



ANNUAL INFORMATION FORM

for the year ended September 30, 2007

January 4, 2008

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GLOSSARY OF TERMS

In this annual information form, the following terms have the meanings set forth below, unless otherwise indicated:

“**2007 Annual Report**” means the annual report of the Corporation dated September 30, 2007, a copy of which is available on SEDAR at www.sedar.com.

“**AeroTEM™**” means the Corporation’s proprietary H-TEM systems.

“**Affiliate**” has the meaning ascribed thereto in the *Securities Act* (Ontario), as amended, supplemented or replaced from time to time.

“**Agency Agreement**” means the agency agreement dated May 1, 2007 between the Corporation and the Agents.

“**Agents**” means J.F. Mackie & Company Ltd. and Becher-McMahon Capital Markets Inc., the agents of the Corporation in respect of the Private Placement.

“**AIF**” means this Annual Information Form.

“**Amp**” is short for Ampere, a unit for measuring the flow of electric current.

“**Associate**” has the meaning ascribed thereto in the *Securities Act* (Ontario), as amended, supplemented or replaced from time to time.

“**Auditor**” means BDO Dunwoody, Chartered Accountants and Advisors, the auditor of the Corporation.

“**Board**” means the board of directors of the Corporation.

“**Broker Warrants**” means the warrants issued to the Agents under the Private Placement, or as directed by them, all pursuant to the terms of the Agency Agreement.

“**Common Shares**” means the common shares of the Corporation.

“**Computershare**” means Computershare Trust Company of Canada.

“**Conductance**” means the ability of an Earth material or other material to conduct electricity.

“**Conductance Discrimination**” means the ability to measure the difference in the conductance of various Earth materials or other targets.

“**Conductivity-Depth Images**” means an interpretation of the variation in the electrical conductivity of the ground with depth.

“**Conductor**” means a geologic source or other target which is electrically conductive.

“**Corporation**” means Aeroquest International Limited, a corporation existing under the laws of the province of Ontario.

“**Dipole Moment**” means a measure of the power of an electromagnetic system’s transmitter.

“**Diurnal Effects**” when used in this Annual Information Form, refers to effects that vary over time.

“**Electromagnetic Field**” means a three-dimensional distribution of electric and magnetic energy.

“**Electromagnetics**” means the study or use of the behaviour and interaction of electric and magnetic fields.

“**FDEM**” is an abbreviation for “Frequency domain Electromagnetic”.

“**FDEM Technology**” means systems that transmit and receive electromagnetic energy using sinusoidal waves.

“**Financial Statements**” means the audited, consolidated financial statements of the Corporation for the financial year ended September 30, 2007, included in the 2007 Annual Report.

“**Fixed Wing Magnetics**” means systems that record the Earth’s magnetic field from a fixed wing aircraft.

“**Forward Modeling**” means theoretical calculation of the expected response of a geophysical technology from a given geologic or other target.

“**Frequency**” means the rate at which an electromagnetic field oscillates.

“**GAAP**” means Canadian generally accepted accounting principles.

“**Gamma Ray Spectrometers**” means equipment able to detect and record energy emitted from natural radioactive sources in the Earth.

“**Geophysical Survey**” means any systematic measurement of one or more physical properties of the Earth, however performed.

“**Geophysics**” means the study of the physical characteristics of the Earth.

“**Geotechnical**” means an area of engineering concerned with geological materials, earth structures and foundations.

“**GPS**” means Global Positioning System, a satellite-based system used to accurately determine location.

“**Gravimetrics**” means the measurement of variations in the strength of the gravity field due to local variations in the density of the Earth.

“**H-FDEM**” is an abbreviation for “Helicopter-borne Frequency domain Electromagnetics”.

“**H-TEM**” is an abbreviation for “Helicopter-borne time domain Electromagnetics”.

“**Hz**” is an abbreviation for “hertz”, a measurement of Frequency expressed in cycles per second.

“**Impulse™**” means the Corporation’s proprietary H-FDEM system, using multi-Frequency transmitters and broadband receivers.

“**Information Circular**” means the management information circular of the Corporation for the Corporation’s most recent annual general meeting held on August 27, 2007, a copy of which is available on SEDAR at www.sedar.com.

“**Line Kilometre**” is a standard unit of size for an airborne Geophysical Survey and is equal to one billable kilometre flown during the course of an airborne survey.

“**Line Spacing**” means the nominal distance between adjacent flight lines.

“**Magnetic Gradiometer**” means a system of more than one Magnetometer used to measure the gradient, or change, of the Earth’s magnetic field over a short distance.

“**Magnetic Storm**” means a burst of magnetic energy from the sun that causes short term distortions of the Earth’s magnetic field.

“**Magnetics**” means the measurement, study, or use of the variation in the Earth’s magnetic field.

“**Magnetometer**” means an instrument capable of measuring the strength of the Earth’s magnetic field.

“**Management**” means management of the Corporation.

“**MD&A**” means the management’s discussion and analysis of financial condition and results of operations of the Corporation for the financial year ended September 30, 2007, included in the 2007 Annual Report.

“**OBCA**” means the *Ontario Business Corporations Act*, R.S.O. 1990, c. B.16.

