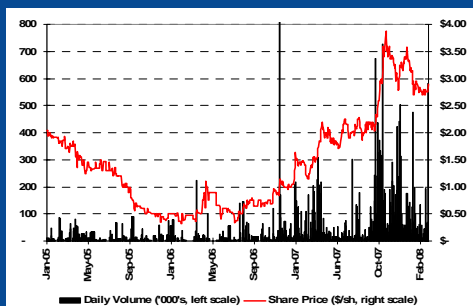


J.F. MACKIE RESEARCH

Date Mar 6, 2008

Rob Knowles, MBA
(403) 218-6382
robk@jfmackie.com

Share Performance



Market Data (all figures in millions)

Shares Outstanding

Basic 34.8
Fully diluted 39.0

Market Capitalization (f.d.) \$100.8

Avg. Daily Volume (3 Mo, thousands) 98.2

Cash & Marketable Securities \$17.5

Long Term Debt \$0.0

Enterprise Value \$83.3

Financial Summary

FY ended Sept 30	2007 ¹	2008E	2009E
Revenue	\$19.9	\$61.2	\$90.4
EBITDA	\$4.6	\$15.4	\$26.6
Net Income	\$1.9	\$5.9	\$11.4
EPS (f.d.)	\$0.11	\$0.16	\$0.29
CFPS (f.d.)	\$0.20	\$0.33	\$0.48

Trading Multiples

P/E	26.0x	17.9x	9.9x
P/CF	14.7x	8.7x	6.0x
EV/EBITDA	18.0x	5.6x	3.1x

1. 2007 FY ended April 30. Does not include any UTS results

Company Summary

Aeroquest International is a global information and technology services company and a leader in the development and operation of innovative and proprietary geophysical surveying platforms for the mineral and petroleum exploration, and environmental industries. Through its subsidiary companies; UTS Geophysics, and Geophex Ltd, Aeroquest fields a fleet of both helicopter and fixed wing based systems and is active on almost every continent in the world.

See back page of this report for important disclosure information.

- Initiating Coverage -

AEROQUEST INTERNATIONAL LIMITED (AQL-V)

Current Price: \$2.90
12 mo. Target Price: \$4.25
Potential Return: 47%

Recommendation: BUY
Risk Profile: Average

THE 2nd LARGEST AIRBORNE GEOPHYSICS FLEET (And the only publicly traded pure play)

Investment Summary

Recent Acquisitions Strengthens Product Offering. Aeroquest has recently completed two strategic acquisitions; UTS Geophysics (UTS), for \$26.5 million, in July 2007 and Geophex, Ltd. (Geophex), for \$6 million, in December 2007. The acquisition of UTS both expands Aeroquest's international presence and adds fixed wing aircraft to the product offering. Geophex adds a new product line of ground based geophysical equipment that Aeroquest intends to utilize in the development of an environmental business.

Revenue Growth of 122% Last Year with Significant Growth Forecast. Aeroquest revenue increased from \$9.1 million to \$19.9 million between 2006 and 2007 while UTS reported revenues of \$23.0 million over the same period for a proforma increase of over 470%. Aeroquest reported consolidated revenues of \$19.3 million for the five months ended September 30 (only included 3 months of UTS results). Subsequently, Aeroquest amended its fiscal year end to September 30 and reported first quarter revenues (its slowest quarter) of \$11.1 million. We are forecasting revenue for fiscal year 2008 to be \$61.2 million, a 32% increase over the annualized first five months of joint operations with UTS and a 41% increase over the proforma revenues.

Macro Environment Outlook Remains Favorable. Aggregate capital expenditures in the global mining industry have increased from \$2.0 billion in 2002 to an estimated \$11.5 billion in 2007. The current supply demand imbalance for most commodities has prompted a rapid acceleration in global exploration efforts and we expect the annual expenditures to remain at relatively high levels over the next few years. In 2008, management estimates that including spending on uranium industry expenditures could again exceed \$11 billion with approximately \$300-\$400 million of this spending directed towards airborne geophysics.

Developing Additional Markets for Revenue Diversification. Management sees opportunities for geophysical surveys in a number of areas outside of mining; as a complement to seismic exploration in oil and gas industry, growing military use in locating unexploded ordinances (UXO's) and in mapping underground aquifers. None of these initiatives are expected to make significant contributions to the business in 2008, but are expected to become more meaningful business segments in the future.

Recent Financing Closed. Aeroquest closed a bought deal financing on February 5, 2008 for net proceeds of \$18.4 million. The proceeds will be used to eliminate the outstanding promissory notes from the two acquisitions, to fund ongoing capital investment and to provide additional working capital. Including \$7.4 million of cash on hand at the end of Q1, Aeroquest will have a sizeable 'war-chest' of capital available to either accelerate its equipment construction initiatives or to seek additional strategic acquisitions.

Valuation. Aeroquests' current share price reflects a 17.9x price to earnings (P/E) multiple and an 8.0x price to cash flow (P/CF) multiple based on our 2008 estimates. We calculate our 12 month target price of \$4.25 using a CFPS/EPS weighting of 75%/25% and 9.0x P/CF and 13.0x P/E multiples based on our 2009 forecasts for a potential return of 47%.

Aeroquest International Limited is an information services company providing commercial airborne geophysical surveys to the mining and energy industries. Aeroquest has been in operation since 1998 and has become a world leader in the development and operation of innovative and proprietary airborne geophysical surveying platforms servicing the mineral exploration, petroleum, and environmental industries. Aeroquest specializes in magnetic, electro-magnetic (M/EM) surveys, as well as gravity and radiometric surveys.

Aeroquest International Limited was originally incorporated in 1988 operating a fixed wing magnetics and VLF-EM surveys for the kimberlite exploration industry. In 1997, the helicopter borne frequency domain electromagnetic (H-FDEM) system, Impulse, was introduced. In 1999 the time-domain electromagnetic (TEM) system AeroTEM was brought to market. The AeroTEM has been modified over the years and there are currently three different size AeroTEM models with several variations of the technology for multiple applications.

In July 2007, Aeroquest acquired Universal Tracking Systems Pty Ltd. (UTS Geophysics or UTS), an Australia based geophysical survey company of equal size to Aeroquest. UTS specializes in ultra high resolution electromagnetic (HRAM) surveys delivered via fixed-wing aircraft. Following the acquisition of UTS, Aeroquest operates a fleet of 10 helicopter based systems and 11 fixed wing aircraft. Aeroquest is now one of only a few firms worldwide that can offer both fixed wing and helicopter surveys thus enabling it to provide a full solution to client's geophysical survey requirements in any geographic location.

In December, 2007 Aeroquest International acquired Geophex, Ltd. of Raleigh, N. Carolina. Geophex manufactures and sells ground-based geophysical instruments and supplies institutions and private entities with specialized survey equipment on a contract basis. In addition, it is expected that ongoing R&D efforts from Geophex will continue to make improvements to the Aeroquest equipment.

Airborne Geophysical Survey Industry

Airborne Geophysical Surveys are used to delineate surface and sub-surface geologic structures for targeting and mapping site characteristics and for related engineering and Geotechnical tasks. Airborne geophysical survey equipment is typically either towed beneath helicopters or mounted on fixed wing aircraft and both measures and collects data relating to particular geophysical properties of the earth equipment can include:

- Electromagnetic sensors; used to measure the Earth's electrical properties
- Magnetometers; used to measure the Earth's magnetic properties
- Gravimeters; used to measure changes in the density of surrounding rocks;
- Gamma Ray Spectrometers; used to measure the rate of ambient radiological decay from rocks

Some of the primary applications of airborne geophysics include:

Mineral Exploration: Airborne geophysics provide a highly effective means to map geological structures and develop exploration models to qualify and assess exploration assets in a cost effective manner. Mineral exploration is conducted worldwide.

