



October 12, 2007



Recent Price	\$2.95
12 mo. Price Target	\$4.00
52-week Range	\$0.63 - \$3.05
S/O Basic (MM)	27.2
S/O fully diluted (MM)	31.1
Market Cap (MM)	\$80.2
Avg. Daily Vol. (3 mo)	79,338
Debt to Equity	Nil
Book Value per Share	(Q1 08) \$1.14
Ann Dividend & Yield	Nil
FY End	April

Current Estimates

FY	06A	07A	08E
Rev (\$MM)	\$9.1	\$19.9	↓ \$66.0
WAS			\$72.0
EPS (\$/sh)	(0.07)	0.12	↓ 0.42
WAS			0.55
P/E	nm	24.6x	7.0x
OCF (\$/sh)	0.01	0.27	↑ 0.88
WAS			0.63
P/OCF	295x	10.9x	3.4x

Source: Fraser Mackenzie Limited

Company Description

AEROQUEST INTERNATIONAL LIMITED provides commercial airborne geophysical surveys for use in mineral and oil and gas exploration. Aeroquest is now developing applications for its proprietary time domain electromagnetic systems for use in environmental services, in the search for underground aquifers and in the field of unexploded ordnance, or UXOs. The company was founded in 1988.

Diversified Industries

AEROQUEST INTERNATIONAL LTD.

STRONG BUY

(AQL - TSXV \$2.95)

12-mo. Target Price: \$4.00

Market Capitalization (Basic)

\$80 Million

Risk Profile

MEDIUM

Potential ROR

36%

Expanding Airborne Surveys Into Environmental And Military Uses

Highlights

- Our investment recommendation on Aeroquest International (AQL) is a **STRONG BUY** with a \$4.00 target price, representing 36% upside from current levels. The company provides airborne geophysical surveys for use in mineral and energy exploration, and has new opportunities in the areas of environmental services and unexploded ordnance, or UXOs. We are forecasting revenue of \$66 million, \$0.88 in operating cash flow per basic share and approximately \$0.42 in basic EPS in the fiscal year ending April 2008. We expect revenue growth per share to be more than 230% for the current fiscal year, while the current stock valuation is 3.4 times operating cash flow.
- Aeroquest is a survey company that uses airborne geophysical survey equipment that it designs and develops to perform surveys on a contract basis. The company's principal products are large electromagnetic devices, which are suspended beneath helicopters or aircraft, in order to determine the electromagnetic characteristics of the land being over flown. AQL's equipment sends out pulses of electromagnetic energy that penetrate the Earth's surface and are reflected back with different patterns depending upon what is located beneath the surface. This information is then used to help find mineral, energy and water deposits.
- The company has recently closed the acquisition of UTS Geophysics, an Australian company that conducts fixed-wing surveys and that we estimate had revenue of approximately \$20 million in its fiscal year ended June 2007. Both companies saw their annual revenues grow at more than 100% per year, pre-merger. We expect the combined entity to enjoy synergistic benefits (for example, De Beers is a common client).
- Following further discussion with management and additional analysis of the general state of the airborne survey market we have revised our revenue and earnings estimates down slightly for FY2008. We are still projecting year over year revenue growth of over 200% and earnings growth of over 250%. Our valuation is based on a 4.5X multiple of our projected FY2008 OCF of \$0.88 per share, which has been revised upwards from our original estimate of \$0.63 per share.

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Technology Discussion

Aeroquest has a track record of continuously developing ever more sophisticated and powerful airborne survey devices. The company offers a number of different device configurations depending upon the specific application. In effect, AQL can be thought of as offering two distinct technologies: frequency domain and time domain devices. The differences between the two and the reasons for choosing one versus the other are discussed below.

Time Domain Systems

AeroTEM

AeroTEM is the main offering from Aeroquest, and is a “time domain electromagnetic system”, meaning the energy sent towards the Earth’s surface is pulsed in an on/off fashion. When the energy is turned off, the response of the Earth to the electromagnetic field is measured as the response energy decays. Depending on what lies beneath the surface, the response will vary — for example, nickel is highly conductive and will result in a very different decay curve being measured from other sub-surface formations.

In its current design, the AeroTEM device is a large ring that measures up to 12 m across. The energy pulse developed by the AeroTEM is typically cycled at either 90 Hz or 150 Hz.

The following is a discussion of the various AeroTEM offerings. Each offers different characteristics and strengths depending on the type of site to be surveyed.

