



ANNUAL INFORMATION FORM

for the year ended November 30, 2007

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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 U.S. dollars.

1. CORPORATE STRUCTURE

The Corporation

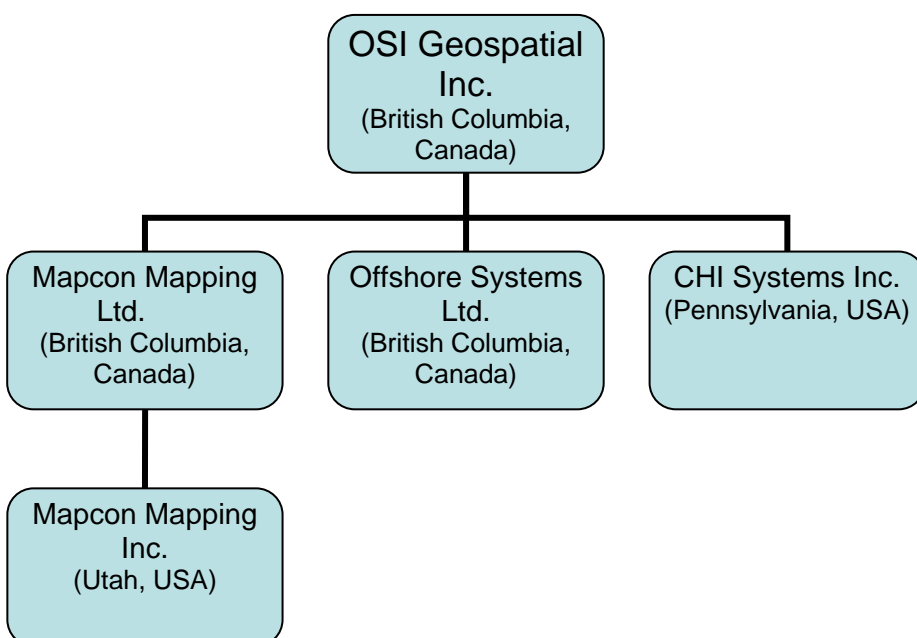
In this Annual Information Form, or “AIF”, references to “OSI”, “the Company”, “we”, “us”, and “our” refer to OSI Geospatial Inc. and its subsidiaries, as applicable.

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

Our head office is located at Suite 300 – 340 March Road, Ottawa, Ontario, Canada, K2K 2E4. Our registered and records office is located at Suite 800 – 885 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3H1.

Subsidiaries

The Company presently has four subsidiaries or 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:



2: GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

OSI is engaged in the development and marketing of systems, and services for enhancing situational awareness in command, control, and intelligence applications. Our products and services are sold through three business units: marine systems, land and air systems, and mapping.

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

For the marine systems 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 for the marine systems market is ECPINS® for use in military defence and in the commercial shipping industry. ECPINS® reads navigation 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 last few 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 UK, 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, and the Royal Norwegian Navy. These customers have unique requirements requiring 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 2006, we announced the type approval and launch of a new product – ECPINS® 5000/S-VDR, a combined ECPINS® and simplified voyage data recorder. The ECPINS®/S-VDR 5000 System is a powerful, fully integrated Electronic Chart Display and Information System (ECDIS) and simplified voyage data recorder system which combines the recording capabilities of an S-VDR with the operational efficiency and accident prevention capabilities of ECPINS® 5000.

In 2006, we also announced the launch of the Warship Automatic Identification Systems, 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.

In 2007, we announced the launch of a new product – Asset Control and Tracking (ACT) system for the military and security markets. ACT is a versatile and fully scalable solution based on terrestrial communications. It is designed to provide military and security operations 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. The product was launched in September 2007 and the first sale will be in 2008.

For the land and air 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.

In 2007, we developed and sold our Small Unit Situational Awareness System (SUSA). This unit, based on our plug-and-play C3Core software provides individual warfighters, small unit leaders and HLS personnel with real-time individual tracking, and a shared understanding of their area of operations critical for success. SUSA allows

GPS-denied tracking of soldiers or HLS personnel in real-time and displays their location on a sophisticated map display. SUSA has applications to both the defence and security markets.