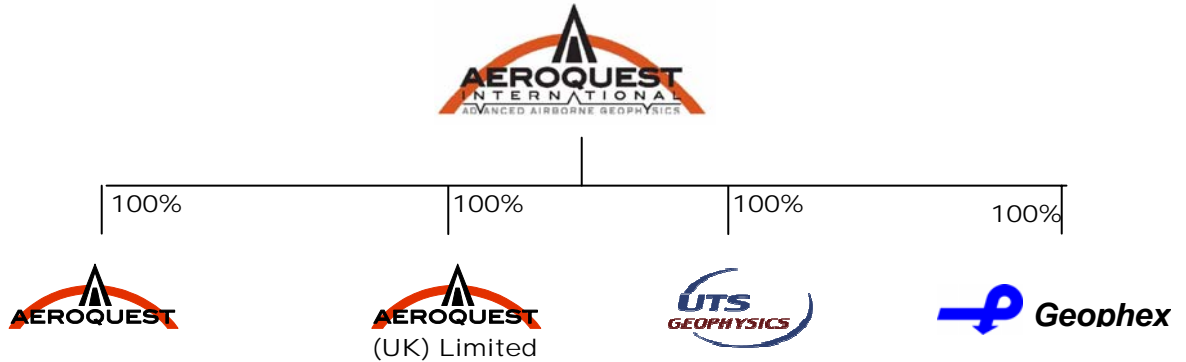
Oil and Gas Exploration: Due to the unique geological setting of most oil and gas prospects, airborne geophysics is generally ranked second to using seismic exploration although it is sometimes acquired as a precursor to identify the optimal locations to high-cost seismic programs.

Engineering and Environmental Markets: The engineering and environmental markets for specialized applications such as UXO, ground water exploration, nuclear waste disposal site investigation, detection of buried hazardous wastes, and salinity encroachment in certain agricultural areas continue to grow and increase their usage of airborne geophysics.

The primary market drivers for contracting airborne geophysical surveys are: data quality, survey timing, state-of-the-art instrumentation and pricing. In addition to providing the primary data collection service, new data processing techniques have stimulated a demand for extended processing and/or reprocessing of geoscience data originally obtained by other service or exploration organizations. These new processing techniques help to identify or define geological responses unresolved in earlier data presentations.

Corporate Structure

Following the two acquisitions, Aeroquest International Limited ("Aeroquest") has four wholly-owned subsidiaries. Aeroquest and Aeroquest (UK) ("AQL"), UTS Geophysics Pty. Ltd. ("UTS") and Geophex, Ltd. ("Geophex").



Operating Divisions

Aeroquest Limited and Aeroquest (UK) Limited (AQL)

AQL operates worldwide, with its primary focus in Canada. AQL utilizes a helicopter based delivery system to perform geophysical surveys as well as special products such as conductivity-depth images (CDIs), resistively soundings, and forward modeling based on discrete conductors within a resistive or conductive half-space. The company currently operates a fleet of 10 systems, called "birds" which are suspended, by cable, below a helicopter allows for enhanced resolution and greater accuracy compared to fixed wing systems. Over the past three years, Aeroquest has flown in excess of 320,000 line kilometers and generated over \$20 million of revenue in FY2007 (year ended April 30).

Universal Tracking Systems Pty Ltd. (UTS Geophysics)

UTS Geophysics (UTS) has its head office based in Perth Australia. Prior to acquisition by Aeroquest, UTS operated as a privately owned airborne geophysical survey company since 1991. UTS Geophysics has a proven record of operating airborne geophysical surveys around the world acquiring and processing ultra-high resolution airborne geophysical data with clients located in Australia, Africa, S.E. Asia, and Canada.

UTS operates a fleet of 10 fixed wing aircraft. At the end of the second quarter, a reconfiguration of the fleet will result in eight planes being equipped as multi-purpose platforms for both regional and ultra-high resolution (HRAM) surveys and two planes capable of regional surveys. UTS provides ultra-high resolution surveys enabled by its ability to perform low level surveys (30 meters) compared to typical fixed wing surveys which are flown at 70+ meter levels.

UTS' fleet is purpose built for slow, low level survey flying with each aircraft acquiring data with UTS' characteristically high signal to noise ratios enable enhanced structural and target definition. UTS flew over 500,000 line kilometers in the past three years and earned over \$23 million of revenue in its FY2007 (ended June 30).

Geophex, Ltd.

Geophex, founded in 1983, manufactures and sells primarily ground-based geophysical instruments, and also supplies institutions and private entities with specialized survey equipment on a contract-to-build basis. Geophex has established a particular expertise in special and customized geophysical investigations, especially as it relates to environmental projects. Geophex generated approximately \$2 million in revenues in 2007.

Table 1. Summary of Recent Acquisitions

Summary of Recent Acquisitions				
(millions, except share prices)	UTS¹		Geophex²	
Cash ³	\$7.1		\$2.0	
Equity				
Shares	6.8		0.6	
\$/share	\$2.15		\$3.35	
Total Equity Value	\$14.6		\$2.0	
Promissory Notes	\$3.4		\$2.0	
Purchase Price (\$millions)	\$25.0		\$6.0	
Acquisition Metrics	\$mm mult.		\$mm mult.	
Revenue ⁴	\$23.4	1.1x	\$2.0	3.0x
EBITDA	\$7.5	3.3x	not disclosed	
Earnings	\$5.4	4.7x	not disclosed	

1. Acquisition Metrics based on financial statement for the year ended June 30, 2007

2. Acquisition Metrics based on Aeroquest management disclosure.

3. Cash is net of \$2.14 million cash acquired

4. UTS Revenue as at year ended June 30, 2007, Geophex is AQL management disclosure.

Source: Company Documents, J.F.Mackie & Company Ltd.

Spectrem Air Limited

Aeroquest has entered in to a technology partnership with Spectrem Air Limited, a wholly-owned subsidiary of Anglo American, Plc, whereby Aeroquest and Spectrem will collaborate to make continuous improvements to Aeroquest's proprietary AeroTEM time-domain electromagnetic system. The two companies have been working on an informal basis for several years. Each party will share any enhancements or new developments in respect to the AeroTEM platform.

Aeroquest Technology

Time Domain and Frequency Domain Systems

Aeroquest offers airborne surveys based on both time domain electro-magnetics (TEM) and frequency domain electro-magnetics (FDEM). The choice of which system to use is dependent on the ultimate objective of the survey.

TEM systems measure the electromagnetic response of the earth at various points in time. A electrical pulse is emitted from the 'bird' and the response during both on-time (during pulse) and off-time (between pulses) is captured in the TEM system. These types of surveys are best suited for searching for conductive minerals.

FDEM systems produce electromagnetic energy at different frequencies. These frequencies are transmitted to the earth in both the vertical and horizontal planes and the reflective response can be used to estimate orientation, position and conductivity to produce a detailed "picture" of the sub-surface.

Airborne TEM systems operate at much lower frequencies compared to the FDEM systems. As a result they are able to penetrate much deeper into the earth (500-700 meters vs. 100 meters), however, the resolution in the near surface domain is generally of lower quality while the accuracy and definition of the survey is comparable.

Aeroquest has both TEM and FDEM systems for use through its AeroTEM and Impulse 'birds'.




AeroTEM

The proprietary the time domain system offered by Aeroquest is the AeroTEM. This 'large ring' shaped system is suspended beneath a helicopter during flight and can be flown at low altitudes.

Some unique benefits of the AeroTEM system are that it is the first helicopter-borne electro magnetic (EM) platform to provide high quality results in rugged terrain. As a helicopter based system, it is ideally designed for low level, low speed, tight line spacing surveys required for detailing known conductive targets. AeroTEM is

flown with both airborne and ground based magnetometers which enable electromagnetic and magnetic data to be combined into a single data set. In addition, the AeroTEM system can be readily dismantled and re-assembled for economical transport and deployment to any geographic location. There are three currently three unique AeroTEM models, based on diameter.