AeroTEM II (five metre diameter)

The AeroTEM II is a platform that is approximately 5 metres in diameter. Peak power from this configuration is 40,000 Amp m². Its strength is in targets that are up to 250m in depth, and based on its size and base frequency of 150 Hz, is very useful in the search for platinum and gold (PGE) elements, as well as diamond exploration. In rough or mountainous terrain, the system is useful as its smaller size and weight allow more flying flexibility.

Exhibit 1 – AeroTEM II System During Test Flights at Sudbury

Source: Aeroquest International Ltd.

AeroTEM III (nine to ten metre diameter)

Providing a higher power level and a larger diameter than the II system, this configuration works best with targets at mid-level depths, up to 400 metres. Power from this configuration is from 130,000 to 170,000 Amp m². It is very useful for work in the oil and gas sector where near-surface rocks are often conductive. The lower frequency range makes this system useful for base metal exploration, including nickel.

AeroTEM IV

Using a design that is up to 12m in diameter, power from this configuration is up to 230,000 Amp m². This additional power allows search depths of up to 600m, and in areas where the rock formations are more conductive.

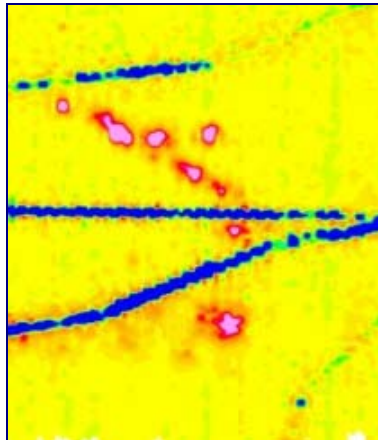
Exploration Success

Mining companies have successfully used AeroTEM to make new mineral discoveries. The following are three examples of companies where Aeroquest technology has been used to accurately locate underground deposits.

FNX Mining

An Aeroquest survey was used by FNX to find the so-called "Powerline Deposit": a Ni-Cu-PGM discovery in the Sudbury Basin that was made without any ground geophysics and within 75m of an adjacent powerline. This discovery demonstrates the ability of the system to function with a large focus, but without electrical field interference from nearby objects. The drill holes that resulted from this exploration showed high concentrations of nickel and copper.

Exhibit 2 – Early Off-Time Response Showing Nickel Sulphide Zones And Power Line Corridors On FNX Mining's Victoria Property In Sudbury, Ontario



Source: Aeroquest International Ltd.

Wolfden Resources

In 2002, an Aeroquest AeroTEM survey led to a drill program at High Lake that resulted in the area being considered one of the highest grade undeveloped polymetallic deposits in Canada. This discovery has given Wolfden the opportunity to become a mid-tier mining company. Previously the area had been heavily prospected including 100 drill holes and a fixed-wing EM survey. Wolfden Resources was named "Prospector of the Year" for 2003 by the PDAC.

Exhibit 3 – Surveying at High Lake for Wolfden Resources



Source: Aeroquest International Ltd.

Canadian Royalties

In 2003, Canadian Royalties used an AeroTEM II system on its Mesamax and Expo-Ungava deposits as part of an exploration program. The geophysical study identified conductive targets that resulted in high-grade mineralization being discovered within a large low-grade system. The resulting drilling into the Expo Northeast Zone intersected 18.75m of 2.12% Ni, 1.37% Cu and 3.41 g/t Pt and Pd. The survey also allowed the company to expand the Mesamax deposit, a resource of 1.45 million tonnes grading 2.1% Ni, 1.37% Cu, and 3.41 g/t Pt and Pd. In commenting on the new data, chairman Glenn Mullan remarked in the Northern Miner that “it is already apparent that the new data being gathered will change the understanding of the geology and distribution of Ni-Cu-PGE mineralization” at Raglan.

Frequency Domain Systems

These systems use three different frequencies at once, and they are always switched on, as opposed to the pulsed power approach that is used in time domain systems. Typically, the design uses coils operating at much higher frequencies than a time domain system, such as 500 Hz, 5 kHz, and 25 kHz. The Earth's response to these frequencies is measured in terms of amplitude and phase, giving measurements of how much energy is reflected and to what degree it is distorted.

Exhibit 4 – Frequency Domain System in Flight

Source: Aeroquest International Ltd.

Impulse

Impulse is a variant of the “ring” digital frequency domain electromagnetic system, which was introduced by the company in 1997. The device comprises a long cylinder, which is suspended beneath a helicopter, and uses coils to produce electromagnetic energy at different frequencies. This energy is then transmitted to the Earth’s surface and the reflections are measured to create a picture of underground deposits.

What Is The Difference Between The Two Systems?