“**Off-Time**” means electromagnetic measurements taken when the transmitter is not transmitting.

“**On-Time**” means electromagnetic measurements taken when the transmitter is transmitting.

“**Option Plan**” means the stock option plan dated September 14, 2005 (as amended September 15, 2006 and September 26, 2007) adopted by the Corporation, a copy of which is appended to the Information Circular, as may be further amended, supplemented and/or restated from time to time.

“**PICorp**” means PICorp. International, Inc., a corporation incorporated under the general corporation law of the state of Delaware.

“**Private Placement**” means the private placement by the Corporation of 4,500,000 Subscription Receipts at a price of \$1.70 per Subscription Receipt pursuant to the terms of the Agency Agreement and the Subscription Receipt and Escrow Agreement.

“**Radiometrics**” means the measurement, study, or use of data recording naturally-occurring radiation in Earth materials.

“**Resistivity Soundings**” means the measurement and interpretation of the variation in the conductivity of the Earth with depth.

“**Restricted Stock Unit Plan**” means the restricted stock unit plan dated August 14, 2006 adopted by the Corporation, a copy of which is appended to the Information Circular as may be amended, supplemented and/or restated from time to time.

“**RSU**” means a restricted stock unit issued by the Corporation in accordance with the terms of the Restricted Stock Unit Plan.

“**Salinity Encroachment**” means the movement of salt water into areas where fresh water previously occurred.

“**SEDAR**” is an acronym for the System for Electronic Document Analysis and Retrieval.

“**Seismic Exploration**” refers to ground or marine-based exploration using artificially generated acoustic (seismic) waves.

“**Share Purchase Agreement**” means the share purchase agreement dated July 3, 2007 between the Corporation and UTS pursuant to which the Corporation agreed to purchase 100% of the shares of UTS.

“**Signal-to-Noise Ratio**” means the ratio of the desired signal to the background noise.

“**Spherics**” means pulses of electromagnetic energy caused by lightning strikes usually at low altitudes.

“**Stock Options**” means stock options issued by the Corporation in accordance with the terms of the Option Plan.

“**Subscription Receipt and Escrow Agreement**” means the subscription receipt and escrow agreement dated May 29, 2007 between the Corporation, J.F. Mackie & Company Ltd. and Computershare.

“**Subscription Receipts**” means the subscription receipts issued by the Corporation pursuant to the Private Placement.

“**Subsidiaries**” means, collectively, Aeroquest Limited, Aeroquest (UK) Limited and UTS and “**Subsidiary**” means any one of them.

“**Subsurface**” means beneath the surface of the Earth.

“**Technology Partnership Agreement**” means the technology and partnership agreement dated August 24, 2007 between the Corporation and Spectrem Air Limited, a wholly-owned subsidiary of Anglo American, Plc.

“**TEM**” is an abbreviation for “time domain Electromagnetics”.

“**TSX-V**” means the TSX Venture Exchange.

“**Unexploded Ordnance**” means explosives that did not explode when they were employed.

“**UTS**” means UTS Geophysics Pty Ltd., a corporation incorporated under the laws of Australia.

“**Warrant Indenture**” means the warrant indenture dated May 29, 2007 between the Corporation and Computershare creating and governing the Warrants.

“**Warrants**” means the non-transferable share purchase warrants issued in exchange for Subscription Receipts in accordance with the terms of the Agency Agreement and the Warrant Indenture.

FORWARD-LOOKING STATEMENTS

This Annual Information Form contains forward-looking statements that reflect management's expectations regarding the Corporation's future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expect", "intend" and similar expressions have been used to identify these forward-looking statements. Such forward-looking statements are not historical facts but instead reflect management's current beliefs, expectations, estimates and projections based on information currently available to management.

Forward-looking statements involve significant risks, uncertainties and assumptions and readers are cautioned not to place undue reliance upon forward-looking statements. A number of factors, including those discussed under the heading "Risk Factors", could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. Although the forward-looking statements contained in this Annual Information Form are based upon what management believes, or believed at the time, to be reasonable assumptions, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements.

The Corporation assumes no obligation to update or release any revisions to any forward-looking statements to reflect events or circumstances after the date of this Annual Information Form or to reflect the occurrence of unanticipated events.

CHANGE IN FINANCIAL YEAR END

Effective September 30, 2007, the Corporation changed its financial year end from April 30 to September 30 in order to aid in the consolidation and reporting across Subsidiaries by aligning all fiscal year ends to the same period and to better reflect the seasonality of the business.

DATE OF ANNUAL INFORMATION FORM

This Annual Information Form is dated January 4, 2008. Except where otherwise indicated, the information contained in this Annual Information Form is stated as of September 30, 2007 and all dollar amounts are expressed in Canadian dollars.