Table 2. AeroTEM Models and Characteristics

Characteristic	AeroTEM II	AeroTEM III	AeroTEM IV*
Size (Diameter)	5 meters	9-10 meters	12 meters
Depths	<250 m	< 400 m	< 600 m
Best @ Finding	Gold, PTM's, Kimberlites	Nickel, Oil & Gas, Oil Sands	Deep targets
Best suited for:	rugged terrain where manouverability is difficult	where rocks are most conductive	where rocks are most conductive
			

Source: Company Documents. J.F.Mackie & Company Ltd.

* Depths of up to 600 meters are approximately twice that of the AeroTEM II and approximately 6 times that of traditional HEM systems.

Frequency Domain Systems: Impulse and GEM 2A

Following the acquisition of Geophex, Aeroquest has 2 FDEM systems in its fleet; the original Aeroquest Impulse and the GEM 2A from Geophex.

The Impulse 'bird' is a frequency domain electro magnetic (FDEM) system. This 'rocket shaped' system utilizes two high-output transmitter drivers to power individual horizontal coplanar and vertical coaxial transmitter coils, producing a total of six frequencies (three in each coil orientation). The frequencies are transmitted to the ground and the reflections are recorded and analyzed to produce a picture of the subsurface.

The acquisition of Geophex adds an additional FDEM system, the GEM 2A, to the Aeroquest suite of systems. The GEM system has similar coplanar and coaxial properties to the Impulse however it is more flexible given in its ability to alter the frequency transmitted (vs. the Impulse frequencies of the Impulse).

Magnetic Gradiometer

A magnetic gradiometer (MAG) measures the earth's natural magnetic field and records the interference caused by underground objects. Both Aeroquest and UTS offer MAG surveys, with this type of data collection being the primary business of UTS.

Aeroquest operates an advanced tri-directional magnetic gradiometer, the Heli-TAG, which uses its unique 3D sensor geometry to create high resolution data. The 4 sensors on the Heli-TAG allow for measurements of the total field, vertical gradient and horizontal gradients.

Figure 1. Impulse FDEM



Source: Company Documents

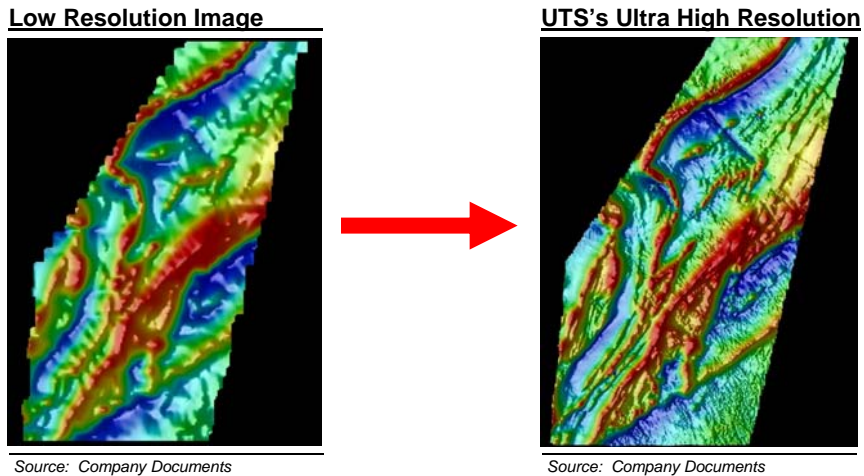
Figure 2. Magnetic Gradiometer



Source: Company Documents

UTS has both single sensor magnetics and multisensor gradiometers installed on its aircraft. The unique configuration of the UTS gradiometers enable the aircraft to fly at low altitudes (30 m) and record data at low altitude results in ultra high resolution magnetic (Ultra HRAM).

Figure 3. Traditional Resolution Magnetics vs. Ultra High Resolution Magnetics (HRAM)



Radiometrics

Radiometrics are used for the detection of the rate of radiological decay for rocks just below the earth's surface. Both AQL and UTS utilize gamma ray spectrometers in their aircraft.

Fixed Wing and Helicopter Surveys

Each of the fixed wing and helicopter based systems have advantages and disadvantages. Through the acquisition of UTS, the Company is now able to offer both solutions to its clients. Frequently, in large exploration projects, a company will use a fixed wing survey to map a large acreage and identify potential targets and then fly helicopter based surveys to further enhance identified targets.

Table 3. Current Aeroquest International Fleet

Unit Type	Advantages	Disadvantages
Fixed Wing	Significantly faster Less expensive per line km Larger survey areas	Generally lower quality resolution Difficult to follow topography in rough terrain
Helicopter	Generally higher quality resolution Easy to navigate in Mountains/rough areas Easily transportable	Lower daily productivity rates More expensive per line kilometer Smaller survey areas

Source: Company Documents, J.F. Mackie & Company Ltd.

As can be seen in the summary table above, many of the shortfalls of each system can be satisfied by the other. The combined fleet enables Aeroquest to offer a broader product line to its clients.

During the first quarter, the Aeroquest fleet was negatively impacted by a number of issues. 2 fixed wing aircraft were decommissioned in order to upgrade them to multi-purpose sensors and 1 aircraft was permanently damaged. The 2 fixed wing aircraft are expected to be back in operation by the end of the second quarter. In the Helicopter division, two 'birds' have also been irreparably damaged in the first five months of the year (one each during the first & second quarters) although this was offset by the addition two new systems. The operational fleet was comprised of 19 systems at the end of the first quarter. With the ongoing construction program, the re-commissioning of the fixed wing aircraft and the addition of a GEM 2A system from

Geophex, at the time of writing the fleet had increased the fleet had increased to 23 as shown in Table 4. We expect one more system to be completed by the end of the second quarter bringing the fleet to 24 systems.

Table 4. Current and Forecast Aeroquest International Fleet

Fleet As At December 31, 2007				Fleet As At Feb 25, 2008			
Unit	Helicopter	Fixed Wing	TOTAL	Unit	Helicopter	Fixed Wing	TOTAL
AeroTEM	8	-	8	AeroTEM	8	-	8
Impulse / GEM	1	-	1	Impulse / GEM	3	-	3
Magnetic				Magnetic			
Single Sensor	0	6	6	Single Sensor	2	5	7
Multiple Sensor	2	2	4	Multiple Sensor	2	3	5
Total	11	8	19	Total	15	8	23

Source: Company Documents, J.F. Mackie & Company Ltd.

Corporate Strategy

The addition of UTS has both widened the geographic area that Aeroquest can service and broadened the types of surveys that it can perform; fixed wing and helicopter based. Aeroquest plans to continue to expand its reach through growth in a number of areas. Management indicates that its growth initiatives will be achieved through a combination of:

- Fleet expansion
- Expansion of international presence
- Expand capabilities in other geophysical survey technologies
- Find new markets and applications of airborne geophysical technologies, such as petroleum and environmental services

Fleet Expansion

At year ended September 30, 2007, Aeroquest had a total of 11 helicopter based 'birds' in operation. The Company is continually developing and improving the design of its AeroTEM and other systems and to date has repeatedly engineered larger diameter and more powerful birds. Most of the enhancements have been geared towards generating more power which improves both the quality and accuracy of surveys and increases the depth that a survey can penetrate which provides improved data for analyzing underground structures and deposits.