The choice between whether to use a frequency domain or time domain system boils down to a trade off between depth and accuracy. Time domain systems use much lower frequencies that can penetrate deep into the Earth's surface, typically reaching a depth of 1,500 m. However, the system provides less definition and accuracy than a frequency domain system. The higher frequencies used in a frequency domain system allow a much greater spectrum of detail to be achieved, but the survey depth is limited to approximately 100 m. Therefore, the choice of which system to use in a given survey depends on the objectives of the company commissioning the work.

Gradiometer

A further survey device offered by Aeroquest is the gradiometer. These devices measure the magnetic field emitted by the earth and readings on the device adjust when there are underground objects or material that interferes with the earth's magnetic field. These unique differences are then mapped, and can indicate the presence of mineral deposits. Gradiometers are known as "passive" devices, in that they are simply measuring existing magnetic fields from the earth rather than measuring a response to a generated field.

Acquisition Of UTS Geophysics Closed In Early July, Company Now Has Global Reach And Fixed-Wing Capability

On 4 July 2007, AQL announced the successful completion of the acquisition of Australia-based UTS Geophysics (<http://www.uts.com.au>) (UTS). UTS provides ultra-high resolution airborne geophysical surveys from a fixed-wing platform (as opposed to the helicopter suspended devices used by Aeroquest). UTS currently operates a fleet of 12 aircraft, having doubled its fleet over the last year. The companies have a number of common customers such as De Beers, and the merged entity will be able to provide a much broader range of services to its customers.

The purchase price comprised \$8.7 million in cash, \$3.35 million of promissory notes and 6.8 million common shares of Aeroquest, for a total value of approximately \$26.7 million.

UTS is of a similar size to and has similar growth characteristics to Aeroquest. We estimate that UTS's sales for the six month period ending June 2007 were approximately \$10 million, and the company is growing its revenue at in excess of 95% year-over-year. The acquisition of UTS, along with the continued growth we expect at both firms should allow Aeroquest to post revenue of approximately \$66 million in its fiscal year ended April 2008.

International Revenue As A Percentage To Expand

One of Aeroquest's communicated plans is to grow internationally. This is now happening in two ways. UTS is based in Australia and Aeroquest is now performing a number of overseas contracts. As a result, the combined entity will see an increasing proportion of its revenue from international operations. In Q1FY2008, which was recently reported, \$3.0 million of the \$9.4 million, or 32%, of the quarter's revenue came from international sources. We expect this percentage to continue to grow throughout fiscal 2008, reaching a figure of 40% for the full fiscal 2008 year.

New Opportunities in Both UXO and Environmental Applications

In addition to having a very strong position in the airborne survey market for mineral and energy exploration, post the merger with UTS; Aeroquest also has exciting opportunities in the emerging fields of unexploded ordnance (or UXOs), and in environmental applications.

Unexploded Ordnance

The United States military has conducted a great number of tests over the decades on its own territory that involved dropping bombs from aircraft in order to test and train its pilots for pending military exercises overseas. The remediation of land that has absorbed these devices is a priority for the US military and a budget of over \$200 million in annualized allocations has been set to address this problem. Some estimates indicate that for one bombing site in Hawaii, the US government has spent over \$350 million to remediate the land.

Aeroquest has devoted part of its sales staff's time to pursuing the opportunity to assist the US government in remediating these bombsites. Although this market represents an emerging opportunity for the company and it is difficult to quantify its impact, we believe that by the end of fiscal 2008 (April 2008) the company will have received initial revenues from this market. Moreover, we estimate that the potential could be at least US\$10 million per year. The US military has estimated that remediation of bomb sites could take 80 years of operations, which gives Aeroquest significant long-term revenue potential.

Environmental

As more countries experience drought conditions resulting from climate change, the search for underground aquifers has intensified. The Australian government has committed to mapping the entire country in a search for underground aquifers to help alleviate the drought conditions that the country is experiencing. The acquisition of UTS, being Australia-based, should allow Aeroquest to make a strong case to the Australian government to conduct airborne surveys for underground aquifers. Similar opportunities also exist in the United States, particularly in states such as California, New Mexico, Nevada and Arizona.

Aeroquest is actively pursuing opportunities in both these countries. The company will have a system in place, in Australia, by the fall of 2007, which will allow it to bid for the Australian government mapping work. This should mean that the company may generate some revenue from this exercise before the end of fiscal 2008.