CORPORATE STRUCTURE

Name, Address and Incorporation

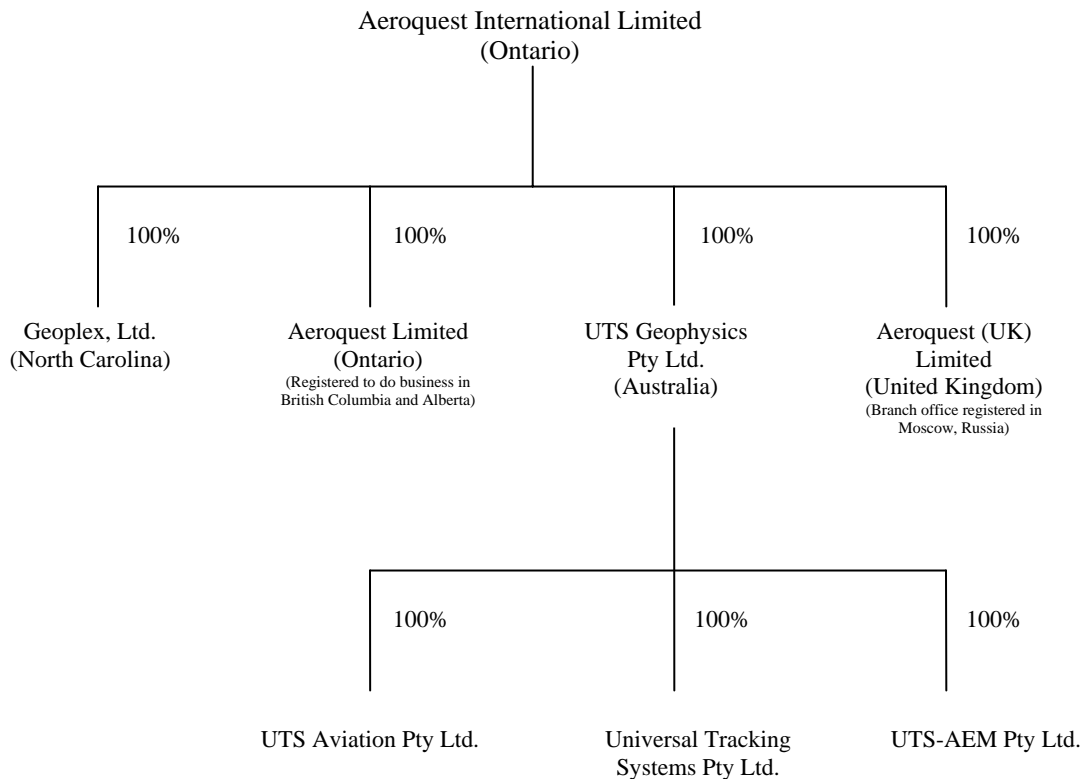
Aeroquest Limited was incorporated under the *Business Corporations Act* (Ontario) (“**OBCA**”) on May 17, 1988. PICorp. Capital Ltd. (formerly Phoenix International, Inc., “**PICorp**”) was incorporated by certificate of incorporation issued pursuant to the provisions of the general corporation law of the state of Delaware on September 21, 2001. On April 29, 2004, Aeroquest Limited was continued under the *Business Corporations Act* (Alberta) and on October 27, 2004, was continued under the OBCA. On October 28, 2004, the Corporation and its principal shareholders entered into a reverse takeover of PICorp wherein all of the issued and outstanding shares of Aeroquest Limited were sold, by way of share exchange, to PICorp. Holders of issued and outstanding common shares of Aeroquest Limited received one share of PICorp. for each Aeroquest Limited share held. Upon completion of the reverse takeover, there were 13,829,162 shares outstanding of PICorp, which was renamed Aeroquest International Limited (the “**Corporation**”).

The Corporation’s head and registered office is located at 7687 Bath Road, Mississauga, Ontario L4T 3T1.

Intercorporate Relationships

The Corporation’s wholly-owned Subsidiary, Aeroquest Limited is incorporated under the laws of the province of Ontario. The Corporation’s wholly-owned Subsidiary, Aeroquest (UK) Limited is incorporated under the laws of England and Wales. The Corporation’s wholly-owned Subsidiary, UTS Geophysics Pty Ltd (“**UTS**”) is incorporated under the laws of Australia.

The following diagram sets out the intercorporate relationships concerning the Corporation and the Subsidiaries as at January 4, 2008:



Additional information relating to the Corporation may be found in the Information Circular, 2007 Annual Report and the Corporation's audited consolidated financial statements (the "**Financial Statements**") and MD&A for the financial year ended September 30, 2007. These documents can be accessed on SEDAR at www.sedar.com.

GENERAL DEVELOPMENT OF THE BUSINESS

The following events summarize the development of the business of the Corporation over the last three completed financial years:

- On September 29, 2006, the Corporation announced that the TSX-V accepted the Corporation's notice of intention to proceed with a normal course issuer bid through the facilities of the TSX-V. The Corporation could, from October 9, 2006 to October 8, 2007, purchase for cancellation up to 500,000 Common Shares, representing approximately 3.1% of the 15,840,273 Common Shares issued and outstanding at the time the notice of intention was filed with the TSX-V. During the term of the bid, the Corporation purchased a total of 399,600 Common Shares for cancellation for total consideration of \$698,640.
- On May 29, 2007, the Corporation completed the Private Placement at a price of \$1.70 per Subscription Receipt, for gross proceeds of \$7.65 million. Each Subscription Receipt entitled the holder, without payment of additional consideration, to one Common Share and one-half of one non-transferable Warrant with each whole Warrant exercisable for an additional Common Share at a price of \$2.45 for two years from the date of issue, such date being May 29, 2007. Additionally, the Corporation issued a total of 450,000 Broker Warrants, each Broker Warrant exercisable for one Common Share at a price of \$1.95 until May 29, 2009.
- On July 3, 2007, the Corporation acquired 100% of the shares of UTS, a company specializing in ultra-high resolution magnetic, radiometric and gravimetric fixed wing geophysical surveys. The purchase price consisted of 6.8 million Common Shares, the payment to the vendors of \$9.2 million in cash, and the assumption by the vendors of a promissory note in the amount of \$3.35 million. The Corporation filed a Form 51-102F4 *Business Acquisition Report* on October 15, 2007.
- On July 3, 2007, concurrently with the acquisition of UTS, each Subscription Receipt issued by the Corporation on May 29, 2007 was exchanged for one Common Share and one-half of one Warrant.
- On August 24, 2007, the Corporation entered into the Technology Partnership Agreement pursuant to which the parties agreed to collaborate to make continuous improvements to the Corporation's proprietary AeroTEM™ time-domain electromagnetic system. The Technology Partnership Agreement will run indefinitely, unless terminated by the parties, and will confer automatic royalty-free licenses to each party on any upgrades to AeroTEM™ technology made by either party.
- On December 13, 2007, the Corporation announced that the TSX-V accepted the Corporation's notice of intention to proceed with a normal course issuer bid through the facilities of the TSX-V for the purchase for cancellation of up to 1,374,660 of its outstanding Common Shares, representing approximately 5% of the 27,493,212 Common Shares issued and outstanding as at December 7, 2007. The bid commenced on December 17, 2007 and will terminate on December 16, 2008, or on such earlier date as the bid is completed or otherwise terminated by the Corporation.
- On December 31, 2007, the Corporation announced that it had acquired 100% of the shares of Geophex, Ltd., a company located in Raleigh, North Carolina specializing in the manufacture and sale of primarily ground-based geophysical instruments. The purchase price consideration paid to Dr. IJ Won, the vendor of the shares of Geophex, Ltd. consisted of US\$2.0 million in cash, US\$2.0 million in the form of a promissory note due July 1, 2008 and 498,001 Common Shares having an aggregate value of US\$1.7 million. The obligation of the vendor to complete the transaction was subject to the Corporation, concurrent with closing of the transaction, undertaking to cause Geophex, Ltd. to pay a one-time employment bonus to a key individual in the form of 87,882 Common Shares having an aggregate value of US\$300,000. Accordingly, the Corporation issued an aggregate of 585,883 Common Shares in connection with the Geophex, Ltd. acquisition.

INDUSTRY OVERVIEW

Overview of the Airborne Geophysical Survey Industry

The Corporation operates in the airborne Geophysical Survey industry. Airborne Geophysical Surveys are used for delineating surface and sub-surface geologic structures for the mineral and oil and gas exploration industries, for targeting and mapping site characteristics for environmental clients, and for related engineering and Geotechnical tasks such as measuring ice thickness and assessing ground characteristics. Geophysical Survey equipment, either towed beneath helicopters or mounted on fixed wing aircraft, measures and collects data relating to a particular geophysical property of the Earth in the immediate area of the geophysical instrument.

Geophysical Survey equipment can include: Electromagnetic systems, used to measure the electrical properties of the Earth; Magnetometers, used to measure the magnetic properties of the Earth; Gravimeters, used to measure changes in the density of surrounding rocks; and, Gamma Ray Spectrometers, used to measure the rate of ambient radiological decay from rocks at or near the Earth's surface. This Geophysical Survey equipment together with other ancillary equipment such as GPS positioning, flight navigation and altimetry systems, which are used to establish in three dimensions the precise location of each measurement, and a high speed data acquisition system, which is used to digitally record the measured data, comprises a complete Geophysical Survey system.

Geophysical Surveys are generally flown across selected blocks of ground or water in a regular grid pattern at a pre-determined Line Spacing, orientation and altitude. The size of an airborne Geophysical Survey is usually measured and described in Line Kilometres, which is the sum of all the billable kilometres in all lines on the survey grid. Advancements in GPS based navigation systems have greatly increased the accuracy of airborne Geophysical Surveying techniques. Airborne Geophysical Surveys are commonly flown at a 50 or 100 meter Line Spacing instead of the 500 meter Line Spacing that may have been more prevalent prior to the advent of commercially available GPS technology.

In addition to performing airborne data collection, post-survey services such as data processing, compilation, presentation and interpretation are an intrinsic part of the airborne Geophysical Survey business. Occasionally, previously collected data is re-processed and/or reinterpreted and/or resold.

The three main markets for airborne Geophysical Surveys are:

(i) *Mineral Exploration*

Airborne Geophysics is an important mineral exploration tool as it provides a highly effective means to map geological structures and develop exploration models to qualify and assess exploration assets. In recent years, mining companies have increased the importance they place on cost effective airborne Geophysics. Market demand for mineral exploration surveys is largely tied to the price of certain commodities, such as gold and other metals, and which in turn impacts on capital raising and other corporate activities amongst exploration companies. Mineral exploration is conducted worldwide with the most important geographic areas being North and South America, Australia, Africa and Asia.