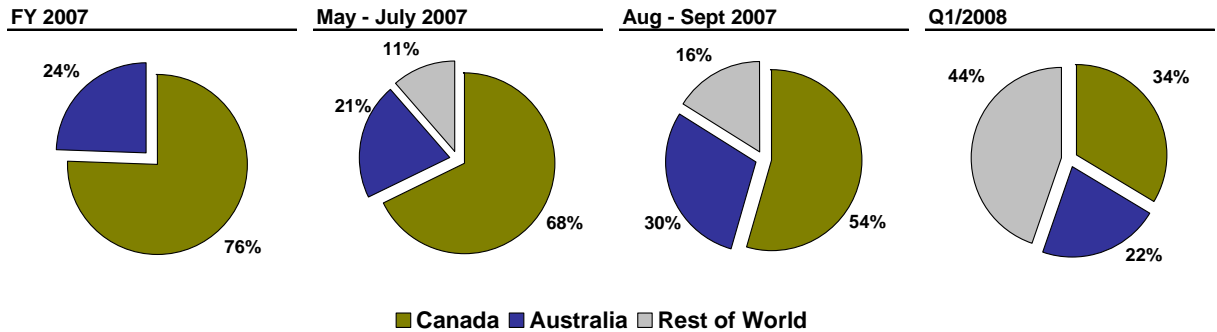
Aeroquest management estimates it currently has manufacturing capacity to build 1 new 'bird' per month in its Ontario manufacturing facility. The cost of each AeroTEM system ranges from \$400,000-\$500,000 and \$1,000,000 for a gravitometer. In addition to increasing the fleet of birds' Aeroquest is planning on equipping an additional 2 fixed wing aircraft with gravitometers. Following the recent equity financing, Aeroquest should have sufficient capital on hand to expand the fleet as quickly as it wants throughout 2008. While the capacity to add 1 bird per month exists, the final rate of fleet expansion will be dictated by management's assessment of continued demand from the market for additional equipment. Based on the Company's current backlog of \$19 million, we expect that excess market demand will continue and that Aeroquest will build as many new birds as they can in 2008. We are forecasting 7 additional 'birds' to be built during FY2008 (5 AeroTEM, 2 Impulse/GEM2A) and 2 fixed wing aircraft to be added to the fleet, resulting in a total fleet size at year end of 28 (17 'birds', 11 fixed wing).

International Expansion

The Company intends to capitalize on its broad geographic reach and further expand its international presence. Figure 4 highlights the impact that the addition of UTS has had on international sales. While the Q1/2008 results show 44% international business, we note that this is higher than expected due to operational issues that impacted the Canadian and Australian business units and we expect the distribution to more closely resemble the August-September period going forward. Given the mobility of both the AeroTEM system and the fixed wing aircraft, there is now no region of the world that is out of reach for Aeroquest. The company has begun operations in Africa with its first ever survey on the continent being flown in Ethiopia. In addition, UTS Geophysics was recently awarded the contract to acquire 145,000 line kilometers of aeromagnetic data in Namibia and 50,000+ line kilometer surveys in both the Democratic Republic of Congo and New Zealand.

While the Company is flexible and indifferent to which jurisdictions it operates in, we expect to see an increased number of contracts flown in Africa as the mining industry continues to increase exploration on the continent, particularly in the Sub-Sahara regions.

Figure 4. Geographic Distribution of Revenue

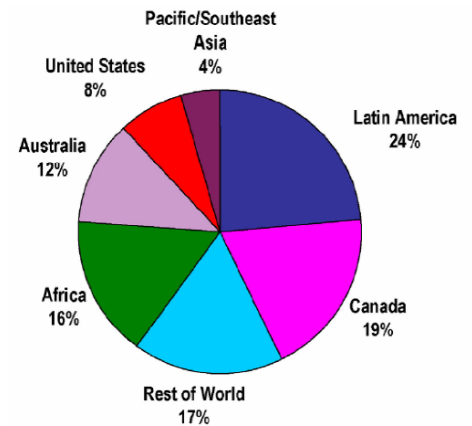


Source: Company Documents, J.F. Mackie & Company Ltd.

Figure 5 shows the regional distribution of capital spending for 2007. Canada, Australia and Africa are among the largest regions which is aligned with the areas that Aeroquest is targeting and highlights the strategic benefit advantage of acquiring UTS for increased exposure in Australia.

Continued growth in international jurisdictions will benefit Aeroquest through the potential smoothing of revenues as the operating seasons in Africa can somewhat offset the slower winter months in Canada.

Figure 5. Worldwide Exploration Budgets by Region, 2007



Source: Metals Economics Group

New Market Expansion

Historically, Aeroquest has been primarily engaged with the mining industry. While the outlook for continued high spending rates in mining is favorable, management is initiating a strategy to develop additional revenue sources. Given the high utilization rates of its equipment, the desire to seek non-mining sources of revenue is not expected to directly increase revenue in the future, but will provide the company a more diverse revenue source.

Oil and Gas

The primary uses for the Aeroquest technology is for the exploration in mining and oil and gas. Depending on the terrain, budgets, timing and scope of a survey, Aeroquest can offer either fixed wing or helicopter based services to its clients. The company has recently opened a new office and permanent survey capabilities in Calgary, Alberta to capture business opportunities in the oil and gas sector. Management feels that although the use of airborne surveys is unlikely to supplant the current use of seismic exploration it can offer a low cost tool that can complement existing seismic programs and that it will be able to make meaningful inroads into this sector.

Ground Water

Aeroquest is pursuing opportunities in both the United States and Australia. Each of these countries has been experiencing drought conditions in certain locations for several years. As a result, there are increased efforts to finding alternative sources of water, via desalination, re-routing of river systems and searching for new underground aquifers. Aeroquests technology can be effective in locating underground water sources.

Aeroquest is hoping to participate in the country wide mapping program that being undertaken by the Australian government committed to. In the United States, the states most affected by drought conditions are California, New Mexico, Nevada and Arizona and the Company will be seeking similar government commissioned surveys in those regions.

Unexploded Ordnance

Aeroquest has identified an opportunity working with organizations such as the US Government in locating unexploded ordnance (UXO). The location of the surveys is primarily on American soil as a result of decades of military test manoeuvres. The annual budget for remediation is in excess of \$200 million with possibly 5%-10% spent on airborne surveys. While this market will likely require additional development of customized equipment, Geophex specializes in the development of electromagnetic sensors and technology for underground analysis and may enable Aeroquest to get a head start on being able to perform surveys for UXO.

Global Exploration Industry

5 years of growth in expenditures and expected to remain robust.

Declining metal prices during the late 1990's and early 2000's led to reduced capital spending on exploration and development. This resulted in very few additions to the global mineral resource base. The growth in demand for practically every commodity (primarily from China and India) has highlighted this lack of new discoveries as evidenced in the numerous supply/demand imbalances and increasing prices. The current situation and improved economics should continue to expansion by mining companies. We expect that as companies strive to replace their existing reserves and grow production that acquisitions and exploration will become larger components of a corporate strategy and capital expenditure budgets.

The aggregate exploration budget for non-ferrous minerals in 2007 was \$11.5 billion (*source: Metals Economics Group*) including uranium spending. This represents a 42% increase over the 2006 figure of \$7.9 billion and the fifth consecutive year that the exploration budgets have increased from the low of \$2 billion spent in 2002. Given the current strong global demand for commodities we expect the exploration environment to remain robust in the upcoming years which bodes well for continued high demand of Aeroquests' services.