Competitive Landscape

With the deal completed, the combined entity is the world's second largest airborne survey company behind the airborne survey division of Netherlands-based Fugro NV (<http://www.fugro.com>). Other competitors in the airborne survey market tend to be much smaller – literally, two-men operations in one case. The fragmentation of the market should allow Aeroquest to continue its acquisition campaign. Other substantial participants in the market include two closely held Canadian companies, Sander Geophysics Limited (<http://www.sgl.com>), based in Ottawa, Ontario, and Geotech Limited (<http://www.geotechairborne.com>), which is based in Aurora, Ontario. Other participants tend to be smaller, closely held enterprises.

Future Expansion Paths

There are a number of avenues for future development that Aeroquest is pursuing and these are discussed below.

International Expansion

As mentioned above, through organic growth and the UTS acquisition, international revenue as a percentage of the total should increase throughout fiscal year 2008. In the Q1 recently reported, which included only 1 month of UTS revenue, international revenue accounted for about 32% of the total. We expect this percentage to increase throughout the 2008 fiscal year. To this end, the company has recently established a branch office in Moscow. We expect international revenue to account for about 40% of total revenue for the 2008 fiscal year.

We note that airborne survey work in Africa represents significant potential for the company, and the company is began flying its first survey in Africa in June 2007.

Survey System Expansion

During the 2007 fiscal year, the company added three new systems to its fleet (and lost one). The additions comprised two AeroTEM systems and one tri-directional magnetic gradiometer. Two gamma ray spectrometers (GRS) were also added. These GRS units use gamma ray radiation to detect underground objects. Like electrical radiation in the AeroTEM devices, the reflection from the ground varies depending on what conductive devices are underneath. In 2008, we expect the pace of new system construction to increase so that by the end of the first

calendar quarter of 2008, Aeroquest should be in a position to produce two new systems per quarter. At the end of fiscal 2007, the company had five new AeroTEM systems in the manufacturing queue, with six to nine times the power level of the AeroTEM II system.

New Engineering To Allow Better Future Designs

Through the years Aeroquest has continually improved the power and design of its AeroTEM systems. Recently, the company solved some engineering problems that had prevented it from building larger diameter systems. We expect new units to have larger diameters and six to nine times more power, enabling more accurate surveys for Aeroquest's customers.

Increased power and better design will allow Aeroquest to provide new and more accurate surveys, reaching deeper depths and providing more accurate definition of the underground objects.

Technical Progress Likely From Spectrem Air Partnership

Aeroquest and Spectrem Air Limited, a wholly owned subsidiary of Anglo American PLC, have recently announced a technology partnership agreement, which is the evolution of the two companies' informal collaboration over a number of years.

Aeroquest had previously sold an AeroTEM system to Spectrem in 2005, and the partnership calls for both companies to continually make improvements to the design, with the gain of royalty-free licenses to each party as a result.

Offer Non-TEM Survey Methods

With the acquisition of UTS, Aeroquest is now able to offer fixed-wing surveys to its clients, offering a more comprehensive solution. Considering that the two companies have common customers such as De Beers, this is an important step forward for AQL. The combined company will now be able to offer a much more complete solution to its customers, for example in large projects requiring a fixed-wing survey over a large area, and then subsequent pinpointing with helicopter surveys.

New Applications for Surveys

As discussed above in the "New Opportunities" section, Aeroquest has the ability to help in the fields of unexploded ordnance and underground aquifer identification, as well as oil and gas exploration. The company's oil & gas market development efforts have resulted in a new office and permanent survey unit being put in place in Calgary.

In the UXO and associated land mine discovery work, a system needs to be in place that does not see deeply into the earth, but is highly accurate at identifying the type of objects in the first metre of earth. The company will continue to make progress along these lines. The device would likely be a smaller design, with R&D needed to design more accurate sensors to allow the device to get a clearer image of what the object is underneath. The device would likely need to fly very closely to ground level. This new design is a priority for Aeroquest and we expect news on this in 2008.

Recent Financial Results

Q1 FY 2008 Results

On the date of its AGM, 26 September 2007, Aeroquest also announced its Q1 results, for the period ended 31 July. The results indicated a very strong operating performance and included one month of contribution from UTS Geophysics, the acquisition of which was completed on 3 July 2007. Aeroquest posted quarterly revenue of \$9.4 million, up 96% from the same period last year. This figure includes \$2.0 million of revenue contributed from UTS since the acquisition (July's sales only), and \$2.6 million of organic growth. Gross profit was \$3.9 million, which was 41% of revenue. Aeroquest posted earnings of \$0.9 million, which translates to \$0.04 per share.

