



OSI Geospatial Inc

2007 Letter to Shareholders

***Real Time Situational Awareness
Systems and Solutions***





Letter to Shareholders

Dear Fellow Shareholders

In 2007 we made considerable progress in positioning the company to benefit from the high growth situational awareness command, control, communications and intelligence military and security markets. We strongly believe that we are making the necessary investments to take advantage of the considerable market opportunities that are available to our company and that will drive our future growth. While we are disappointed with our financial performance this year, we are very encouraged by the extensive progress that we have made in positioning ourselves for large programs, expanding our product offerings, forging new partnerships, strengthening customer relationships and expanding into the high growth security markets. Our key 2007 highlights include:

- ✓ Increased revenue to \$25.3 million
- ✓ Signed contracts worth close to \$28 million
- ✓ Awarded contracts worth more than \$26 million Entered the security market and closed \$3.3 million in contracts with the U.S. Department of Homeland Security
- ✓ Expanded our customer base and established partnerships with large defense systems integrators
- ✓ Leveraged our core technology to develop new products that have the potential to generate significant revenue in 2008 and beyond

The company's mission is to provide our customers with quality geospatial products and services that will enhance operational performance, security, and safety through shared real-time situational awareness. Our expanding customer base and proven technology positions us very well to address the real-time situational awareness needs of the military and security markets.





Real-time Situational Awareness

What is real time situational awareness? Simply defined, situational awareness is being aware of everything that is happening around oneself and the relative importance of everything observed — a constantly evolving picture of the state of the environment.

Situational awareness is a critical factor for effective decision making and mission performance in any complex and dynamic environment.

Our products enable our customers to receive live tactical data feeds and display the information in real-time with any combination of satellite imagery, land maps and nautical charts.

Our Growth Strategy

The company is well positioned to benefit from the increasing demand for real-time situational awareness solutions that enhance operational performance of military and security operations. Our growth strategy is concentrated on the following areas:

- **Expanding our product offerings** to enter adjacent and new markets
- **Positioning for large programs** by strengthening our sales and marketing capabilities across the company
- **Forging strong industry partnerships** to access major programs and international markets;
- **Strengthening customer relationships** to ensure on-going repeat business
- **Entering high growth security markets**

➤ **Expanding our Product Offerings**

In 2007 we set out to leverage our core technology to develop new products that would position us to develop adjacent and new markets for the company. It is essential that we continue to invest in the development of new products that will enable us to diversify our product offerings to reduce our dependency on a specific product or market sector and to significantly expand the size of our target markets.

We are very pleased with our progress in this area. We developed a small hand held situational awareness unit for battle field frontline medical operations (SUSA), an asset control and tracking (ACT) system for maritime interdiction operations, a digital maritime operations plot system (DMOPS) for advanced submarine navigation operations and a handheld situational awareness unit for military special operations and first responders operating in extreme environments (SUSA). In addition, we have made excellent progress in developing a command and control solution for the maritime security market that leverages our advanced naval technology. All of these new initiatives have the potential to generate a significant amount of business for the company in 2008 and beyond.



➤ ***Positioning for Large Programs***

The United States and United Kingdom military and security markets continue to be our highest priority and the majority of the contracts signed and awarded to the company in 2007 were from these markets. In addition, the Canadian market is gaining importance, as the government is committed to making significant investments to improve its military and security infrastructure over the next 5 years. Our company is well placed to develop and win large projects in all of these markets as we have proven technology, an excellent reputation in these markets with strong customer relationships, and established industry partnerships. These markets will drive our future growth and we are aggressively pursuing several projects in each of these markets.

To ensure that we are well positioned to win our share of these projects, we have substantially expanded and enhanced our sales and marketing capabilities across the company. This includes establishing a business development team that has extensive experience in developing and closing large defense contracts in all of our target markets. Our investment in building our sales and marketing capabilities has increased our sales funnel and we are well situated for success in all of these markets in 2008.