Figure 6. Estimated Global Nonferrous Exploration Budgets and Relative Metal Prices, 1989-2007

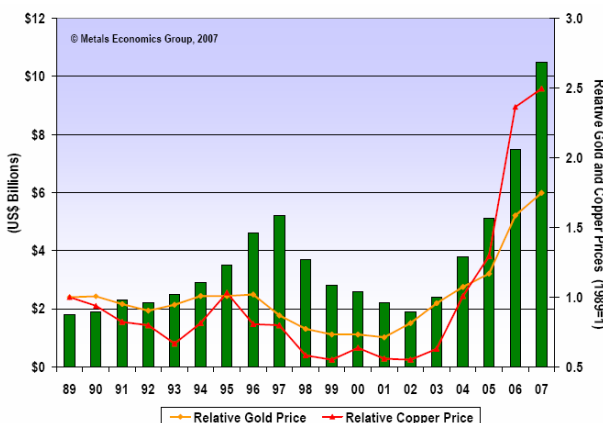
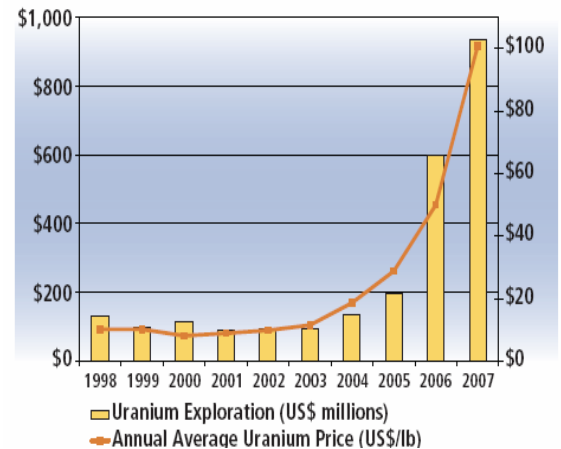


Figure 7. Worldwide Uranium Exploration Budgets and Relative Metal Prices, 1989-2007*



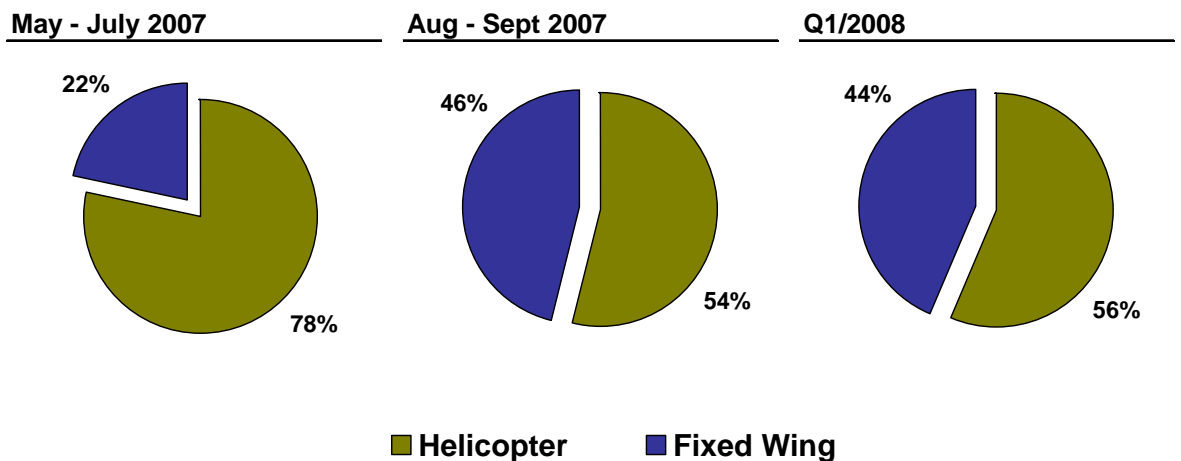
Source: Metals Economics Group, (*Figure - 7, 1998-2005 data from OECD 2005 Red Book, 2006 data based on MEC conversations with OECD experts)

Based on the 3 year average capital expenditures of \$8.2 billion and assuming that 5.0% of the global exploration budget is spent on airborne geophysical surveys, the annual market of Aeroquest's services would be approximately \$410 million. Management estimates that following the acquisition of UTS and Geophex and the forecasted increase in fleet size, Aeroquest will control between 15% and 20% of the industry.

Within the airborne geophysical survey market, management roughly estimates that the demand for magnetic and gravity surveys represent in excess of 50% of the total market with TEM and FDEM systems accounting for approximately 38% and 12% respectively. Magnetic and FDEM surveys are predominantly flown by fixed wing aircraft with TEM surveys being the primary domain of helicopter based systems. The acquisition of UTS has enabled Aeroquest to tap into approximately 62% of the market place, or \$250 million of exploration spending that it had previously been excluded from.

Figure 8 shows the revenue distribution by aircraft since the inception of UTS into the mix reflecting an increasing proportion of fixed-wing revenue. While we do not anticipate the fixed wing component to surpass the helicopter segment, we are forecasting that the revenue split for FY2008 and FY2009 will be similar to the distributions seen in Q1/2008 results.

Figure 8. Segmented Revenue Based on Aircraft Type



Source: Company Documents, J.F. Mackie & Company Ltd.

Competitive Landscape

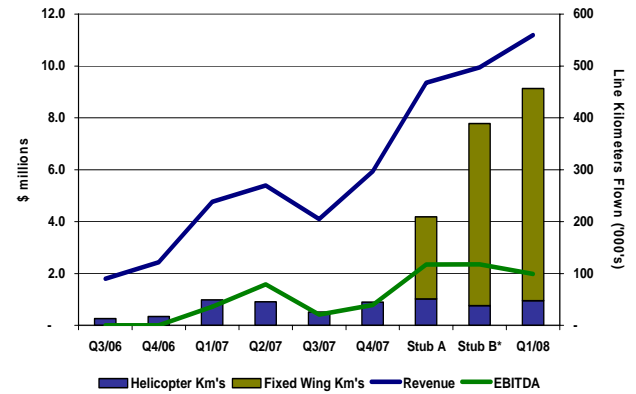
Within the airborne geophysical survey industry there are a large number of active companies that Aeroquest competes with. Given that most of these competitors are private companies, there are no published figures on the size of the aggregate airborne geophysical market; however, following the acquisition of UTS and Geophex, Aeroquest management estimates that they represent approximately 15% of the total market with potentially 20% market share by the end of 2008. Fugro NV (FUR-LN, not covered), the market leader, is estimated to have ~40% of the market share with Geotech Airborne and Sander Geophysics examples of the largest competitors. There are a number of small, regional companies that comprise the rest of the industry. Aeroquest is the only publicly traded pure play on the airborne geophysical survey industry. The fragmented sector may ultimately offer future consolidation opportunities with any acquisitions adding to our revenue forecast.

Financial Summary and Forecasts

The Aeroquest acquisition of UTS brought together two similar sized companies, each with very impressive growth rates of over 100% year over year. While it will be difficult for the combined entities to continue to grow at such a rapid pace, we are forecasting the next two years will continue to see significant growth in revenue, EBITDA and net income.

As highlighted in Figure 9, the historical quarterly financial data (historical quarterly data for UTS is not available) there are wide fluctuations on a quarter over quarter on operations and financial results. Factors such as seasonal variations in weather, equipment availability and timing of drilling programs, among others can impact the utilization rates and the financial results. While the UTS acquisition will offset some of these fluctuations, given that there is some regional overlap of clients and operations in business is in regions that have similar times of the year that are more optimal for flying. Management indicates that the slowest forecast months for them are October, November, December and March which is reflected in the only slightly higher revenue for the 3 months ended December compared to the 2 month Stub period ended September 30 (\$11.1 million vs. \$9.9 million).

Figure 9. Historical Quarterly Results



* Stub B reflects only 2 months (August and September 2007)

Source: Company Documents, J.F. Mackie & Company Ltd.

We are forecasting revenues of \$61.2 million for FY2008 and \$90.4 million for FY2009. These estimates are summarized in Table 5. This represents year over year revenue growth of 43% over the FY2007 proforma revenue of ~\$42.9 million and an additional 48% increase in 2009. Our corporate gross margin estimates of 38% and 39% in each year leads to EBITDA of \$15.0 million and \$26.6 million for each of the respective years.