The major concerns for mineral exploration clients contracting airborne Geophysical Surveys are data quality, survey timing and state-of-the-art instrumentation. Pricing is also an important factor in selecting the successful contractor. 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.

(ii) *Oil and Gas Exploration*

The oil and gas exploration industry is conducted in the same primary geographic markets as the mineral explorations industry. The major difference between mineral and oil and gas exploration is the relative importance of airborne Geophysics. In both industries, airborne Geophysics offers a cost effective method to obtain structural information over a large exploration area in a relatively short period of time. However, due to the geological setting of most oil and gas prospects, airborne Geophysics often ranks second to Seismic Exploration. Airborne

Geophysics is often acquired as a precursor to high-cost Seismic Exploration to prioritise and plan Seismic acquisition. At a cost of generally only a few percent of the cost of Seismic Exploration, Airborne Geophysics is a cost effective and highly complimentary tool for oil and gas exploration.

(iii) Engineering and Environmental Markets

The engineering and environmental markets for specialized applications such as Unexploded Ordnance, 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. Clients in these fields have traditionally been government agencies, however, private companies have been increasing their use of airborne Geophysics for environmental and Geotechnical assessments, including mine tailings investigations and infrastructure monitoring.

Competitive Conditions

Furgo, NV, a Netherlands based public company with operating divisions in Canada, South Africa and Australia, is the largest company in the airborne Geophysical Survey industry with as much as 50% of the worldwide market. Management believes, based on industry interaction and participation, that the Corporation, together with two private companies, Geotech Ltd. and Sanders Geophysics Ltd., each have between 10% to 20% of the worldwide market. The remaining market share is comprised of a number of small, private companies, many of whom are based in Canada, such as Terrequest Ltd., Goldak Airborne Surveys, Firefly Aviation Ltd., T.H.E.M. Geophysics and McPhar Geosurveys Ltd.

Contracts for work in the airborne Geophysical Survey industry are typically awarded by a tender process. Competition is largely based on, technical competitiveness, availability of Geophysical Systems and timeliness, past performance, reputation, ownership of niche technology suitable for specific projects, safety record and price. Typical survey contracts range from \$100,000 to \$1,000,000 and contracts are generally priced on a “per Line Kilometre” basis. Large contracts worth several millions of dollars are not uncommon in the industry.

Competition in the airborne Geophysical Survey industry is affected by a number of factors.

(i) Aircraft / Helicopters

Survey companies often lease helicopters or fixed wing aircraft and sub-contract the associated maintenance and aviation related flight operations, thereby reducing capital costs. Many aviation organizations compete to supply leased aircraft and related services and personnel. Where custom-installed survey equipment, foreign locations and demanding flying conditions are involved, the supply of suitable aircraft, maintenance personnel and experienced pilots may be limited.

(ii) Geography / Political

The increased focus on international exploration in the mineral and oil and gas industries means that survey activity is increasingly being conducted in foreign countries and remote locations. Coordinating with local governments for the issuance of work permits and for the temporary importation of survey equipment can be challenging. Sourcing Government contacts and local knowledge are extremely valuable and key to completing airborne Geophysical Surveys in foreign countries in a cost effective and timely manner. This diversity of operating environments exposes the business to potentially significant climatic variations, health standards and political and civil uncertainties.

(iii) Capital Costs

In order to conduct Geophysical Surveys, significant capital expenditures must be incurred to acquire the necessary equipment, including Geophysical Survey systems, computing equipment, plotting and drafting equipment and the software necessary to perform data processing, mapping and interpretation activities.

(iv) *Technological / Operational Expertise*

Technological expertise provides a significant competitive advantage to participants in the airborne Geophysical Survey industry also and poses a barrier to entry into the industry. Although equipment suitable for some airborne Geophysical Surveys may be purchased from suppliers, the availability of technically qualified and experienced personnel to coordinate and implement Geophysical Survey systems is limited in the market. Further, the operational knowledge, experience and infrastructure needed to conduct global Geophysical Survey operations provides a further barrier for potential new entrants.

(v) *Equipment and Software*

Although generic equipment and software to undertake certain airborne Geophysical Surveys and data processing activities may be purchased from independent suppliers, significant competitive differentiation and market success is derived through the in-house design and development of specialized and proprietary Geophysical Survey equipment. Airborne Geophysical Survey companies possessing specialty or customized equipment or software may possess competitive advantages.

(vi) *Technological Change*

Geophysical Survey equipment is sophisticated scientific instrumentation. Development of new equipment and techniques requires research and development capacity and expenditure. Most new technology is proprietary in nature associated with significant value in Intellectual Property. Manufacturing survey equipment may also be time consuming and dependent upon the availability of suitable components, raw materials and technically competent personnel. Survey companies holding proprietary technology, research and development capacity, supplies of components or raw materials possess a competitive advantage. Conversely, a lack of technological capacity and technically specialized personnel provides a barrier to entry into the airborne Geophysical Survey industry.