Operating cash flow for the quarter was \$2.6 million or \$0.12 per share. We believe with continuing revenue growth the company will be able to achieve our estimate of \$0.88 of OCF per share for the fiscal year ended April 2008. On this basis, the stock is trading at 3.4x our forecasted OCF, and 7.0x our 2008 basic EPS.

Aeroquest continued to invest in the production of new systems in order to meet rising demand. The company's current fleet of units is near capacity. During the quarter, aside from the UTS acquisition, capital expenditure was \$0.9 million or 10% of revenue, which was in-line with the company's expectations.

FY 2007 Results

Aeroquest has recently reported excellent full year results, for the period ending April 2007. The total number of line kilometres flown, representing the distance travelled by the company's various surveying devices and a key performance measure, was 165,000 km, up 154% from the 65,000 km flown in the previous fiscal year.

Revenue for the full year rose from \$9.1 million, in fiscal 2006, to \$19.9 million, in fiscal 2007, a 118% increase. Operating cash flow per share was over \$0.27, which means the stock is currently trading at an 10.9x multiple to OCF in FY 2007, and with a trailing four quarters of revenue growth of 136%, this creates a very cheap discounted cash flow valuation for the company (see Appendix E for details). The company's revenue recognition policy is very conservative and shows steadily rising deferred revenue, which finished the year at a balance of \$2.3 million. The company's customers are paying it reasonably quickly, such that accounts receivable stood at 69 days sales outstanding at April 2007. The company generated a return on equity of 33%, based on the beginning of year equity position. The company has no debt other than the \$3.35 million of promissory notes that were issued in conjunction with the UTS acquisition.

The UTS acquisition merges Aeroquest with the company of similar size and growth characteristics. We estimate that UTS had revenue of approximately \$10 million in its fiscal year ended June 2007, and revenue is growing rapidly (for fiscal 2007 at more than 85%). The merger, combined with the growth we expect from the combined entity, should allow Aeroquest to post revenue of approximately \$66 million in its year ended April 2008.

We believe most mining clients of Aeroquest are well funded and in a position to do airborne survey expenditure. The company is currently taxed at full rate and we are modelling this going forward, at a statutory rate of 36.12%. The company does not use currency hedging, and so would be exposed to a rising Australian dollar. The company uses a 30% diminishing balance for its survey equipment. The life of these units is usually longer than three years, but with technology improvements in new design, these do become less useful over time, as well as suffering mechanical stress during use. Aeroquest has not historically owned the helicopters used in their surveys, and we expect this policy to continue going forward. The company's Q3 ended January tends to be the weakest quarter cyclically due to the cold winter months which restrict flying. In the Q3 of 2007, revenue declined sequentially 23% from Q2. However, with the new international revenue coming from Africa in particular, this seasonality effect should reduce in FY 2008.

Recommendation and Rating

Aeroquest is a company with significant revenue and cash flow growth potential, and we believe it has tremendous opportunities ahead of it, not only from its existing businesses, but also from the two new areas discussed above, which are not currently contributing to its results.

AQL is unique in that it is the only publicly traded company we are aware of in the airborne survey market – (Fugro has an airborne survey unit, but this division is a small part of the larger geophysical survey firm). Aeroquest, in addition to helping mining projects, is expanding into oil and gas with its new Calgary office and is expanding into environmental projects and military applications such as locating buried land mines.

With regard to comparables, Aeroquest looks relatively inexpensive. Fugro is growing at a much slower rate of about 24% and is at about 19x trailing cash flow. Intermap is cash flow negative. TGC is reasonably priced at 6x trailing cash flow, but is growing at a much slower rate of 65%. We believe for survey companies Aeroquest offers the best growth rate to valuation metrics that we are aware of.

The stock is currently attractively priced at 3.4 times our FY 2008 projected operating cash flow per share of \$0.88.

With excellent recent financial results, a low multiple in relation to its growth, and strong outlook, we rate the company a **STRONG BUY** with a \$4.00 target based on 4.5x our expected FY2008 operating cash flow per share of \$0.88. This also corresponds to 9.5x our FY2008 EPS estimate of \$0.42.

