



OSI Geospatial Inc

Marine Navigation and C2 Solutions for Real Time Situational Awareness

2009

Letter to Shareholders

April 14, 2009





Letter to Shareholders May 4, 2009

Dear Fellow Shareholders

In 2008, we continued to pursue the company's mission of providing our customers with quality navigation, command, control and information solutions that directly enhance operational performance, security and safety through advanced situational awareness.



Key Business Highlights in 2008 Included:

- ✓ Expanding business relationships with existing customers resulting in significant follow-on business for the company, including contracts with the UK Navy to enhance our WAIS (Warship Automatic Information System) technology;
- ✓ Booking new business valued at more than \$40 million, including a \$10 million contract with the U.S. Army;
- ✓ Positioning the company for WECDIS (Warship Electronic Chart Display and Information System) projects resulting in contract awards in early 2009;
- ✓ Launching our leading-edge SBC2 (Small Boat Command and Control) technology for ship and shore based military / security operations and securing first port security project with the Canadian Navy;
- ✓ Developing our port security risk assessment business and securing four new customers;
- ✓ Announcing our DC4S (Dismounted Close Combat Command and Control System) technology for the soldier modernization market and finalizing a strategic partnership with the Raytheon Company; and
- ✓ Expanding our advanced technology research and development (R&D) business for the military market by securing our first Canadian military project.

Our Growth Strategy:

We believe the company is well positioned to benefit from the increasing demand for advanced situational awareness solutions that enhance the performance of military and security operations.

We have focused on implementing our marketing strategy of developing disruptive technologies and improving existing ones for niche markets as well as establishing strategic partnerships with large systems integrators that provide access to major international programs in the high growth command, control, communications and intelligence (C4I) military and security markets.



Our Growth Strategy in 2009

- Building on our WECDIS market leadership position;
- Leveraging our WECDIS expertise to develop the WAIS and SBC2 niche markets;
- Developing our DC4S technology into a market leadership position;
- Building on our port security risk assessment capabilities to support the transition of our military technologies to the maritime security market;
- Increasing our R&D capabilities to support the development of new advanced technologies and new market opportunities; and
- Focusing on our priority markets in the U.S., UK, Canada, Australia, New Zealand and beginning the development of key Middle-Eastern and Asian markets.

Warship Electronic Chart Display and Information System Market: WECDIS

In 2001, the company identified a niche market opportunity to offer a disruptive technology that would change how naval navigation for warships had been done for more than 200 years.



Since then, OSI Geospatial Inc. has become the leader in this market and now has eight navies and more than 350 warships navigating with our technology. Our WECDIS technology has been proven to significantly enhance naval operations and reduce the likelihood of collisions and grounding incidents. With more than 70 percent of the naval fleets in the world still navigating their warships with paper charts, we are confident that we will add more navies to our impressive list of customers in the coming years.

World Leading Supplier of Warship Electronic Chart Display & Information Systems (WECDIS) for Naval Warships and Submarines; 6 fleet wide installations

The decision to proceed with the procurement of this technology requires not only an initial investment to acquire and install the software systems, but also a commitment to maintain the technology and provide ongoing training for naval officers. This provides our company the foundation to establish long-term business relationships with each of our customers and benefit from substantial follow-on business. In addition, we continue to find opportunities to work with our customers to identify and develop new disruptive technologies that serve to improve their operational performance.

Our warship navigation leadership position has provided us the unique opportunity to leverage our strong customer relationships and core technology to develop and enter new market niches that present equal or greater potential than our warship navigation niche market.



Warship – Automatic Identification System Market: WAIS

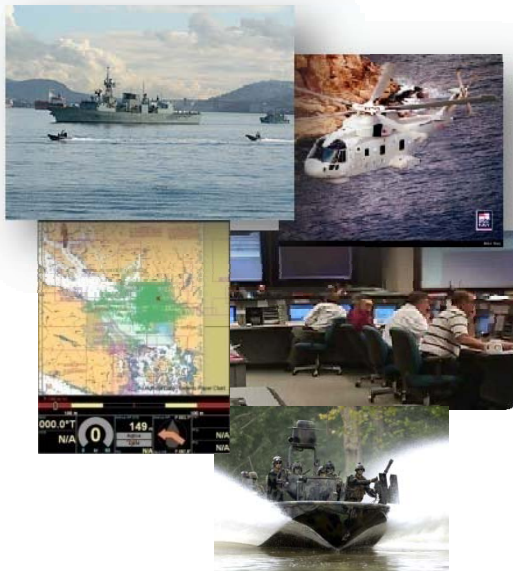
Our WAIS technology provides advanced situational awareness capabilities to improve maritime interdiction and force protection operations. This technology provides operational benefits to both ship and shore based operations and offers a significant market opportunity for our company.

In late 2006, the company announced it had been selected by the UK Navy to be the prime contractor for the development and delivery of 77 WAIS systems. With the majority of these systems now installed and operational, the feedback from our customer on the performance of these systems has been extremely positive.

The success of this project has provided the company with an excellent customer reference and a 26-year maintenance and support contract that will give us a competitive advantage when pursuing new projects.



Developed and delivered 77 systems (\$29 m) to the UK Navy for Warship Based Maritime Interdiction, Force Protection and other Operations. Currently deployed in Middle East.



Flexible and Adaptable Small Boat C2 Solution that directly enhances Maritime Interdiction, Force Protection, Port Security and Other Operations

Small Boat Command and Control Market: SBC2

The company has developed another disruptive technology. Our SBC2 system provides advanced command and control capabilities for warship small boat operations. It is designed to have a base station installed on the warship and a system installed on each of the small boats that support warship operations.