DESCRIPTION OF THE BUSINESS

Overview

The Corporation is an information services company providing commercial airborne Geophysical Surveys and data management for use primarily in mineral and oil and gas exploration. The Corporation is also developing applications for its proprietary Geophysical Equipment in the environmental and Geotechnical engineering industries. The Corporation currently offers airborne Geophysical Surveys on both helicopter and fixed wing platforms.

The Corporation's helicopter systems include the proprietary AeroTEM™ time-domain system in diameters ranging from 5 metres to 12 metres, the innovative Impulse™ H-FDEM system and the tri-directional Magnetic Gradiometer system. Each of these systems can be flown in conjunction with the Corporation's Radiometric unit. The Corporation also offers ultra high resolution Magnetic Gradiometer, Radiometric and Gravimetric surveys delivered from fixed wing platforms.

The Corporation is one of the few firms that can present an airborne Geophysical Survey solution to clients anywhere in the world using a comprehensive range of airborne geophysical techniques. Please refer to the heading "Description of the Business – Survey Systems" for additional information regarding the Corporation's geophysical instrumentation.

The Corporation's strategy is to continue to expand domestically and internationally and to maintain its position as a world leader in the airborne Geophysical Survey industry. In order to deliver on this strategy, the Corporation has identified three areas of focus: (i) expand the number of airborne Geophysical Survey systems in the Corporation's fleet to extend global coverage; (ii) develop and grow new vertical markets for the Corporation's existing technologies, such as oil and gas and environmental engineering; and (iii) continue to invest in research and development for new Geophysical sensor and processing techniques.

Operating Segments

The Corporation reports the results of its operations in three geographic segments: (i) Canada; (ii) Australia; and (iii) International; and two operating segments: (i) helicopter; and (ii) fixed wing. The Corporation's operations in all markets have similar products, services and customer types as well as similar economic characteristics. See "Description of the Business – Products and Services" and "Description of the Business – Survey Systems" for additional information regarding the Corporation's operations.

(i) Geographic Segments

The Corporation's revenue by geographic segment for the three most recently completed financial years is illustrated in the following table:

Fiscal Year-ended:	September 30, 2007¹	April 30, 2007	April 30, 2006
Canada	\$10,524,594	\$15,349,140	\$8,563,846
Australia	\$3,090,000	–	–
International	\$5,685,024	\$4,837,903	\$548,445
Total Revenue:	\$19,299,618	\$20,187,043	\$9,112,291

¹ Effective September 30, 2007, the Corporation changed its financial year end from April 30 to September 30. Accordingly, the year ended September 30, 2007 reflects revenue for the 5-month period since the last completed financial year ended April 30, 2007.

(ii) Operating Segments

The Corporation's revenue by operating segment for the three most recently completed financial years is illustrated in the following table:

Fiscal Year-ended:	September 30, 2007¹	April 30, 2007	April 30, 2006
Helicopter	\$12,702,618	\$19,875,887	\$9,112,291
Fixed wing	\$6,597,000	–	–
Total Revenue:	\$19,299,618	\$19,875,887	\$9,112,291

¹ Effective September 30, 2007, the Corporation changed its financial year end from April 30 to September 30. Accordingly, the year ended September 30, 2007 reflects revenue for the 5-month period since the last completed financial year ended April 30, 2007.

Principal Products and Services

The Corporation currently provides helicopter-borne and fixed wing Geophysical Survey services for the mineral exploration, oil and gas and environmental industries on a commercial basis, combining data acquisition, processing and interpretation. Special interpretive products such as Conductivity-Depth Images, Resistivity Soundings, and Forward Modeling based on discrete Conductors within a resistive or conductive half-space are also available.

During the past three years, the Corporation has successfully surveyed over 320,000 Line Kilometres using helicopter borne Magnetic, Radiometric and Electromagnetic sensors and over 509,000 Line Kilometres using fixed wing borne Magnetic, Gravimetric and Radiometric sensors. The Corporation undertakes survey contracts ranging from a few hundred Line Kilometres to many hundreds of thousands of Line Kilometres in size. For a description of the Corporation's Geophysical Survey instrumentation, see "Description of the Business – Survey Systems."

Geophysical Surveys completed by the Corporation are presented to clients using advanced data processing and interpretation methods, are delivered in industry standard formats and presented as high quality coloured maps and images. Quality control and assurance during the survey process are highly formalised and well established in order to guarantee the accuracy of the data. These quality control procedures include: statistical and visual inspection of

the data; GPS navigation and sensor synchronization; environmental calibrations and corrections (Diurnal Effects, Magnetic Storms, Spherics, etc.); in-field preliminary data processing, flight path maps, instrumentation traces; office based tertiary data processing and interpretation of acquired data; full size colour final map production at various scales; comprehensive reports covering field operations, data processing and final interpretation.

The Corporation designs, manufactures, maintains and operates its Geophysical Survey systems, processes and plots the acquired data and provides interpreted results. All facets of the operation are undertaken in-house by teams of skilled professionals including geophysicists, geologists, aviation specialists, pilots, computer specialists, electronics engineers and data processors. Where appropriate, the Corporation may sub-contract certain activities including aircraft leasing and maintenance, equipment manufacture and information technology services.