Appendix A – Board of Trustees and Management

BOARD OF TRUSTEES	Position Held Since	Number of Common Shares Held As of Aug 27, 2007	Description
Keith Morrison Chair	Oct 2006	8,000	Mr. Morrison is a geophysicist with more than 25 years of experience in international exploration. He Co-founded Quantec Geoscience Limited in 1986 and served as CEO from 1989 to 2005. He is also a co-founder of QGX Limited, a TSX listed company that pioneered exploration in Mongolia. He is currently Director and CEO of Vismand Exploration Inc., a privately held exploration company. He still serves as a Director of Quantec.
John Barker	Aug 2006	0	From 2000 to 2006, Mr. Barker was SVP and CFO of Zenon Environmental Inc, a TSX listed company manufacturing water purification systems. He served previously as SVP and CFO of Glegg Waterconditioning and held senior financial and administrative positions with Quebecor Printing Inc. and Bonar Inc.
Dr. Gordon West	Aug 2006	0	Dr. West is an Emeritus Professor in the Geophysics group in the University of Toronto's Department of Physics. Dr. West became a full professor in 1972. In 1990 he was awarded the J. Tuzo Wilson Medal of the Canadian Geophysical Union for distinguished contributions to geophysics in Canada. In 2003 he was made a Fellow of the Royal Society of Canada.
Nino Tuffilli	Jul 2007	2,770,576	Mr. Tuffilli was co-founder and Operations Director of UTS Geophysics from 1992 through 2001 and Managing Director from 2001 through 2007. He co-founded DTI Group Ltd, where he served as Director from 2001 through 2004.
MANAGEMENT			
Roy Gradon President and Chief Executive Officer, Director	Nov 2005	1,408,000	Appointed CEO in November 2005, Mr. Graydon became President and CEO in January 2007. From 2003 until 2005, Mr. Graydon was EVP and CFO of Call-Net Enterprises Inc., a TSX listed company. From 2002 to 2003, he was Managing Partner of VGC Capital Partners. From 1995 to 2001, Mr. Graydon was both Portfolio Manager and Vice President of Relationship Investing for the Ontario Teacher's Pension Plan Board.
Neil Goodey Chief Operating Officer, Director	Jul 2007	2,770,576	Mr. Goodey was co-founder, CEO and Director of UTS Geophysics from 1992 through 2001 and Executive Chairman from 2001. He co-founded DTI Group Ltd. and was CEO from 2001 to 2006. He continues as Executive Director.

Source: Aeroquest 2007 AGM Information Circular

Appendix B – Income Statement

All figures \$CAD
FY End April 30

Income Statement	FY2005	FY2006	FY2007	Q1FY08	Q2FY08E	Q3FY08E	Q4FY08E	FY2008E	FY2009E
Revenue	7,907,357	9,112,291	19,875,887	9,355,350	14,444,255	19,911,803	22,288,688	66,000,096	105,600,153
Cost of sales	4,539,237	5,764,336	10,842,700	5,496,132	8,197,115	11,250,168	12,593,109	37,536,524	55,176,080
Gross margin	3,368,120	3,347,955	9,033,187	3,859,218	6,247,140	8,661,634	9,695,579	28,463,572	50,424,073
Expenses									
Development expenses	644,652	792,933	530,515	172,426	231,108	219,030	222,887	845,451	1,214,402
General and administrative expenses	1,661,461	2,787,891	3,883,780	1,340,334	1,805,532	1,344,047	1,170,156	5,660,069	7,920,012
Stock option expense	775,950	61,510	221,410	6,875	14,444	15,929	15,602	52,851	84,480
Restricted stock unit expense			14,896	--	--	--	--	--	--
Write down of long-term investment	8,003	--	--	--	--	--	--	--	--
EBITDA	278,054	(294,379)	4,382,586	2,339,583	4,196,056	7,082,628	8,286,934	21,905,202	41,205,180
Amortization expense	610,704	954,216	1,036,423	681,822	1,011,098	1,234,532	1,225,878	4,153,329	4,382,406
EBIT	(332,650)	(1,248,595)	3,346,163	1,657,761	3,184,958	5,848,096	7,061,056	17,751,872	36,822,774
Other costs/(income)	(66,823)	(47,110)	(254,697)	(38,766)	(59,221)	(63,718)	(71,324)	(233,029)	(432,961)
Contract cancellation cost	--	268,250	270,000	--	--	--	--	--	--
Write down of discontinued development projects	--	142,424	--	--	--	--	--	--	--
EBT	(265,827)	(1,612,159)	3,330,860	1,696,527	3,244,180	5,911,814	7,132,380	17,984,901	37,255,734
Taxes									
Current	291,899	(476,139)	1,376,618	758,985	1,078,690	1,965,678	2,371,516	6,174,869	12,387,532
Future	(15,000)	47,208	61,225	--	56,773	103,457	124,817	285,047	651,975
Total Taxes	276,899	(428,931)	1,437,843	758,985	1,135,463	2,069,135	2,496,333	6,459,916	13,039,507
Net Income	(542,726)	(1,183,228)	1,893,017	937,542	2,108,717	3,842,679	4,636,047	11,524,985	24,216,227
Foreign currency translation adjustments	--	--	--	1,803	--	--	--	1,803	--
Total comprehensive income	(542,726)	(1,183,228)	1,893,017	939,345	2,108,717	3,842,679	4,636,047	11,526,788	24,216,227
Earnings per unit									
Basic	(\$0.04)	(\$0.07)	\$0.12	\$0.04	\$0.08	\$0.14	\$0.17	\$0.42	\$0.89
Diluted	(\$0.04)	(\$0.07)	\$0.11	\$0.04	\$0.07	\$0.12	\$0.15	\$0.37	\$0.78
Shares outstanding									
Basic	13,116,433	15,840,273	15,787,215	21,537,773	27,190,273	27,190,273	27,190,273	27,190,273	27,190,273
Diluted	13,868,100	16,837,773	16,984,715	23,532,773	31,105,273	31,105,273	31,105,273	31,105,273	31,105,273