In order to achieve this growth we have assumed that through its organic build program and its Geophex acquisition, Aeroquest will add 7 new birds (including both TEM and FDEM) in 2008 and 8 in 2009 which will result in year ending fleets (accounting for the lost systems) of 18 and 27 birds respectively. We are forecasting the addition of 2 new fixed wing units in 2008 and 4 in 2009, for year ending totals of 10 and 14 respectively. These estimates are slightly more conservative than management's.

Table 5. Summary of J.F. Mackie Forecast

(\$ millions)	2006 ¹	2007 ¹	2007 Stub ²	2008E ³	2009E ³
Revenue					
Helicopter	9.1	19.9	12.7	36.5	53.6
Fixed Wing			6.6	23.2	34.8
Other			0.0	1.5	2.0
Total Revenue	9.1	19.9	19.3	61.2	90.4
Growth Rate - Y/Y		118%		208%	48%
Gross Margin	36.7%	45.4%	40.0%	38.1%	39.1%
EBITDA	(0.2)	4.6	4.7	15.0	26.6
EBITDA Margin	-2.6%	23.2%	24.4%	24.5%	29.4%
Net Income	(1.2)	1.9	2.0	5.9	11.4
Shares - millions					
Basic	15.9	15.9	27.3	34.8	34.8
Fully Diluted	17.0	17.0	31.1	39.0	39.0
EPS (f.d.)	(\$0.07)	\$0.11	\$0.08	\$0.16	\$0.29
CFPS (f.d.)	(\$0.03)	\$0.20	\$0.14	\$0.33	\$0.48
Share Price Metrics (based on fully diluted shares)					
P/E ⁴	N/A	N/A	17.5x	17.9x	9.9x
P/CF ⁴	N/A	N/A	8.5x	8.7x	6.0x
EV/EBITDA ⁴	N/A	N/A	7.5x	5.6x	3.1x

1. Fiscal year ended April 30.

2. 5-month period ended September 2008.

3. Fiscal year ended September 30.

4. Figures for 2007 Stub" year annualized.

Source: Company Documents, J.F. Mackie & Company Ltd.

Recent Financing Provides 'War Chest' of Cash

The net proceeds from the recently closed financing are estimated to be approximately \$18.4 million. Aeroquest intends to use the net proceeds for the repayment of debt incurred in connection with the respective acquisitions of UTS and Geophex, certain planned capital expenditures, general working capital purposes and to fund future growth opportunities. Combined with the \$7.4 in cash at the end of Q1/2008, Aeroquest will have over \$16 million in cash available to pursue its growth opportunities.

Table 6. Use of Proceeds

	millions
Repayment of Promissory Notes	
UTS Acquisition	\$3.4
Geophex Acquisition	\$2.0
Capital Expenditures for AeroTEM and Fixed Wing	\$4.0
Funding of Organic Growth Initiatives	\$2.0
Working Capital & Future Growth Opportunities	\$7.0
Total	\$18.4
Cash on Hand	\$7.4

Source: Company Documents, J.F. Mackie & Company Ltd.

Comparables and Valuation

As mentioned previously, virtually all of the competitors to Aeroquest are private companies which make a direct comparison of valuations difficult. Table 7 highlights Fugro NV, the most relevant comparison, as well as a number of other publicly traded companies operating in the broader geophysics survey and data acquisition industry. Fugro operates a number of divisions including geotechnical, geosciences and survey services with airborne geophysics accounting for < 10% of its 2007 revenue. At our target price, Aeroquest is trading at significantly higher multiples of current year estimates and slightly higher multiples of the respective 2009 estimates compared to Fugro. We feel this premium is justified based on the much higher forecast growth rates of Aeroquest. Given the significant impact of amortization of capital assets purchased with the UTS acquisition on net earnings, we are weighing our valuation towards cashflow. To arrive at our target price of \$4.25 we use a 75% cash flow and 25% earnings weighting on our 2009 estimates and apply a 9.0x and 13.0x multiple respectively.

Table 7. Comparable Companies

Company Name	Ticker	Currency	Share Price ¹	Basic Shares	Enterprise Value ²	Rev. Growth '08E-'09E	P/E			P/CF		
							2007	2008E	2009E	2007	2008E	2009E
Geophysics Companies												
<i>Fugro NV</i>	<i>FUR-AE</i>	<i>EUR</i>	\$49.74	68.8	5,936.4	10%	16.1x	13.4x	12.0x	11.2x	9.2x	8.2x
TGS Nopec Geophysical	TGS-OS	NOK	\$14.27	106.1	1,543.0	6%	10.3x	8.4x	7.4x	6.2x	4.3x	3.8x
Global Geo Services ASA	GGG-OS	NOK	\$1.73	805.3	N/A	N/A	N/A	34.6x	N/A	N/A	7.2x	N/A
Scan Geophysical ASA	SCANG-OS	NOK	\$8.00	89.9	173.6	116%	17.0x	3.2x	1.8x	11.3x	2.4x	1.5x
Dawson Geophysical	DWSN-US	USD	\$66.70	7.7	498.1	7%	18.9x	15.1x	14.3x	10.8x	8.6x	8.0x
Electromagnetic GeoServices	EMGS-OS	NOK	\$5.71	73.7	357.6	61%	N/A	33.6x	10.2x	N/A	15.9x	6.5x
OYO Geospace Corp	OYOG-US	USD	\$41.92	5.9	261.8	23%	13.4x	14.0x	10.7x	11.5x	13.0x	9.0x
Geokinetics Inc.	GOK-US	USD	\$17.73	10.3	268.8	17%	N/A	16.6x	10.8x	4.9x	3.7x	3.2x
TGC Industries	TGE-US	USD	\$5.87	16.6	98.6	13%	12.8x	9.4x	8.2x	4.8x	4.0x	3.5x
Geophysics Companies Average							14.8x	16.5x	9.4x	8.7x	7.6x	5.5x
Mining Services Companies												
Boart Longyear	BLY-AU	AUD	\$1.49	1,502.8	3,146.8	13%	13.7x	11.0x	9.5x	11.0x	8.9x	7.8x
Major Drilling	MDI-T	CAD	\$60.25	23.7	1,442.4	14%	31.1x	18.7x	15.2x	20.0x	13.3x	10.8x
Foraco International	FAR-T	CAD	\$3.50	59.7	192.6	16%	17.8x	11.3x	8.9x	17.8x	7.5x	6.2x
Energold Drilling Corp	EGD-V	CAD	\$4.15	31.6	110.1	33%	26.4x	12.0x	8.8x	N/A	N/A	N/A
Mining Services Companies Average							22.2x	13.2x	10.6x	16.3x	9.9x	8.3x
Average (all)							17.8x	15.5x	9.8x	10.9x	8.2x	6.2x
Aeroquest @ Current Price	CAD	\$2.90	34.8	82.9	48%	N/A	17.9x	9.9x	N/A	8.7x	6.0x	6.0x
Aeroquest @ Target Price	CAD	\$4.25	34.8	129.6	48%	N/A	26.2x	14.5x	N/A	12.8x	8.8x	8.8x

1. Share prices as at March 5, 2008 in noted currency

2. Converted to USD @ 0.6575 Euro per USD, 5.1707 Kroner per USD, 0.9954 Cdn\$ per USD and 1.0838 AUD per USD respectively

Source: Bloomberg Estimates, J.F. Mackie & Company Ltd.

Risks

Some of the risks that may impact our recommendation and forecasts include:

Seasonality of Operations. Aeroquests' ability to operate safely and efficiently can be impacted by adverse weather conditions. While the Company is expanding the diversification of the regions it operates the potential for adverse conditions to decrease flying time and system utilization could reduce the revenues and earning of the Company.

New System Construction. Should the forecast construction schedule for new survey systems not materialize as expected or is delayed, the number of systems in the fleet available for revenue generation could be reduced.