Survey Systems

The Corporation offers Geophysical Surveys using a variety of systems and platforms. As at September 30, 2007, the Corporation operated 21 systems – 10 fixed wing systems and 11 helicopter systems. The Corporation's goal is to increase the utilization rate of its existing fleet and to continue to add systems as appropriate and as demand dictates, focusing on incorporating the Corporation's latest technological advances into each new system.

Helicopter Systems

The Corporation's most popular and innovative helicopter system is its proprietary AeroTEM™, which accounted for 8 of the 11 helicopter systems as at September 30, 2007. These systems vary from 5 meters to approximately 12 meters in diameter and operate at a range of base Frequencies from 75 to 150 Hz. The Corporation's other helicopter systems are its Impulse™ and Heli-TAG™ systems.

(i) AeroTEM™

The Corporation owns and operates a time-domain (sometimes called transient) Electromagnetic (“**TEM**”) system known as AeroTEM™. TEM systems are referred to as active systems because they energize the Earth (using pulsed electric fields) and then measure the Earth's response to that energy stimulus. TEM systems are used to identify bodies that are capable of conducting electricity as they measure a property of the Earth called Conductance. The term “time-domain” distinguishes it from “frequency-domain” and refers to the fact that time-domain systems measure the response of the Earth at various points in time both while they are energizing the Earth (the On-Time) and when the transmitter is shut off (the Off-Time).

All of the Corporation's AeroTEM™ systems are based on rigid airframe designs. These rigid systems are the foundation that allows the Corporation to take reliable measurements of three different components of the Earth's response. The AeroTEM™ systems measure the vertical component of the Earth's response during the On-Time and they can measure both the vertical and horizontal components of the Off-Time response.

The unique features of the AeroTEM™ systems allow the Corporation to produce very high resolution data with a high Signal-to-Noise Ratio which in turn allows Conductance Discrimination and to retrieve information on position, orientation, depth, and thickness of Conductors.

The Corporation currently offers three types of AeroTEM™ systems that it designates II, III and IV.

- AeroTEM II. The AeroTEM II system is based on a platform that is approximately 5 meters in diameter. This system (with a peak Dipole Moment of approximately 40,000 Amp m²) is typically used in the search for targets that are up to 250 meters in depth. The AeroTEM II system, because of its size and base Frequency (150 Hz) has proved to be useful in the search for gold and platinum group elements, as well as for kimberlites, the host rock of diamonds. The AeroTEM II system is particularly adept at surveying in rugged or mountainous terrain where its smaller diameter and modest weight allow it to be quite manoeuvrable and in situations where it is particularly important to resolve information in the first 250 meters of the Subsurface.
- AeroTEM III. The AeroTEM III system is based on platforms that are approximately 9 to 10 meters in diameter. The power level of this system is higher ranging from 140,000 to approximately 180,000 Amp

m². The AeroTEM III system has been used to search for targets at mid-level depths of up to 400 meters, and is also well suited to work in the oil & gas sector where near surface rocks are often more conductive. The range of base frequencies of this system (90 Hz and 150 Hz) also makes it suitable for base metal exploration, including nickel, and for oil & gas exploration, especially in the oil sands area of the western Canadian sedimentary basin.

- AeroTEM IV. The AeroTEM IV system is based on a platform that is approximately 12 meters in diameter. The power level of this system can range from 150,000 up to 300,000 Amp m². The AeroTEM IV system is well suited to the search for deeper targets, up to 600 meters, and in areas where the rocks are more conductive.

Each of the AeroTEM™ systems is flown together with one or more Magnetometers installed on the AeroTEM structure and with at least one Magnetometer located on the ground, referred to as a “base station” Magnetometer. The airborne Magnetometers effectively allow the Corporation to conduct two surveys simultaneously – a Magnetic survey and an Electromagnetic survey - and this, in turn, allows the Corporation to combine Electromagnetic and Magnetic data into one data set. The base station Magnetometer allows the Corporation to remove the influence of Diurnal Effects from the airborne Magnetic data. Where required, the Corporation may also incorporate a Radiometric sensor, called a Gamma Ray Spectrometer, giving it the ability to acquire three potential field surveys simultaneously. See “Survey Systems – Radiometrics” for additional information about Gamma Ray Spectrometers.

(ii) *Impulse™*

The Corporation owns and operates an FDEM system known as the Impulse™ system (“**Impulse™**”). Impulse™ works by transmitting a primary Electromagnetic Field at discrete frequencies and then measuring the secondary Electromagnetic response from the Subsurface at the same Frequencies. By transmitting discrete Frequencies at two different orientations (one vertical and one horizontal), it is possible to estimate the orientation, position and Conductance of the subsurface geological body creating the response.

(iii) *Heli-TAG™ Magnetic Gradiometer*

The Corporation owns and operates two tri-directional Magnetic Gradiometers. These are passive systems, as opposed to both AeroTEM™ and Impulse™, which are active systems. The Corporation’s Magnetic Gradiometers take four measurements of the earth’s Magnetic field every 0.1 seconds from sensors that are spatially separated by three meters. These four measurements can be used to calculate the rate of change of the Earth’s Magnetic field in three orthogonal directions. The helicopter’s slow flight speed and low altitude capability means that these Magnetic Gradiometers produce very high resolution data when compared to traditional fixed wing applications.