➤ ***Forging Strong Industry Partnerships***

Developing strong partnerships with industry leaders is an important aspect of our growth strategy. This provides our company access to large programs and international markets that would be extremely difficult for us to develop on our own. The following will provide you with some insight to the exceptional progress that we are making in this area.

Firstly, we began working with BAE Systems to design the integration of our submarine navigation software into their command and control system that will be provided to the U.K. Navy's Astute Class submarine new-build program. The Astute Class submarine is the largest and most powerful attack submarine ever built by the UK Navy and we are honoured to be a part of this very exciting program. We are confident that this program and other projects with BAE Systems will lead to considerable business for the company in 2008 and into the future.

Secondly, our team was selected to provide the integrated bridge system for the U.K. Navy's CVF Aircraft Carrier new-build program. For this project, we have teamed with Sperry Marine Systems, a division of Northrop Grumman. We have already started the work on the design to integrate our industry-leading warship navigation software, ECPINS® into Sperry Marine's multifunction integrated bridge system that will be installed on the bridge of future U.K. Navy's flag ships. This project will lead to substantial business for the company and will provide us with the opportunity to work with Sperry Marine on future projects.

Lastly, we have established a partnership with Lockheed Martin Undersea Systems business unit to integrate our submarine Digital Maritime Operations Plot System (DMOPS) into their submarine Integrated Combat System (ICS) that they are marketing around the world. We announced in early 2008 that we had received our first contract to provide 6 systems to Lockheed Martin that will ultimately be delivered to the Brazilian Navy. This partnership with Lockheed Martin presents an exciting opportunity to broaden our company's international market reach.



Our leading-edge technology and expanding customer base is making these partnerships possible and will contribute significantly to our growth in 2008 and beyond.

➤ **Strengthening Customer Relationships**

Building on existing customer relationships and developing new ones is essential for our short and long term success. Developing strong customer relationships through the delivery of quality products and services is the cornerstone of our business. Exceeding our customers' expectations will ensure their continuity and will give potential clients the confidence to become customers. We are committed to keeping our customers and our strategy is working. Our on-going repeat business volume has never been higher. Our dedicated and skilled employees are the driving force behind meeting and exceeding our customer's expectations.

In 2007 we continued to expand our customer base and have successfully established the U.S. Department of Homeland Security, the U.S. Naval Expeditionary Combat Command, and the U.S. Marine Corps Training Systems as new customers. In addition, we made significant progress in developing new partnerships with large defense systems integrators, such as BAE Systems, Sperry Marine Systems and Lockheed Martin Undersea Systems. All of these new customers will contribute to our growth in 2008 and in the future.

In 2008 we will remain focused on growing our business relationships with existing customers and aggressively expanding our customer base in the military and security markets.

➤ **Entering High Growth Security Markets**

Critical Infrastructure Protection (CIP) is a major concern and a high priority for the U.S. and many other countries around the world. The U.S. CIP market outlay for 2006 was US\$23 billion and it is forecasted to increase to over US\$56 billion by 2015. The global national security market outlay for 2006 was US\$136 billion and it is forecasted to increase to over US\$286 billion by 2015.

In July 2007 the company launched a new business unit, Layered Security Solutions (LSS) and established its operations in North Folk, Virginia. LSS provides integrated vulnerability assessments (IVA) and technology solutions for the government's national security Critical Infrastructure Protection market. The primary focus of this group will be to develop the maritime security CIP market. A significant aspect of an IVA is to identify and recommend technology solutions that can help to mitigate risks and maximize recovery. Our company is well positioned to leverage the IVA process to design and repackage our world leading naval technology to provide solutions to enhance maritime security.

