾ Director Interim President & Chief Executive Officer Western Australia, Australia	<u>02/11 to Present:</u> President & Chief Executive Officer, OSI Geospatial Inc. <u>2007 to present:</u> Principal, Fremantle Maritime Simulation Centre, Pty <u>2006 to present:</u> Shipmaster – APL Maritime, Ltd <u>1985 to 2006:</u> Shipmaster, General Dynamics, AMSEA	1/14/99
STEVE M. BARNETT ⁽¹⁾⁽⁴⁾ Director Illinois, USA	<u>1993 to present:</u> Independent Business Advisor and Director of Grayhill, Inc. <u>1982 to present:</u> President CDC, Inc., a private corporation that provides management services to mid-sized manufacturing and distribution companies.	4/8/09

Name and office held	Principal occupation for past five years	Director since ⁽⁵⁾
<p>DR. ADAM CHOWANIEC Director ⁽²⁾⁽⁴⁾</p> <p>Ontario, Canada</p>	<p>2009 to present: Zarlink Semiconductor Inc. – Chair</p> <p>2003 to present: Microbridge Technologies – Chair</p> <p>2002 to present: BelAir Networks – Chair</p> <p>2002 to 2010: Vengrowth Capital Partners – Executive-In-Residence</p> <p>2007 to 2010: Axentra Corporation – Chair</p> <p>1995 to 2009: Tundra Semiconductor Corporation – various roles including Founder, CEO and Chair</p>	<p>5/28/09</p>
<p>JIM GIRARD ⁽⁶⁾ Vice President, Finance and Corporate Secretary</p> <p>British Columbia, Canada</p>	<p><u>01/11 to present</u> Vice President, Finance and Corporate Secretary</p> <p><u>06/10 to 01/11</u> Vice President, Corporate Development</p> <p><u>10/09 to 06/10</u> Director of Corporate Development</p> <p><u>04/08 to 10/09</u> Director of Finance</p> <p><u>07/07 to 04/08</u> Corporate Controller (Contractor)</p> <p><u>11/05 to 06/07</u> Chief Financial Officer, Rouxbe Video Technologies Inc.</p>	<p>N/A</p>

Notes:

⁽¹⁾ Member of Audit Committee

⁽²⁾ Member of Human Resources and Compensation Committee

⁽³⁾ Member of Executive Committee

⁽⁴⁾ Member of the Strategy Committee

⁽⁵⁾ The term of office of all directors commences on the date of their appointment and terminates immediately before the holding of the annual general meeting of securityholders next following their appointment.

⁽⁶⁾ Jim Girard was appointed as Vice President, Finance and Corporate Secretary effective January 21, 2011.

⁽⁷⁾ Captain Walter P. Purio was appointed as interim President and Chief Executive Officer effective February 21, 2011.

As at November 30, 2010, there were a total of 1,942,965 common shares, representing 3.7% of all issued and outstanding common shares beneficially owned, or controlled, or directed, directly or indirectly, by all of our directors and executive officers as a group.

Conflicts of Interest

There are currently no conflicts of interest.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Company is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company, that:

- (a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (an "Order") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
- (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (c) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (d) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been the subject of any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or, has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

9. AUDIT COMMITTEE

Under National Instrument 52-110 – *Audit Committees* (“NI 52-110”), issuers are required to provide disclosure with respect to their audit committee including the text of the audit committee’s charter, composition of the audit committee, and the fees paid to the external auditor. Accordingly, the Company provides the following disclosure with respect to its audit committee:

Audit Committee Charter

The Charter of the Audit Committee of our Board of Directors is appended to this Annual Information Form as Appendix A.

Composition of the Audit Committee

The following directors are the members of the Audit Committee:

	Independent⁽¹⁾	Financially Literate⁽¹⁾
Steve Barnett	Yes	Yes
Raymond Johnston	Yes	Yes
Helmut Lobmeier	Yes	Yes

⁽¹⁾ As defined by NI 52-110.