Technology. Airborne geophysical surveying is a constantly evolving industry with continual enhancements and innovations in the technology used. Aeroquest actively engages in research and development on its systems to ensure that it has systems that meet the industry requirements and offer a competitive advantage. An inability to maintain up to date technology could ultimately result in a loss of demand for Aeroquest equipment.

Slowdown in the Mining Industry. As Aeroquest's revenue, both historically and forecast will be primarily generated through flying surveys in the mining sector, any decrease in the capital expenditures of exploration companies could be detrimental to revenue potential.

Competition. Given that almost all of Aeroquest's competition are private companies, it is difficult for management to gauge what each of its competitors is doing with respect to technology, size of fleet, expansion plans, target regions, pricing of services and many other business factors. This unknown could result in Aeroquest not maintaining a level of competitiveness with its peers which could lead to a loss of market share.

Summary and Recommendation

Aeroquest is a fast growing airborne geophysics company that through its recent acquisition of UTS Geophysics can now offer both helicopter and fixed wing surveys. Following the recent closing of a \$20 million financing and the intended repayment of outstanding promissory notes, Aeroquest will have no debt and approximately \$20 million to spend on its current planned capital expenditure program and other potential expansion opportunities. The mining industry has been increasing capital expenditures for the past 5 years with 2007 aggregate spending exceeding \$11 billion. With current supply/demand deficits in a number of commodities and increasing prices, we expect that the robust spending trend will continue for the next few years. The airborne geophysics industry is trying to catch up with the current demand for its services with many of the companies having significant back logs. At the end of December 2007, the current back log was \$19 million. We expect the demand to for geophysical surveys to remain strong and that the acquisition of both UTS and Geophex will continue to expand the revenue capabilities of Aeroquest through its more diverse product offering. With the expected strong demand and the forecast expansion of the Aeroquest fleet, we are forecasting revenue growth of 48% from 2008-2009. As one of the only publicly traded pure play airborne geophysical companies we see Aeroquest as an excellent way to participate in the current mining exploration boom from a non-commodity related position. We are initiating coverage on Aeroquest with a Buy recommendation and a \$4.25 target price which would generate a return of 47% from current levels.

Senior Management

Roy Graydon, CEO

Mr. Graydon, a geophysicist by training, brings over 20 years of business and financial experience to Aeroquest. Most recently, Mr. Graydon was Executive Vice President and Chief Financial Officer of Call-Net Enterprises Inc., a TSX-listed company, and prior to that had been involved in the investment industry for 15 years in mergers and acquisitions for a leading Canadian investment bank, and in public and private equities for one of the country's largest investment institutions.

Neil Goodey, COO

Mr. Goodey has over 20 years of management and directorship experience in technology-driven, high growth companies. A co-founder of international airborne geophysics group, UTS Geophysics, Neil was CEO from 1992 through 2001 and Executive Chairman from 2001. Neil also co-founded Australian public company DTI Group Ltd, a leading mass transit surveillance provider, and was CEO from 2001 through 2006 and Executive Director from 2006. Neil sits on an advisory board to Curtin University overseeing technology commercialization opportunities, and is a director of Virtual Observer Pty Ltd, a start-up company spun-out from the University.

Wilfred Edge, CFO

Mr. Edge is a Certified General Accountant and an MBA with over 20 years of progressively senior experience in finance and accounting. Prior to joining Aeroquest, Mr. Edge spent the last ten years in the automotive industry, and prior to that, in various finance roles with GE Canada and its subsidiary company Camco Inc., a TSX listed company at the time.

Board of Directors

Keith Morrison (Chairman)

Mr. Morrison is a geophysicist with more than 25 years of experience in international exploration. Co-founder of Quantec Geoscience Limited in 1986, he served as CEO from 1989 to 2005 and led the development of the Titan24 technology. He also is a co-founder of TSE-listed QGX Limited, a company that pioneered exploration in Mongolia. Keith is currently a co-founder, Director and CEO of Vismand Exploration Inc., which is a privately held global exploration company and he still serves as a Director of Quantec.

Roy Graydon, CEO (see bio above)

John Barker

Mr. Barker was Senior Vice President and Chief Financial Officer of Zenon Environmental Inc., a Toronto Stock Exchange listed company from 2000 to 2006. The company manufactured low pressure membrane ultra filtration water purification systems servicing the world market in the municipal, industrial and land development areas. Previously, John was SVP and CFO of Glegg Waterconditioning, Inc. and has also held senior financial and administrative positions with Quebecor Printing Inc. and Bonar Inc.

Neil Goodey, COO (see bio above)

Nino Tuffilli

Mr. Tuffilli was co-founder and Technical Director of UTS Geophysics from 1992 through 2001 and Managing Director from 2001 through to June 2007. He is currently Operations Director and oversees both the operational and technical activities of UTS Geophysics. In 1995 he co-founded UTS Navigation Systems Pty LTD, which now trades as Digital Technology International (DTI), a leading mass transit surveillance company.

Gordon Bogen

Mr. Bogden has extensive experience as an investment banker in the mining sector for the past 17 years and was most recently Vice Chairman and Head of Global Metals and Mining Corporate and Investment Banking at National Bank Financial Inc. Mr. Bogden is also a professional geophysicist, a current or past director of several mining companies, and one of the founders of Quantec Consulting Inc., (known today as Quantec Geoscience Inc.) He holds a Bachelor of Science in Geology from Queen's University and is a Certified Corporate Director (ICD.D) from the Institute of Corporate Directors. Mr. Bogden has been a member of the board of directors of several public mining and investment companies.

Financial Statements

Balance Sheet

(\$ '000,000's)	2007	2007 ¹	2008E	2009E
Assets				
<u>Current Assets</u>				
Cash	4.7	5.4	21.1	29.7
Accounts Receivable	3.8	8.0	13.1	20.3
Unbilled Contracts in Progress	0.0	2.3	3.7	4.9
Prepaid Expenses and Deposits	0.6	0.5	1.2	1.6
Other	-	-	(0.1)	0.2
Total Current Assets	9.1	16.2	38.9	56.7
<u>Long Term Assets</u>				
Long Term Investments	0.0	0.1	0.1	0.1
Capital Assets	3.6	7.6	12.2	16.1
Intangible Assets	-	20.4	16.9	13.3
Goodwill	-	9.2	15.2	15.2
Future Income Taxes	0.0	0.1	0.1	0.1
Total Assets	12.8	53.7	83.4	101.5
Liabilities				
<u>Current Liabilities</u>				
Accounts Payable and Accrued Liabilities	2.1	5.3	8.5	12.2
Income Taxes Payable	1.0	2.2	3.8	5.1
Deferred Revenue	1.8	3.8	6.1	8.1
Promissory Notes	-	0.5	-	-
Capital Lease Obligations	-	0.3	0.3	0.3
Total Current Liabilities	4.9	12.2	18.8	25.5
<u>Long Term Liabilities</u>				
Promissory Notes	-	2.6	-	-
Capital Lease Obligations	-	0.7	-	-
Future Income Taxes	-	6.6	6.2	6.2
Total Liabilities	4.9	22.1	25.0	31.7
Shareholders Equity				
Share Capital	6.0	27.4	48.3	48.3
Contributed Surplus	1.1	1.3	1.6	1.6
Accumulated other Income	-	0.1	0.1	0.1
Retained Earnings	0.8	2.8	8.4	19.8
Total Shareholders Equity	7.9	31.6	58.4	69.8
Total Liabilities and Shareholders Equity	12.8	53.7	83.4	101.5

Source: Company Documents, J.F. Mackie & Company Ltd.