The LSS team is led by Commander James G. Liddy (Retired U.S. Navy Seal) and consists of an elite group of security experts with extensive experience in IVA, asymmetric tactics, law enforcement undercover operations, intelligence gathering, trend analysis, engineering and systems analysis, logistics, transportation and communications. This team's expertise was developed through the combined experience of over 250 integrated vulnerability assessments of critical infrastructure sites around the world. Commander Liddy is the former leader of the U.S. Navy's elite Anti Terrorism/ Force Protection Assessment Program, "Red Cell" and co-author of the *New York Times* best seller, "*Fight Back, Fighting Terrorism Liddy Style.*"



Since launching our LSS business unit we have successfully closed contracts with the U.S. Department of Homeland Security valued at \$2.1 million and with the Texas Sabine Neches Region Maritime Security Committee valued at \$1.2 million. The U.S. Department of Homeland Security has announced significant investments in maritime security initiatives and has established a port security grant program that will provide \$380 million in funding in 2008 to port regions across the United States. Our initial success in 2007 has positioned us extremely well to benefit from Homeland Security programs and we are aggressively pursuing a number of projects.

Focus for 2008

We remain committed to the execution of our growth strategy. The majority of our resources will be focused on developing opportunities in the military and security markets in the United States, United Kingdom and Canada. We are confident that the investments made in 2007 to expand our sales and marketing capabilities and product offerings will lead to substantial success in all of these markets in 2008 and beyond.

- The company is set to deliver on a number of strategic goals in 2008:
- Secure new significant contracts in the United States, United Kingdom and Canadian military and security markets
- Secure U.S. maritime/port security integrated vulnerability assessments contracts
- Close our first project to provide our naval situational awareness technology to the maritime security market
- Establish a new strategic partnership with a large defence contractor to integrate our technology into their systems in order to provide the company entry to large programs and extend our reach into the international market
- Continue to leverage the company's core technology to develop and enter into adjacent and new markets

All of us at OSI thank you for your continued confidence, loyalty and support. Sincerely,

A handwritten signature in black ink, appearing to read 'Ken Kirkpatrick'.

Ken Kirkpatrick
President and CEO

A handwritten signature in blue ink, appearing to read 'Ray Johnston'.

Ray Johnston
Chairman of the Board





Forward Looking Statements

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

Explanatory Note

Our company is making progress towards reducing its environmental impact. For this reason, we have only sent printed financial statements including the Management Discussion and Analysis and the Statements to those shareholders who requested them on last year's annual proxy. If you would like a printed version, please make this request to our Transfer Agent, Computershare. Our statements are also available online at our website.



CORPORATE DIRECTORY
FISCAL YEAR 2007
March 14, 2008

Directors

Raymond Johnston^{1, 2, 3}
Chair of the Board
Director

Kenneth Kirkpatrick³
President, Chief Executive Officer
Director

Helmut Lobmeier¹
Director

Capt. Walter Purio²
Director

Gerald Shields²
Director

Joseph Stroud³
Director

Donald Young^{1, 3}
Director

1 Member of Audit Committee
2 Member of Human Resources
and
Compensation Committee
3 Member of Executive Committee

Officers

John Sentjens
Chief Financial Officer

Andrew Carniel
Vice President
Business Operations
Retired, October 23, 2007

Wayne Zachary
Vice President, General Manager
U.S. Systems Operations

Wayne Hoyle
Vice President, General Manager
International Systems Operations
James Liddy
Vice President
Layered Security Solutions
ADO U.S. Systems Operations

Gary Manzer
Vice President, General Manager

Mapping Operations

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Canada

Mapping Operations
DBA Mapcon Mapping Inc.
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Investor Inquiries

Inquiries relating to shares or
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Inc.

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T: 514-982-7555 (International)
F: 866-249-7775
service@computershare.com
www.computershare.com

Inquiries relating to the Company's
operating activities and financial
information should be directed to:

Jane Hayward
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T: 1-888-880-9797 or 613-287-
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Independent Auditors

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Vancouver, BC

Registered and Records Office

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800 - 885 West Georgia Street
Vancouver, BC
V6C 3H1 Canada

Stock Listings

The Company's common shares are
traded on the Toronto Stock
Exchange (TSX) under the symbol
OSI and on the Over the Counter
Bulletin Board (OTCBB) under the
symbol OSIIF.

Annual Meeting

Date: Wednesday, April 9, 2008
Time: 10:00AM, Eastern Time
Crowne Plaza Hotel
101 Lyon Street
Ottawa, ON Canada

www.osigeospatial.com