On December 14, 2005, we acquired U.S.-based CHI Systems Inc. ("CHI Systems") for a combination of cash and stock valued at approximately \$9 million. The acquisition approximately doubled the Company's revenue and employee base. CHI is a United States defence contracting company with multiple offices in the United States. It is a supplier of technology and services to the U.S. Department of Defence and key defence prime contractors. Information respecting the acquisition may be found in our Business Acquisition Report dated February 27, 2006 and filed on SEDAR at www.sedar.com.

CHI's key customers include BAE Systems, Defense Advanced Research Projects Agency (DARPA), General Dynamics, Northrop Grumman, and the U.S. Army, Navy, Air Force and Marine.

On April 23, 2007, we acquired the assets of Liddy International Inc. ("Liddy"), a United States national security contracting company and established Layered Security Solutions ("LSS"). LSS provides Infrastructure Vulnerability Assessments for the Critical Infrastructure Protection market of national security and business continuity solutions against potential hazards. LSS has the capability to develop deterrence, response and recovery strategies designed to deal with global threats to business and government. Under the terms of the agreement, the Company paid approximately \$154,000 for the assets and goodwill of Liddy, of which \$25,000 was paid in cash with the balance paid by the issuance of 300,000 common shares of the Company of which 200,000 common shares are held in escrow subject to the satisfaction of certain contractual provisions. LSS's key customer is the Department of Homeland Security.

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 April 8, 2005, we acquired Mapcon Mapping Consultants Inc. ("Mapcon") of Salt Lake City, Utah, United States for approximately \$1.1 million. Mapcon is a privately-held company in the digital and electronics chart data production market and provides us access into the U.S. market.

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 significant acquisitions in 2007.

3. BUSINESS DESCRIPTION

General

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

In 2006, we changed our revenue and reporting segments to reflect management's analysis of the business following the recent U.S. acquisitions. Beginning in the first quarter of 2006, we reported consolidated revenue as Marine systems, Land and air systems, and Mapping (previously Software, Geomatics, Systems and software components, and other). Segmented results are reported as International Systems Operations, U.S. Systems Operations, Mapping Operations, and Corporate and Public Company costs.

Principal Products

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

Marine Systems

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.

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.

Land and Air Systems

C3Core Small Unit Situational Awareness Unit (SUSA)

SUSA is based on C3Core, a component based software for Command & Control application development. Used to rapidly create map-based command and control applications, C3Core provides the war-fighter with fully integrated and scalable decision support capability for network-centric, distributed operations. SUSA is a dismountable command, control, communication, and intelligence system that is usable in GPS denied environments including urban centres and mountains.

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.

Critical Infrastructure Protection (CIP)

Critical infrastructure is defined as “systems and assets, whether physical or virtual, so vital to the country that the incapacity or destruction of such system and assets would have a debilitating impact on security, national economic security, national public health or safety, or any combination thereof”. One key component of the CIP market is providing business continuity. LSS provides Infrastructure Vulnerability Assessments (IVA) to U.S. Department of Homeland Security as part of the CIP market for the purpose of assessing the systems in place to provide business and government protection and continuity.

Mapping

We provide analysis, production, and distribution of electronic nautical chart and land mapping data to customers in Canada and the U.S. These services are 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 sell electronic navigation charts from various national hydrographic offices, and our own intellectual property inventory to commercial and government customers. On April 8, 2005, we acquired Mapcon, a privately-held company in the digital and electronic mapping market that provides us access into the U.S. market.

Distribution Strategy

We employ a common distribution strategy for all of our markets which relies 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.

As at November 30, 2007, we had 15 employees engaged in sales and marketing products. The distribution of sales range from naval customers, including the Royal Navy of the United Kingdom, the Royal Australian Navy, the Danish Navy, the Royal New Zealand Navy and the Portuguese Navy, to commercial shipping companies, to various U.S. military branches to U.S. cities and counties.