Relevant Education and Experience of Audit Committee Members

Steve Barnett, Director

Mr. Barnett is a resident of Glencoe, Illinois, and a member in good standing of the Illinois State Bar Association having graduated from the University of Chicago Law School with a Doctor of Jurisprudence degree. He brings a wealth of experience to OSI Geospatial as a recognized advisor on improving operations to senior management of public and private marketing, manufacturing and distribution companies. For more than two decades, Mr. Barnett has been President and Chairman of CDC, Inc., whose principal focus has been the acquisition and management of eight mid-sized manufacturing and distribution companies. Since 2009, Mr. Barnett has served as Chairman of the Board for Guardian Angel Enterprises, Inc., a technology company specializing in juvenile safety products. Since April 2000, Mr. Barnett has served on the Board of Directors of inContact, Inc., a communication services provider and has served as Chairman of the Audit Committee and as Chairman of the Governance Committee.,. Mr. Barnett has also served on the Board and as an advisor to senior management of Grayhill, Inc., a manufacturer of electrical systems and supplier to the aerospace and defence sector since 1993. Mr. Barnett is also recognized for his contributions to Chicago’s Jewish community.

Raymond Johnston, Director

Mr. Johnston's background includes more than 25 years of experience in the marine industry. Since December 1999, Mr. Johnston has been the President of the Chamber of Marine Commerce which represents more than 160 organizations that include major Canadian and American shippers, ports and marine service providers, as well as domestic and international shipowners. Prior to joining the Chamber of Maritime Commerce, Mr. Johnston held the position of President and Chief Executive Officer at Canada Steamship Lines Inc. of Montréal. Having worked 23 years with Canada Steamship Lines, Mr. Johnston held various senior executive positions and developed an extensive background in marketing, finance, and operations within the Canadian and U.S. shipping industry, and gained significant international experience in developing new markets and contracts in Europe and Asia. Mr. Johnston is currently a member of the Canadian Committee of Lloyd's Register of North America, and

a member of the Canadian Committee of Germanischer Lloyd. Mr. Johnston holds a Bachelor of Commerce degree and a Master of Business Administration degree from Concordia University in Montréal.

Helmut F. Lobmeier, Director

Mr. Lobmeier is an independent businessman who co-founded P.S.L. Steel Ltd., a steel fabrication facility, in 1979, and co-managed it until selling the business in 2000. Mr. Lobmeier began his financial and professional involvement with OSI Geospatial in 1984 when it was a private company. The relationship between Mr. Lobmeier and OSI Geospatial has continued throughout the 23 years since his initial contributions, which included providing seed capital for OSI Geospatial. He was also instrumental in obtaining listings both on the Vancouver Stock Exchange in 1990 and on the Toronto Stock Exchange in 1994.

Reliance on Certain Exemptions

At no time since the commencement of our most recently completed fiscal year have we relied on the exemptions in Sections 2.4, 3.2, 3.3(2), 3.4, 3.5, 3.6, 3.8 or Part 8 of NI 52-110.

Audit Committee Oversight

At no time since the commencement of the most recently completed fiscal year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services. (See section C.5 “Relationship with External Auditors” of the Audit Committee Charter attached as Appendix A.)

External Auditor Service Fees (By Category)

The aggregate fees billed by the Company’s external auditors, Deloitte & Touche LLP (“Deloitte”) for the fiscal years ending November 30, 2010, and 2009, for audit fees are as follows:

Financial Year ending November 30	2010	2009
Audit fees ⁽¹⁾	\$ 195,622	\$ 233,924
Audit-related fees ⁽²⁾	3,400	25,711
Tax fees ⁽³⁾	-	-
All other fees ⁽⁴⁾	-	-

(1) “Audit Fees” consist of fees billed by Deloitte for assurance and related services reasonably related to the performance of the audit or review of the Company’s financial statements.

(2) “Audit-Related Fees” consist of fees billed by Deloitte for assurance and related services that are reasonably related to the performance of the audit or review of the Company’s financial statements and are not reported as “Audit Fees.”

(3) “Tax Fees” consist of fees billed by Deloitte for professional services rendered for tax compliance, tax advice, and tax planning for the Company, and in connection with the Company’s Canadian federal and provincial tax returns, and U.S. federal and state income tax returns.

(4) “All Other Fees” consist of fees billed by Deloitte for products and services other than Audit Fees, Audit-Related Fees, and Tax Fees.

10. PROMOTERS

The Company has not had a promoter during the past three years or during the current fiscal year.

11. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

In the normal course of business activities, we may become subject to various legal actions. We generally contest these actions and believe that their resolution will not have a material adverse effect on our financial condition.

In January 2010, a claim for breach of contract and wrongful dismissal was filed against the Company by a former employee of the Company. The Company believed the claim was without merit and the Company filed a counterclaim for breach of fiduciary obligations as an officer of the Company and contractual obligations under the former employee's Employment Agreement. In April 2010, a settlement was reached and this lawsuit was dismissed.

12. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Company has not entered into any transactions with our executive officers, members of our Board of Directors, or holders of 10% or more of our shares or their associates or affiliates during the last three years.

13. TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Computershare Trust Company of Canada, with its principal offices in Vancouver, British Columbia, and Toronto, Ontario.

14. MATERIAL CONTRACTS

During the financial year ended November 30, 2010, we did not enter into any material contracts which are not in the ordinary course of business. On February 1, 2010, the Company's U.S. Operations signed a contract valued at USD \$6.5 million with Harris Corporation ("Harris"). Under the terms of this contract, OSI Geospatial sold all of its rights to its soldier systems intellectual property and transferred its San Diego-based employees, office and associated equipment, furniture and fixtures to Harris.

On January 31, 2011, the Company closed the sale of its mapping business unit to Aeroquest International Limited for a selling price of \$1.15 million pursuant to an agreement of purchase and sale.

15. INTERESTS OF EXPERTS

The financial statements of the Company for the year ended November 30, 2010, have been audited by Deloitte & Touche LLP, Ottawa, Ontario, which is independent in accordance with the auditors' rules of professional conduct.

16. ADDITIONAL INFORMATION

Additional information, including information on directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, stock options to purchase securities, and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's information circular for the Company's most recent annual meeting of securityholders that involved an election of directors.

Additional financial information is also provided in our financial statements and MD&A for our most recently completed financial year.

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

APPENDIX A
OSI GEOSPATIAL INC.
AUDIT COMMITTEE CHARTER

PURPOSE

The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its financial oversight responsibilities including (1) reviewing financial information to be provided to shareholders and others; (2) reviewing accounting policies; (3) reviewing Management's processes to identify principal financial risks to the Company and ensuring implementation of appropriate systems to monitor those risks; (4) reviewing certain systems of controls which Management and the Board have established; (5) enhancing the independence of the external auditor by directly overseeing and being responsible for the relationship with the external audit firm; and (6) reviewing compliance with certain legal and regulatory requirements.

This Charter comprises:

- Operating Principles;
- Operating Procedures;
- Specific Responsibilities and Duties.

A. OPERATING PRINCIPLES

The Committee shall fulfil its responsibilities within the context of the following principles:

1. **Composition.** The Committee shall consist of not less than three Directors appointed by the Board at any regular or special meeting. Any member may be removed or replaced at any time by the Board. The Audit Committee members shall elect a Chair of the Committee from among the Committee membership. If the Chair is not able to participate in a meeting of the Committee, one of the other members of the Committee at the meeting shall be chosen to preside by a majority of the members of the Committee participating.
2. **Committee Values.** The Committee expects Company Management to operate in full compliance with the Company's corporate policies, as well as all governing laws and regulations, and to maintain strong financial reporting and control processes.
3. **Communications.** Audit Committee members expect to have direct, open, and frank communications throughout the year with members of Management, the external auditor, and other Board members as well as Committee advisors, when applicable.
4. **Financial Literacy.** All Audit Committee members should be financially literate and at least one of them should have "accounting or related financial experience". "Financially literate" means the ability to read and understand a set of consolidated financial statements that present a level of complexity of accounting issues that are generally comparable to those expected to arise in the Company's consolidated financial statements. "Accounting or related financial experience" refers to a person who, through education or experience as a financial officer, public accountant, or auditor, has prepared or audited financial statements utilizing accounting principles that are generally comparable in complexity to the Company's and who has gained experience with internal accounting controls.

5. **Independence.** Each member of the Committee shall, at all times, be independent of the Company as defined by applicable governing securities regulator requirements both in Canada and the United States.
6. **Meetings.** Committee meeting agendas shall be the responsibility of the Chairman of the Committee, in consultation with Committee members, senior Management, and the external auditor.
7. **Committee Expectations and Information Needs.** The Committee shall communicate its expectations to Management and the external auditor with respect to the nature, timing, and extent of its information needs. The Committee expects that written materials will be received from Management and the external auditor at least one week in advance of meeting dates.
8. **In Camera Meetings.** During the course of at least four meetings of the Committee in a year, Committee members shall meet in private session with the external auditor, with Management, and with Committee members only.
9. **Reporting to the Board.** The Committee, through its Chairman, shall report after each Committee meeting to the Board at the Board's next regular meeting or sooner, if thought appropriate.
10. **External Auditor.** In discharging its responsibilities to the shareholders, the external auditor shall report directly to the Board, through the Audit Committee. The external auditor shall report all material issues or potentially material issues to the Committee.
11. **Committee Self-Assessment.** The Committee shall annually review, discuss, and assess its own performance. In addition, the Committee shall periodically review its role and responsibilities. The Committee shall report to the Board concerning its assessments and reviews promptly following each such assessment and review.