Typically, warships operate one to three small boats depending on their size and mission. Most navies have established operating procedures that limit small boat operations from leaving the line of sight of the mother ship. Our technology is designed to enable naval operations to conduct small boat operations out of the line of sight of the mother ship and provide capabilities that significantly improve the effectiveness of small boat operations.



Small Boat Command and Control: SBC2

Our existing customers have indicated significant interest in this capability and most have completed sea trials to evaluate the effectiveness of these systems. SBC2 systems can be integrated into one of our 350 warship navigation systems currently installed across eight navies or installed as a standalone base station for a navy that has selected another company's navigation system.

*A **disruptive technology** or **disruptive innovation** is an innovation that improves a product or service in ways that the market does not expect (Wikipedia)*

In late 2008, we announced a contract to provide our small boat command and control system to a Canadian Navy port security unit. The base station of the command and control system will be installed at a shore based facility and systems will be deployed on several small boats used in port security operations. This success provides the evidence that there is a growing requirement to more effectively command and control small boats that support port security operations for both military and civilian customers with port security mandates.

Dismounted Close Combat Command and Control Market: DC4S

The company's R&D efforts have led to the development of command and control technology designed to support dismounted soldier operations. We believe it is one of the most advanced technologies of its kind available in the world.

Our DC4S software offers an exciting opportunity to access the Special Operations Forces (SOF) niche market and positions the company to participate in the large-scale soldier modernization programs ramping up around the world. We plan to directly pursue the SOF market requirement for this technology and we estimate that there will be a minimum of 25,000 systems procured in the U.S., UK and Canada over the next three to five years.



The soldier modernization programs are of a size and scale that make them very difficult for us to pursue directly. Recognizing this obstacle, we have entered into a strategic partnership with the Raytheon Company which is well positioned to effectively compete in the soldier modernization programs market and to develop this significant opportunity. In this partnership, the company's DC4S software will be the engine that drives the systems that will be delivered to meet the requirements under these programs.



Port Security Market

In mid-2007, we launched our Layered Security Solutions division and announced the awarding of a contract to complete an Integrated Vulnerability Assessment (IVA) for three ports in the Sabine Neches region of Texas. The project was successfully completed in early 2008 and was followed by the awarding of four additional IVA projects by the end of 2008.

The IVA is the process used to identify security risks and develop the plans necessary to mitigate them. The U.S. government is spending hundreds of millions of dollars to mitigate port security risks and the IVA process is the first step required to determine how the money should be spent.

Our strategy is not to develop a large consultancy company, but rather to build a core team of experts from the port security domain that can provide market access, customer relationships and expertise to support the introduction of our military technologies to meet port security operational requirements.



Advanced Technology Research and Development Market: R&D



Our Advanced Technology R&D business enables us to leverage government-funded projects to enhance our existing technologies and develop new leading-edge technologies. The company remains focused on the U.S. military technology R&D market as a priority and has recently initiated the development of the Canadian military R&D market.

This business provides a steady stream of revenue and earnings and allows us to leverage our core technologies to support the winning and executing of R&D projects. These advanced technology research projects could also ultimately lead to opportunities for the commercialization of new technologies by our company or even other companies. A great example of this is our efforts to commercialize our advanced DC4S technology.

In 2008, we began the process of exploring opportunities to divest of technologies that have been developed through the R&D process with solid market potential, but that are not necessarily aligned with our strategic direction. The aim of this effort is to unlock value within our portfolio of technologies and provide the company with the capital to pursue growth opportunities that are aligned with our strategy.



Mapping

In support of our decision to build on our core strengths and align our business activities with our strategic direction, the company has started to explore options to divest its mapping operations. It is clear that this business is not aligned with our strategic direction and we believe that it is in the best interest of the company and our shareholders to consider the divestiture of this business.

In closing, we believe that the programs and markets we are targeting are at the forefront of government priorities, including military operations, maritime security and soldier modernization. We are very confident that we can successfully implement our business strategy in the current economic climate while improving the financial strength of our company.

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

Sincerely



A handwritten signature in blue ink, appearing to read 'Ken Kirkpatrick', with a long horizontal flourish extending to the right.

Ken Kirkpatrick
President and CEO



A handwritten signature in blue ink, appearing to read 'R. J. Finston', written in a cursive style.

Chair



CORPORATE DIRECTORY

Directors

Raymond Johnston

Chair of the Board
Director

Kenneth Kirkpatrick

President, Chief Executive Officer
Director

Helmut Lobmeier

Director

Capt. Walter Purio

Director

Gerald Shields

Director

Donald Young

Director

Steve Barnett

Director

Officers

Peter Hunter

Chief Financial Officer

John Sentjens

Vice President, Finance

Wayne Zachary

Vice President & General Manager
U.S. Systems Operations

Geraldine Burke

Director, Finance and
Administration, U.S. Systems

James Liddy

Vice President
Layered Security Solutions

Marcos Riano

Vice President & General Manager
Mapcon Mapping Ltd.

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Business Development - Marine

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Vice President,
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Vice President, Technology

FINANCIAL YEAR 2008

April 14, 2009

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Stock Listings

The Company's common shares are
traded on the **Toronto Stock
Exchange** (TSX) under the symbol
OSI

Annual General Meeting

Date: Thursday, May 28, 2009
Time: 10:00AM, Ottawa Time
Crowne Plaza Hotel
101 Lyon Street Ottawa, ON Canada