Source: Company filings, Fraser Mackenzie estimates

Appendix C – Statement of Cash Flows

All figures \$CAD
FY End April 30

Statement of Cash Flows	FY2005	FY2006	FY2007	Q1FY08	Q2FY08E	Q3FY08E	Q4FY08E	FY2008E	FY2009E
Operating activities									
Net Income	(542,726)	(1,183,228)	1,893,017	937,542	2,108,717	3,842,679	4,636,047	11,524,985	24,216,227
Operating items not requiring cash:									
Amortization	610,704	954,216	1,036,423	681,822	1,011,098	1,234,532	1,225,878	4,153,329	4,382,406
Stock option expense	775,950	61,510	221,410	6,875	14,444	15,929	15,602	52,851	84,480
Restricted stock unit expense			14,896	--	--	--	--	--	--
Future income taxes	(15,000)	47,208	61,225	217	51,096	93,111	112,335	256,759	586,778
Write down of discontinued development projects	--	--	110,000	--	--	--	--	--	--
Write down of long-term investment	8,003	--	--	--	--	--	--	--	--
Gain on disposal of capital assets	--	(5,253)	7,377	--	--	--	--	--	--
Operating cash before changes in non-cash items	836,931	(125,547)	3,344,348	1,626,456	3,185,355	5,186,251	5,989,862	15,987,924	29,269,891
				0.18					
Accounts receivable	(1,531,645)	(77,748)	(1,850,909)	(1,652,069)	(2,550,723)	(3,516,242)	(3,935,978)	(11,655,012)	(18,648,019)
Prepaid expenses	102,130	(58,681)	(547,463)	(12,379)	(19,113)	(26,347)	(29,492)	(87,331)	(139,730)
Contracts in process	(314,683)	347,684	(144,874)	(124,241)	(191,823)	(264,433)	(295,998)	(876,495)	(1,402,392)
Accounts payable and accrued liabilities	349,262	557,234	550,400	(1,721,873)	(2,568,059)	(3,524,544)	(3,945,272)	(11,759,748)	(17,286,012)
Deferred revenue	370,407	85,676	1,490,979	3,807,387	5,878,441	8,103,592	9,070,923	26,860,343	42,976,548
Income taxes	(92,889)	(558,553)	1,474,943	718,793	970,821	1,769,110	2,134,365	5,593,089	11,148,778
Cash provided by operating activities	(280,487)	170,065	4,317,424	2,642,074	4,704,899	7,727,387	8,988,410	24,062,770	45,919,066
Maintenance capital expenditures			600,000	200,000	200,000	200,000	200,000	800,000	1,280,000
Free Cash Flow	(280,487)	170,065	3,717,424	2,442,074	4,504,899	7,527,387	8,788,410	23,262,770	44,639,066
OCF / Basic Share	(\$0.02)	\$0.01	\$0.27	\$0.12	\$0.17	\$0.28	\$0.33	\$0.88	\$1.69
FCF / Basic Share	(\$0.02)	\$0.01	\$0.24	\$0.11	\$0.17	\$0.28	\$0.32	\$0.86	\$1.64