We also attend selected major international trade shows and conferences. During fiscal 2007, we attended shows and conferences as follows:

- Surface Navy Show in January, 2007 in Arlington, VA
- Surface Navy League from January 10 to 12 in Washington, DC
- London Boat Show from January 6 to 14 in London, England
- DGI 2007 from Jan 23 to 24 in London, England
- Directorate Equipment Capability Workshop on February 1 in London, England
- Sea-Air-Space Expo from April 3 to 4 in Washington, DC
- CanSec from April 5 to 6 in Ottawa, ON

- IMDEX from May 15 to 18 in Singapore
- Future Naval Plans and Requirements 2007 from May 23 to 25 in London, England
- UDT from June 5 to 7 in Naples, Italy
- MACC from June 5 to 7 in Norfolk, VA
- Norshipping from June 12 to 15 in Oslo, Norway
- DSEi from September 15 to 18 in London, England

Revenues

In fiscal 2007 and 2006, we recognized revenue from our three business units (International Systems Operations, U.S. Systems Operations and Mapping Operations) categorized into three sources: Marine systems, Land and air systems and Mapping. Marine systems revenues are generated from the sale of systems solutions, software solutions and engineering services to military and commercial marine customers. Land and air systems 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.

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

In thousands of U.S. dollars

2007

	International Systems Operations		U.S. Systems Operations		Mapping Operations		Total
Marine systems	\$	8,214	\$	2,005	\$	–	\$ 10,219
Land and air systems		–		10,703		–	10,703
Mapping		–		–		4,404	4,404
Total Revenue	\$	8,214	\$	12,708	\$	4,404	\$ 25,326

In thousands of U.S. dollars

2006

	International Systems Operations		U.S. Systems Operations		Mapping Operations		Total
Marine systems	\$	9,518	\$	1,756	\$	–	\$ 11,274
Land and air systems		–		8,761		–	8,761
Mapping		–		–		4,102	4,102
Total Revenue	\$	9,518	\$	10,517	\$	4,102	\$ 24,137

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, 2007, 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.

Another category of potential competitors is comprised of companies that primarily target the pleasure boat market. While we currently do not market or intend to market our ECPINS® products to the pleasure boat market, these companies may extend their operations to compete with us in the navigational systems market. Through extensive research and development, the existing product or products of these other companies could evolve into solutions that could compete with ECPINS®. In fact, some of these companies entered the pleasure boat market a few years ago and may have hundreds of systems in use, any of which could be developed further to compete with ECPINS®. The companies in this group include: C-Map, Laserplot Inc., Electronic Marine Systems, and Maptech.

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 such as Intergraph Corporation, Overwatch, Raytheon Solypsis, ATI Australia, the Geospatial-Intelligence Solutions division of Lockheed Martin, and ESRI that offer similar land-based information products.

Warship Automatic Identification Systems (W-AIS)

Competition for our Warship Automatic Identification Systems 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 and Transas Marine Ltd from the United Kingdom and Sperry Marine a division of Northrop Grumman Corporation from the United States.

iGEN™

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 ,

C3Core Small Unit Situational Awareness Unit

Competition for our C3Core products comes from companies that sell similar products and includes companies such as Technical Solutions, Inc., 21st Century Systems, Inc., Sparta, Inc., General Dynamics C4 Systems, Raytheon, SAIC, Inc, High Performance Technology, Inc., BAE Systems, Alion Science and Technology, Anteon Corporation, BMH Associates, CACI International, Inc, Charles River Analytics, Inc, Environmental Systems Research Institute, Georgia Tech Research Institute and L-3 Communications from the United States. Key competitors for SUSA include EADS Defence and Security, Rheinmetall Defence, Thales UK, SAGEM, Cobham Defence Communications and Rockwell Collins.

Security

The competitors for the Critical Infrastructure Protection market include SAIC and Booz, Allen, Hamilton.

Mapping

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, 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 sub-contract 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, Infotech Enterprises Limited of India.

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 the United States 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, 2007, we had 147 employees. As of November 30, 2006 we had 135 employees. This is an increase of 12 employees.

Foreign Operations

On December 14, 2005 we acquired U.S.-based CHI Systems Inc. In 2007, our U.S. Systems operations contributed approximately 42% of the company's revenues and forms approximately half of our operations.

