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OSI awarded C\$870,000 follow-on contract with the U.S. Air Force

Vancouver, Canada — Offshore Systems International Ltd. (TSX: OSI; OTCBB: OFSYF) is pleased to announce that its newly-acquired subsidiary, CHI Systems Inc., has been awarded a follow-on contract with the United States Air Force for approximately C\$870,000 to further enhance the capabilities of its Virtual Interactive Pattern Environment and Radiocomms Simulator (VIPERS) software. This contract follows an initial design contract of approximately C\$870,000 awarded to CHI in May 2004.

"The continuation of this contract with the U.S. Air Forces is encouraging and points to possible new long-term business opportunities with the U.S. military," said Ken Kirkpatrick, president and chief executive officer of OSI. "We are pleased to have this opportunity to further enhance the innovative VIPERS software."

The further customization of the VIPERS software targets a training gap found in the Specialized Undergraduate Pilot Training environment by simulating radio communications in the overhead landing pattern. The VIPERS system provides the user with simulated training flights in which the user commands the aircraft, interacts verbally with controllers and a synthetic instructor, and maintains safety of flight by listening to and interpreting the radio calls between the controllers and the other simulated pattern traffic.

Last fall CHI was recognized by Military Training Technology magazine as one of the top 100 companies to make a significant impact in the U.S. military training industry this year. Special acknowledgment was made for the company's leadership in innovation.

In December 2005, OSI acquired U.S.-based CHI for a combination of cash and stock valued at US\$9.0 million. The acquisition significantly increases the company's corporate presence in the U.S. and its critical mass to compete for large contracts. The combined companies benefit from their complementary product offering, customer base, and market expertise, and intend to pursue significant opportunities to market and develop products and services to the global defense industry. CHI operates as an independent subsidiary at its headquarters in Philadelphia, PA.

About OSI

Offshore Systems International Ltd. (OSI) makes geographic-intelligence software, systems and data products mainly for large government and civilian customers. The company has three business units: OSI Navigation Systems (moving map display systems and software for naval surface ships and submarines); OSI Applications (network-based map and target display software and services for national defence) and Mapcon Mapping (land mapping and marine chart production services for civilian and military customers). OSI's common shares are listed on the Toronto Stock Exchange (TSX: OSI) and the OTC Bulletin Board (OTCBB: OFSYF). Visit OSI's website at www.osil.com for the latest company updates.

Forward-Looking Statements

This news release contains items that constitute forward-looking statements within the meaning of securities laws including Section 27a of the Securities Act of 1933, as amended, and Section 21e of the Securities Exchange Act of 1934, as amended. These statements are made under the 'safe harbour' provisions of the Private Securities Litigation Reform Act of 1995 and, as such, involve known and unknown risks and uncertainties and other factors that may cause the actual results to be materially different from the results implied herein. Offshore Systems International can give no assurances that its representations will be achieved or that it will update them at any time in the future.

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