Source: Company filings, Fraser Mackenzie estimates

Appendix D – Balance Sheet

All figures \$CAD

FY End April 30

Balance Sheet	FY2005	FY2006	FY2007	Q1FY08
Assets				
Current				
Cash and equivalents	3,034,338	2,510,679	4,706,035	5,974,141
Accounts receivable	1,939,571	1,907,319	3,758,228	8,507,818
Prepaid expenses	--	58,681	606,144	618,523
Income taxes receivable	--	480,000	--	--
Contracts in process	513,433	165,749	310,623	1,508,509
Loans receivable	63,713	60,528	--	--
Total current assets	5,551,055	5,182,956	9,381,030	16,608,991
Long-term				
Long-term investments	16,001	126,001	16,001	16,001
Capital assets	2,740,931	2,607,618	3,649,769	7,416,377
Intellectual property	218,767	93,757	--	--
Intangible assets from UTS Acquisition	--	--	--	20,966,358
Goodwill	--	--	--	11,181,601
Future income taxes	110,000	62,792	1,567	157,930
Total long-term	3,085,699	2,890,168	3,667,337	39,738,267
Total assets	8,636,754	8,073,124	13,048,367	56,347,258
Total assets, less intangible items				
	8,417,987	7,979,367	13,048,367	24,199,299
Liabilities				
Current				
Accounts payable and accrued liabilities	1,026,808	1,584,042	2,134,442	4,366,773
Income taxes payable	78,553	--	994,943	3,041,609
Current portion of long-term debt	5,580	--	--	--
Promissory notes	--	--	--	838,750
Capital lease obligations	--	--	--	299,799
Deferred revenue	717,249	802,925	2,293,904	5,568,668
Total current	1,828,190	2,386,967	5,423,289	14,115,599
Long Term				
Promissory notes	--	--	--	2,516,250
Capital lease obligations	--	--	--	799,817
Total long-term	--	--	--	3,316,067
Future income taxes	--	--	--	7,811,514
Total liabilities	1,828,190	2,386,967	5,423,289	25,243,180
Shareholders equity				
Share capital	5,836,176	5,836,176	5,992,289	28,288,064
Contributed surplus	925,950	986,771	1,102,228	1,101,079
Other comprehensive income	--	--	--	1,803
Retained earnings	46,438	(1,136,790)	530,561	1,713,132
Total equity	6,808,564	5,686,157	7,625,078	31,104,078
Total liabilities and shareholders equity	8,636,754	8,073,124	13,048,367	56,347,258

Source: Company filings

Appendix E – Comparables

Company	Ticker	Index	Price Close Oct 9 (C\$)	S/O (MM)	Market Cap. (\$MM)	Revenue TTM (\$MM)	Growth Rate	EPS TTM	OCF/ Share TTM	BV/ Share (Latest Quarter)	P/E TTM	P/S TTM	P/OCF TTM	EV/ EBITDA TTM	Growth Rate / (OCF / Share) TTM
(All figures in C\$)															
Aeroquest International Ltd	AQL.V	TSX-V	\$2.80	27.19	76.13	\$25.00	136%	\$0.14	\$0.33	\$1.14	17.28	2.51	8.43	10.02	16.14
Fugro NV	FUGRc.AS	Euronext	\$82.69	69.58	5,753.42	\$2,009.67	24%	2.84	\$4.16	11.22	30.99	2.76	19.87	14.74	1.21
Intermap Technologies Corp	IMP.TO	TSX	\$6.90	37.52	258.92	\$29.42	90%	(0.33)	(0.10)	2.59	N/A	8.79	N/A	N/A	N/A
TGC Industries Inc	TGE	AMEX	\$10.59	16.54	175.23	\$77.24	65%	0.43	\$1.79	2.30	24.73	2.25	5.91	7.20	10.99
EUR to CAD rate	1.3885														
US to CAD rate	0.9853														
Source: Bloomberg, Reuters, Fraser Mackenzie estimates															

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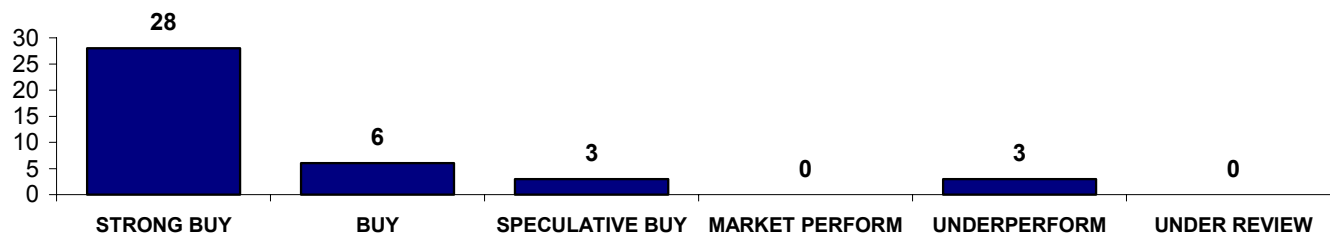
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