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, 2007 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 during the past three years as follows:

Years ended November 30	2007	2006	2005
Class A Preference Shares – Series A	–	–	–
Class B Preference Shares – Series 1	–	–	\$2.36
Class B Preference Shares – Series 2	\$1.64	\$3.13	\$3.52
Common Shares	–	–	–

On December 13, 2007, the Company declared, and subsequently paid, dividends of \$1.86 per share.

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 CAD \$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 75% 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) An unlimited number of Class "B" Preference Shares with a par value of CAD \$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 75% 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 has 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 CAD \$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 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 CAD \$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; however, no one series of Class "C" 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 "C" Preference Shares. In addition, if the right to cumulative dividends is attached to a series of Class "C" Preference Shares issued by the Company, and such dividends are not paid in full, the shares of all series of Class "C" 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 "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 (46,956,439 as at November 30, 2007) are listed for trading on the Toronto Stock Exchange ("TSX") under the symbol "OSI" and are quoted for trading on the Over the Counter Bulletin Board ("OTCBB") under the symbol OSIF.

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, 2007.

Month	Opening price	High	Low	Closing price	Trading volume
Dec-06	\$ 0.75	\$ 0.78	\$ 0.56	\$ 0.65	2,852,700
Jan-07	\$ 0.68	\$ 0.72	\$ 0.57	\$ 0.70	1,493,300
Feb-07	\$ 0.72	\$ 0.91	\$ 0.69	\$ 0.87	3,077,800
Mar-07	\$ 0.85	\$ 0.85	\$ 0.62	\$ 0.66	1,298,700
Apr-07	\$ 0.67	\$ 0.73	\$ 0.57	\$ 0.62	2,440,900
May-07	\$ 0.62	\$ 0.73	\$ 0.61	\$ 0.66	1,405,300
Jun-07	\$ 0.64	\$ 0.85	\$ 0.64	\$ 0.68	1,251,600
Jul-07	\$ 0.66	\$ 0.71	\$ 0.60	\$ 0.60	1,487,200
Aug-07	\$ 0.60	\$ 0.62	\$ 0.45	\$ 0.52	1,119,300
Sep-07	\$ 0.50	\$ 0.55	\$ 0.46	\$ 0.46	1,325,300
Oct-07	\$ 0.46	\$ 0.52	\$ 0.40	\$ 0.47	1,376,000
Nov-07	\$ 0.47	\$ 0.53	\$ 0.44	\$ 0.49	1,203,000

Prior Sales

On July 31, 2007, we completed a private placement offering resulting in the placement of 5,560,000 units (the "Units") of the Company at a price of \$0.65 per Unit, for gross proceeds of \$3.4 million. Each Unit consists of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.80 per common share for a period of 24 months expiring July 31, 2009.

The gross proceeds from the private placement were allocated as follows: \$3.1 million was allocated to the 5,560,000 common shares issued and \$332,000 was allocated to the 2,780,000 warrants issued. Share issue costs associated with the private placement amounted to \$322,000 and included a \$74,000 broker compensation warrant entitling the broker to purchase up to 333,600 Units of the Company at a price of \$0.65 per Unit for a period of 24 months from the closing of the offering.

In April 2005 we completed a private placement of 19,500 units for gross proceeds of \$16.0 million. Each unit was comprised of 20 Class B Series 2 Preference Shares and 588 share purchase warrants. The issue price was \$823.05 (CAD \$1,000.01), of which CAD \$1,000.00 was allocated to the 20 Class B Series 2 Preference Shares and CAD \$0.01 to the warrants. As a result of the private placement, we issued a total of 390,000 Class B Series 2 Preference Shares at a price of CAD \$50 per share for total consideration of \$16.0 million, and 11,466,000 share purchase warrants for total nominal consideration of \$195.00. In addition we issued a total of 929,064 share purchase warrants to parties who provided investment banking or advisory services to us in connection with the private placement. Neither the Class B Series 2 Preference Shares nor the share purchase warrants are listed or quoted for trading.

7. ESCROWED SECURITIES

Designation of class	Number of securities held in escrow	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	200,000	0.4

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.