As part of the annual Committee self assessment, this Charter should be reviewed and changes recommended to the Board, if appropriate.

B. OPERATING PROCEDURES

1. The Committee shall meet at least four times annually, or more frequently as circumstances dictate. Meetings shall be held at the call of the Chairman, upon the request of two (2) members of the Committee, or at the request of the external auditor.
2. A quorum shall be a majority of the members.
3. Unless the Committee specifies otherwise, a Committee member shall act as recording secretary of all meetings of the Committee.
4. A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee and to each director of the Company in a timely fashion.
5. A resolution in writing, signed by all of the Audit Committee members entitled to vote on that resolution at a meeting of the Audit Committee, is as valid as if it had been passed at a meeting of the Committee.
6. The Committee has the authority, without reference to the Board, to engage independent counsel and other advisors as it determines necessary to carry out its duties, to set and pay the compensation for any advisors employed by the Committee, and to communicate directly with the external auditor.

C. SPECIFIC RESPONSIBILITIES AND DUTIES

To fulfil its responsibilities and duties, the Committee shall:

1. Financial Reporting

- (a) Review the Company's annual and quarterly consolidated financial statements with Management and the external auditor to gain reasonable assurance that the statements are accurate, complete, and represent fairly the Company's financial position and performance in accordance with generally accepted accounting principles (GAAP), and report to the Board before such financial statements are approved by the Board;
- (b) Review and, if appropriate, recommend approval to the Board of news releases and reports to shareholders and others issued with respect to the Company's annual and quarterly consolidated financial statements, Management Discussion and Analysis, prospectuses, material change disclosures of a financial nature, annual information forms, and similar disclosure documents to be issued by the Company;
- (c) Receive from the external auditor written reports stemming from their audit or review of the annual and quarterly consolidated financial statements, as well as the external auditors' written report on the Company's system of internal controls over financial reporting, if such an audit were undertaken;
- (d) Review with Management and the external auditor any correspondence with regulators or governmental agencies, and any published reports regarding the Company's financial statements or accounting policies.

2. Accounting Policies

- (a) Review with Management and the external auditor the appropriateness of the Company's accounting policies, disclosures, allowances, key estimates, and judgments, including any new accounting policies or changes in policies; and obtain reasonable assurance that they are in compliance with GAAP.
- (b) Review with Management and the external auditor the perceived degree of conservatism of the Company's underlying accounting policies, key estimates, judgments, and allowances.

3. Financial Risk and Uncertainty

- (a) Acknowledging that it is the responsibility of the Board, in consultation with Management, to identify the principal business risks facing the Company, determine the Company's tolerance for risk, and approve risk management policies, the Committee shall focus on financial risk and gain reasonable assurance that financial risk is being effectively managed or controlled by:
 - (i) Review with Management the Company's tolerance for financial risks;
 - (ii) Review with Management its financial risk assessment process as well as the actual significant financial risks identified;

- (iii) Review with Management its plans, processes and programs to manage and control such risks;
- (b) Review foreign currency, interest rate, and commodity price risk mitigation strategies, including the use of derivative financial instruments;
- (c) Prior to renewals, review Director and Officer Liability, and other corporate insurance coverage.
- (d) Review regularly with Management, the external auditor, and the Company's legal counsel, any legal claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Company, and the manner in which these matters have been disclosed in the consolidated financial statements.