Notes:
1. Year ended April 30
2. 5 month period ended September 30
3. Year ended September 30

Income Statement

(\$ '000,000's, except per share values)	2007 ¹	2007 ²	2008E	2009E
Total Revenue	19.9	19.3	61.2	90.4
Total Costs	10.8	11.6	37.9	55.0
Gross Margin	9.0	7.7	23.3	35.3
Expenses	-	-	-	-
SG&A	3.9	2.4	7.5	8.3
Development Expense	0.5	0.3	0.5	0.5
Amortization of Intangibles	-	0.9	3.6	3.6
Depreciation of Capital Assets	1.0	0.7	2.5	3.9
Other	0.2	0.4	0.3	-
Total Expenses	5.7	4.6	14.4	16.2
EBIT	3.3	3.1	8.9	19.1
Taxes Payable	-	1.1	3.0	7.7
Net Income	1.9	2.0	5.9	11.4
Adjustments to Net Income	-	-	-	-
Revaluation of LT Investments	-	(0.0)	(0.0)	-
Unrealized Fx Gains in Foreign Ops.	-	0.0	(0.0)	-
Adjusted Net Income	1.9	2.0	5.8	11.4
EPS - Basic	0.12	0.09	0.18	0.33
EPS - Fully Diluted	0.11	0.08	0.16	0.29

Statement of Cash Flows

(\$ '000,000's, except per share values)	2007 ¹	2007 ²	2008E	2009E
<u>Operating Activities</u>				
Net Income	1.9	2.0	5.9	11.4
Operating Items Not Requiring Cash	-	-	-	-
Depreciation	1.0	0.7	2.5	3.9
Amortization of Intangible Assets	0.1	0.9	3.6	3.6
Foreign Exchange Translation	0.0	0.0	(0.0)	-
Future Income Taxes	0.1	(0.3)	(0.4)	-
Interest Accretion on Promissory Notes	0.0	0.1	-	-
Stock Based Compensation	0.2	0.0	0.4	-
Operating CF before WC	3.3	3.4	11.9	18.9
<u>Non-Cash Working Capital</u>				
Accounts Receivable	-	(1.2)	(5.0)	(7.3)
Prepaid Expenses	-	(0.9)	(1.4)	(1.2)
Unbilled Contracts	-	0.1	(0.7)	(0.4)
Accounts Payable	-	(0.8)	3.1	3.8
Income Taxes	-	(0.1)	1.6	1.2
Deferred Revenue	-	2.1	2.3	2.0
Total Cash Flow From Operating Activities	3.3	2.7	11.8	17.0
<u>Investing Activities</u>				
Capital Asset Additions	-	(1.6)	(7.1)	(7.8)
Loan Receivable	-	-	-	-
Acquisitions (net of cash acquired)	-	(7.3)	(2.0)	-
CF From Investing Activities	-	(8.9)	(9.1)	(7.8)
<u>Financing Activities</u>				
Capital Lease Payments	-	(0.1)	(0.5)	(0.5)
Share Redemptions	-	-	-	-
Promissory Note Payments	-	-	(5.2)	-
Proceeds from Share Issuance	-	7.0	18.4	-
CF From Financing Activities	-	6.9	12.7	(0.5)
Net Change in Cash/Cash Equiv.	(0.9)	0.7	15.4	8.7
Cash&Equivalents at Beginning of Period	-	4.7	5.4	20.8
Cash&Equivalents at End of Period	4.7	5.4	20.8	29.5
CFPS (Basic)	0.21	0.16	0.37	0.54
CFPS (FD)	0.20	0.14	0.33	0.48

Disclosure

RATINGS

BUY recommendation: stock price is expected to appreciate at least 10-20% from its current price level in the next 12 months.

NEUTRAL recommendation: stock is expected to trade in a narrow range from its current price level in the next 12 months.

SELL recommendation: stock price is expected to decline at least 10-20% from its current price level in the next 12 months.

Under Review (U/R): recommendation is suspended while further analysis is being undertaken.

Not Rated (N/R): Company is not covered by J. F. Mackie & Company Ltd. Research.

Analyst recommendations and targets are based on the stock's expected return over a 12-month period or may be based on the company achieving specific fundamental results. Under certain circumstances, and at the discretion of the analyst, a recommendation may be applied for a shorter time period. The basis for the variability in the expected percentage change for a recommendation, relates to the differences in the risk ratings applied to individual stocks. For instance, stocks that are rated Speculative must be expected to appreciate at the high end of the range of a 10-20% over a 12-month period.

ANALYST CERTIFICATION

The author(s) hereby certifies that (i) all of the views expressed in this report accurately reflect the authors(s) personal views about the subject securities or issuers and (ii) no part of the author(s) compensation was, is not or will be directly or indirectly related to the specific recommendations or views expressed in this report.

RESEARCH DISCLOSURES

- | | <u>APPLICABILITY</u> |
|---|----------------------|
| 1) J.F. Mackie & Company Ltd. and its affiliates' holdings in the subject company's securities, in aggregate exceed 1% of each company's issued and outstanding securities. | 1) No |
| 2) The analyst(s) responsible for the report or recommendations on the subject company, a member of the research analyst's household, any associate of the research analyst, or any individual directly involved in the preparation of this report, are long or are short securities, options, rights or warrants of the subject company. | 2) No |
| 3) J.F. Mackie & Company has received compensation for investment banking services for the subject company over the preceding 12-month period. | 3) Yes |
| 4) A principle, director, officer or analysts or J.F. Mackie & Company Ltd. has received compensation for acting as fiscal agent or advisor for the subject company over the preceding 12-month period. | 4) No |
| 5) A director, officer or employee of J.F. Mackie & Company Ltd. is a director of the subject company in which J.F. Mackie & Company Ltd. provides research coverage. | 5) No |
| 6) A member of the research analyst's household serves as an officer, director or advisory board member of the subject company. | 6) No |
| 7) J.F. Mackie & Company Ltd. makes a market in the securities of the subject company. | 7) No |
| 8) The Company has partially funded previous analyst visits to its projects. | 8) No |

Applicability Disclosure: 30% Syndicate partner in \$20 million bought deal financing closed February 5, 2008

GENERAL DISCLOSURE

J.F. Mackie & Company Ltd. or its affiliates may receive or intends to seek compensation for investment banking services from all companies under research coverage within the next 3 months. Analysts are compensated through a combined base salary and bonus payout system. The bonus payout is amongst other factors determined by revenues generated directly or indirectly from various departments including Investment Banking. Evaluation is largely on an activity-based system that includes some of the following criteria: reports generated, timeliness, performance of recommendations, knowledge of industry, quality of research and investment guidance and client feedback. Analysts are not directly compensated for specific Investment Banking transactions.

None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of J.F. Mackie & Company Ltd.

J.F. Mackie & Company Ltd's policies and procedures regarding dissemination of research, and stock rating and target changes can be reviewed on our corporate website at www.jfmackie.com.

PRICE VOLATILITY / RISK

AVERAGE: Average revenue and earnings predictability has been established; no significant cash flow/balance sheet concerns are foreseeable over the next 12 months. Reasonable liquidity exists. Price Volatility / Risk analysis while broad based includes the risks associated with a company's balance sheet, variability of revenue or earnings, industry or sector risks, and liquidity risk.

ABOVE AVERAGE: Revenue and earnings predictability may not be established. Balance sheet or cash flow concerns may exist. Stock may exhibit low liquidity.

SPECULATIVE: The Company has no established operating revenue, and/or balance sheet or cash flow concerns exist. Typically low public float or lack of liquidity exists. Rated for risk tolerant investors only.

PRICE VOLATILITY / RISK

<u>Rating Distribution</u>	<u>Number of Recommendations</u>	<u>Percentage</u>
BUY	3	100.00%
NEUTRAL	0	0.0%
SELL	0	0.0%
U/R	0	0.0%
N/R	0	0.0%
Total	3	100.0%

TARGET PRICE AND RATING CHANGES



<u>Date</u>	<u>Rating Change</u>	<u>Target Change</u>	<u>Share Price</u>
Mar 6, 2007	BUY	N/A to \$4.25	\$2.70

This Page Intentionally Left Blank