On April 23, 2007, the Company acquired the assets of Liddy International Inc. ("Liddy"), a United States defence contracting company. Under the terms of the agreement, the Company paid approximately \$154,000 for assets

and goodwill of Liddy, of which \$25,000 was paid in cash with the balance paid by the issuance of 300,000 common shares of the Company of which 200,000 common shares are held in escrow subject to the satisfaction of certain contractual provisions.

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 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⁽⁴⁾
RAYMOND JOHNSTON ⁽¹⁾⁽²⁾⁽³⁾ 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. <u>05/92 to 06/99</u> : CEO, Canada Steamship Lines	11/14/00 (and from 12/94 to 9/98)
KENNETH KIRKPATRICK ⁽³⁾ Director President & Chief Executive Officer Ontario, Canada	<u>11/05 to present</u> : President & Chief Executive Officer <u>2/05 to 11/05</u> : Chief Operating Officer <u>5/01 to 2/05</u> : Vice President, Operations <u>12/97 to 5/01</u> : Vice President & Chief Operating Officer, Triathlon Ltd. subsidiary of MacDonald Dettwiler & Associates	11/07/05
HELMUT F. LOBMEIER ⁽¹⁾ Director British Columbia, Canada	Previous Co-owner PSL Steel Ltd., Independent Businessman	4/26/90
CAPTAIN WALTER P. PURIO ⁽²⁾ Director Western Australia, Australia	<u>2007 to present</u> : Principal, Fremantle Maritime Simulation Centre, Pty <u>2006 to present</u> : Shipmaster – APL Maritime, Ltd <u>1993 to 2000</u> : President, P and H Marine Associates, Inc. <u>1985 to 2006</u> : Shipmaster- , General Dynamics, AMSEA	1/14/99
GERALD J. SHIELDS ⁽²⁾ Director British Columbia, Canada	<u>November 2006 to present</u> : Principal Providia Investment Group Previously was lawyer engaged in private practice with the firms of Godinho Sinclair Shields (1998 until July, 2005) and of Clark Wilson LLP (July, 2005 to November, 2006).	4/8/05

Name and office held	Principal occupation for past five years	Director since ⁽⁴⁾
JOSEPH A. STROUD ⁽³⁾ Director Virginia, United States	<u>2005 to present:</u> Partner at General Management Partners, LLC <u>1997 to 2007:</u> Partner/Consultant at J.F. Lehman Equity Investors I, LLP.	3/15/06
DONALD W. YOUNG ⁽¹⁾⁽³⁾ Director British Columbia, Canada	<u>02/07 to present:</u> Independent Business Advisor <u>10/05 to 01/07:</u> Retired <u>10/79 to 9/05:</u> Audit partner with KPMG	3/15/06
JOHN SENTJENS Chief Financial Officer and Corporate Secretary British Columbia, Canada	<u>12/07 to present:</u> Chief Financial Officer and Corporate Secretary <u>11/05 to 11/07:</u> Vice President, Finance and Corporate Secretary <u>8/01 to 11/05:</u> Corporate Controller <u>11/99 to 8/01:</u> Controller, Triathlon Ltd. subsidiary of MacDonald Dettwiler & Associates Ltd.	N/A

Notes:

⁽¹⁾ Member of Audit Committee

⁽²⁾ Member of Human Resources and Compensation Committee

⁽³⁾ Member of Executive Committee

⁽⁴⁾ 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.

As at November 30, 2007, there were a total of 1,078,195 common shares, representing 2.3% of all issued and outstanding common shares beneficially owned, directly or indirectly, or over which control or direction is exercised, by all of our directors and executive officers as a group.

Conflicts of Interest

There are currently no conflicts of interest.

9. AUDIT COMMITTEE

Under Multilateral Instrument 52-110 – Audit Committees (“MI 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 AIF as Appendix A.

Composition of the Audit Committee

The following directors are the members of the Audit Committee:

	Independent⁽¹⁾	Financially Literate⁽¹⁾	Financial Expert
Donald Young	Yes	Yes	Yes
Raymond Johnston	Yes	Yes	No
Helmut Lobmeier	Yes	Yes	No

⁽¹⁾ As defined by Multilateral Instrument 52-110 ("MI 52-110").