4. **Controls**

- (a) The Committee is responsible to assess that Management has designed and implemented an effective system of internal controls over financial reporting ("ICOFR" or "internal controls") on a timely basis as required by securities regulators. Management shall report to the Committee on its plans to design and document suitable internal controls, including which control framework will be used as a basis for its work, as well as reporting to the Committee regularly during the design and implementation to help ensure that this work is completed in a timely manner.
- (b) As of the end of each fiscal year after internal controls are designed and implemented, Management shall provide the Committee with a written report on ICOFR, including the results of its evaluation and tests of the effectiveness of internal controls identifying material weaknesses and significant deficiencies, if any, noted during its work; as well as plans to correct such weaknesses and deficiencies. The first year such a report on ICOFR is required by the Committee will be the year in which securities regulators in Canada or the United States first require such an evaluation.
- (c) The Committee is responsible to assess that Management has designed and implemented an effective system of Disclosure Controls and Procedures (DCP or disclosure controls) for the Company and its consolidated subsidiaries to facilitate the reliable and timely reporting of material changes of any kind. At the end of each fiscal year, and more often if required by securities regulators, Management shall provide the Committee with a written report describing the results of its evaluation and testing of the effectiveness of DCP. Management's report will specify weaknesses, if any, identified, and plans for improvements in its disclosure controls. At the end of each interim quarter, Management will confirm in writing to the Committee that it had suitable disclosure controls designed and in place throughout the past three months to ensure timely disclosure of all material changes.
- (d) Should an independent audit of ICOFR or DCP be initiated by the Committee or required by securities law in Canada or in the United States and carried out by the external auditor or others, such auditors will be retained by and report directly to the Committee.
- (e) The Committee shall review and follow up on any areas of internal control weaknesses identified in each report or letter received from the independent audit firm as a result of its annual audit or other work.

- (f) Receive regular reports from Management, the external auditor, and its legal department on all significant deviations in internal controls or indications/detection of fraud, and the corrective actions planned or undertaken. Report these matters to the Board.
- (g) Establish procedures for receipt, retention, and treatment of complaints and concerns regarding accounting matters, internal accounting controls, and auditing matters or related questionable practices, including anonymous submissions by employees. This is accomplished through Board approved Whistle Blower policies for officers, employees, and third parties.

5. **Relationship with External Auditor**

- (a) The Committee is directly responsible for overseeing the work of the external auditor engaged: (i) to perform an audit on the Company's annual consolidated financial statements; (ii) to review the quarterly consolidated financial statements; (iii) to perform other audit work, including audits of ICOFR; and (iv) to resolve any disagreements between Management and the external auditor;
- (b) Recommend to the Board the nomination of an external auditor annually;
- (c) Each year, obtain a work plan and detailed budget for all audit work to be undertaken by the external auditor. Review and approve the budgeted remuneration and other terms of engagement of the external auditor as set out in an engagement letter(s). Review and approve invoices submitted prior to payment of audit and audit-related services provided by the external auditor;
- (d) Review the performance of the external auditor annually or more frequently as required;
- (e) Receive annually from the external auditor an acknowledgement in writing that the shareholders, as represented by the Board and the Committee, are its primary client;
- (f) The Committee must pre-approve all non-audit services to be provided to the Company or its subsidiary entities by the Company's external auditor. These non-audit services cannot include those services prohibited by capital market regulators in Canada or the United States. In the event that a request is made for pre-approval of a non-audit service before the Committee can meet, the Chairman of the Audit Committee is authorized to pre-approve such a non-audit service, on condition that such pre-approval will be presented to the full Committee at its next meeting;
- (g) Receive a written report as required by professional auditing standards annually from the external auditor with respect to their independence; such report is to include a brief description of all engagements and related fees for audit and non-audit services provided to the Company since the beginning the fiscal year for which they are currently retained as auditor;
- (h) Establish clear hiring policies for employees and former employees of the external auditor to ensure that the independence of the external auditor is not compromised, in appearance or in fact.
- (i) Review with the external auditor the scope of the annual audit and quarterly reviews, the areas of special emphasis to be addressed in this work, and the materiality levels which the external auditor proposes to employ;

- (j) Meet regularly with the external auditor in the absence of Management to determine that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditor or the reporting of their findings to the Committee;
- (k) Establish effective communication processes with Management and the Company's external auditor to assist the Committee to monitor objectively the quality and effectiveness of the relationship among the external auditor, Management, and the Committee.

6. **Compliance with Certain Laws and Regulations**

- (a) Review regular reports from Management, the Company's legal counsel, and others (e.g. external auditors), with respect to the Company's compliance with laws and regulations having a material impact on the consolidated financial statements including:
 - (i) Tax and financial reporting laws and regulations;
 - (ii) Legal withholding requirements;
- (b) Receive a written report from Management, no less than annually, on the status of filing the Company's tax returns and those of its subsidiaries, and any assessment and reassessment notices that may have been received, or can reasonably be expected, since the last such report.

Approved by the Board of Directors July 11, 2006; amendments approved by the Board of Directors February 25, 2010