Relevant Education and Experience of Audit Committee Members

Donald Young, Director

Through Clifftop Advisory Services Co., Mr. Young provides management advisory services on effective business planning and financial matters. He is a former senior audit partner and a business consulting partner with KPMG LLP. Mr. Young has held senior volunteer positions with not for profit organizations. He is Past President and a Fellow of the Institute of Chartered Accountants of British Columbia and a past member of the Executive Committee and Board of Governors of the Canadian Institute of Chartered Accountants. Donald also serves on the board of directors of another public company.

Raymond Johnston, Director

Mr. Johnston's background includes more than 25 years of experience in the marine industry. Mr. Johnston was appointed President of the Chamber of Marine Commerce in December of 1999. 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 in 1984 when it was a private company. The relationship between Mr. Lobmeier and OSI has continued throughout the 23 years since his initial contributions, which included providing seed capital for OSI.

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 MI 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 6(c) "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, Ernst & Young LLP ("E&Y"), in each of the last two fiscal years for audit fees are as follows:

Financial Year ending November 30	2007	2006
Audit fees ⁽¹⁾	\$ 342,588	\$ 322,939
Audit-related fees ⁽²⁾	-	223,778
Tax fees ⁽³⁾	115,355	108,734
All other fees ⁽⁴⁾	4,545	2,490

(1) "Audit Fees" consist of fees billed by E&Y 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 E&Y 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." For fiscal year 2006, these fees of \$223,778 were for the financial statement audit of CHI Systems Inc. for the years ended September 30, 2004 and 2005 that were required as part of the Business Acquisition Report filed by the Company on February 27, 2006.

(3) "Tax Fees" consist of fees billed by E&Y 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 E&Y for products and services other than Audit Fees, Audit-Related Fees and Tax Fees. For fiscal years 2007 and 2006, these fees were for an annual subscription to E&Y's on-line accounting research website.

10. PROMOTERS

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

11. LEGAL PROCEEDINGS

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 July 2002 two of our subsidiaries, Offshore Systems Ltd. and OSI Geomatics Ltd (now, Mapcon Mapping Ltd) and four employees were named as co-defendants in a lawsuit commenced in the Supreme Court of British Columbia by Triathlon Ltd., a subsidiary of MacDonald, Dettwiler and Associates Ltd. The lawsuit is related to the alleged use of confidential information and alleged breach of fiduciary duty. The Company is currently negotiating a settlement and has accrued an amount that it anticipates will be paid to settle this matter.

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 during the last three years, except as follows:

- a) On April 8, 2005, Gerald J. Shields, a related party by virtue of the provision of legal services to the Company by two law firms in which he has an interest was elected to the Company's Board of Directors. Fees paid to these two law firms for services Mr. Shields provided to the Company during the fiscal year 2006 totalled \$177,000 (2005 - totalled \$164,000). As of November 17, 2006, Mr. Shields no longer has an interest in any law firm that provided or provides legal services to the Company.

13. TRANSFER AGENT AND REGISTRAR

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

14. MATERIAL CONTRACTS

During the financial year ended November 30, 2007 we entered into the following material contracts which are not in the ordinary course of business:

- (a) On April 23, 2007, we entered into an agreement to acquire the assets of Liddy International Inc. ("Liddy"), a United States defence contracting company. Under the terms of the agreement, the Company paid approximately \$154,000 for assets and goodwill of Liddy, of which \$25,000 was paid in cash with the balance paid by the issuance of 300,000 common shares of the Company of which 200,000 common shares are held in escrow subject to the satisfaction of certain contractual provisions.

15. INTERESTS OF EXPERTS

The financial statements of the Company for the year ended November 30, 2007 have been audited by Ernst & Young LLP, Vancouver, British Columbia, 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.

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 fulfill 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 Board shall appoint a Chair of the Committee. 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 fulfill 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; 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 their plans to design and document suitable internal controls, including which control framework will be used as a basis for their 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 their evaluation and tests of the effectiveness of internal controls identifying material weaknesses and significant deficiencies, if any, noted during their 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 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 their 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 their 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 their 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 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