(iv) *Radiometrics*

The Corporation owns and operates a number of Gamma Ray Spectrometers. These passive systems measure the rate of spontaneous radiological decay from rocks up to 60 cm below the earth’s surface. In most survey applications, the Gamma Ray Spectrometer is combined with another of the Corporation’s systems to produce multiple geophysical measurements simultaneously. The most popular helicopter combination is Magnetic Gradiometer and Gamma Ray Spectrometer, although the Gamma Ray Spectrometer is also flown with AeroTEM™ and Impulse™. Gamma Ray Spectrometers are installed in most of the Corporation’s fixed wing survey aircraft.

Fixed Wing Systems

The Corporation, through its wholly-owned subsidiary, UTS, offers ultra-high resolution Magnetic Gradiometer, Radiometric and Gravimetric surveys using fixed-wing aircraft. As at September 30, 2007, UTS operated a fleet of 10 Geophysical Survey aircraft with two Magnetic configurations, one being single-sensor Magnetics with a Magnetometer installed in the tail boom and the second being multi-sensor or Magnetic Gradiometer where two additional Magnetometers are installed in the wing tips. Radiometric measurements are made simultaneously with the Magnetic data and measure natural radiation emanating from rocks at or near the Earth’s surface, providing an indication of their mineral composition. As at September 30, 2007, UTS operated three (3) Magnetic Gradiometers and seven (7) single-sensor Magnetic aircraft. Gamma Ray Spectrometers were installed in eight (8) of the survey aircraft.

UTS' data processing group uses advanced in-house designed and developed software to calibrate and correct the acquired geophysical data and to provide enhancements, plotted maps and image processed presentations for interpretative purposes.

(i) *Ultra-High Resolution Surveys*

UTS specializes in the acquisition of ultra-high resolution geophysical measurements using fixed wing aircraft. Precision GPS equipment and advanced flight navigation systems allow UTS' fixed wing aircraft to undertake airborne Geophysical Surveys at a Line Spacing as narrow as 15 metres, at sensor heights as low as 10 metres above ground (although this is terrain dependent) and with sample densities of 3-5 metres along each flight line; comparable to the resolution of helicopter surveys. This ultra-high resolution survey is able to resolve important subtle geological features and structures that are often not visible from traditional fixed wing surveys. As at September 30, 2007, UTS operated 6 ultra-high resolution survey aircraft.

(ii) *Regional Surveys*

Traditional fixed wing airborne Geophysical Surveys take sensor measurements at a Line Spacing of 50 to 100 metres and with sensor heights of 80 metres. At these operating specifications, large areas of prospective ground can be covered in a cost effective manner and subsequent exploration programmes and priorities, such as drilling and sampling can be determined. The results from regional surveys may also be used to plan subsequent follow-up airborne Geophysical Survey programmes. As at September 30, 2007, UTS operated four (4) regional survey aircraft.

Intangible Properties

Due to the complex and evolving nature of the Corporation's proprietary technologies, Management has determined not to file for patent protection for any of the Corporation's proprietary technologies in Canada or in any other jurisdiction in which the Corporation proposes to conduct operations now or in the future. See "Risk Factors - Proprietary Protection" for additional information regarding the Corporation's policy with respect to intangible properties.

Specialized Skill and Knowledge

The Corporation is staffed by a number of survey specialists with academic credentials in geophysics, geology, electronics, engineering, computer science or physics and each has considerable expertise in performing regional surveys, processing airborne geophysical data, and detailed airborne mapping for other enterprises engaged in mineral exploration.

Survey personnel often work both at remote locations conducting on-site compilation, analysis and interpretation and in-office at the Corporation's premises providing further data processing, analysis, presentation and interpretation. A number of the Corporation's senior personnel have worked with other major airborne survey contractors and as a result, bring many diverse perspectives and experiences to the Corporation. Collectively, the Corporation's personnel have extensive experience in virtually all phases of conducting airborne surveys, including experience with conducting surveys in remote locations and often under difficult conditions such as high elevations and extreme temperatures. In addition, the Corporation's personnel have extensive experience dealing with foreign cultures and customs. This diversity of experience is one of the Corporation's most valuable resources as the Corporation continues to expand operations internationally.

The Corporation believes that the skill and knowledge of its current personnel are sufficient to meet the Corporation's needs in the foreseeable future. The Corporation will continue to retain additional personnel that possess the requisite level of skill and knowledge as demand dictates.

Seasonality

The Corporation is affected by seasonality. In the Northern Hemisphere, winter months have shorter days and often inclement weather, which limits the Company's surveying productivity. In many areas of the Southern Hemisphere, summer months have extreme temperatures, which also affect the Corporation's ability to survey. In general, while

the Corporation operates all year round, the months of May to September offer the best conditions to conduct airborne survey operations in most jurisdictions in which the Corporation operates.

Environmental Protection

The Corporation's Geophysical Survey operations are subject to Canadian federal and provincial as well as foreign regulations relating to the protection of the environment. The Corporation and its contractors are required to invest financial and managerial resources to comply with such laws and related permit requirements in their Geophysical Survey operations. The financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive position of the Corporation for the most recently completed financial year were not material to the Corporation. While environmental protection requirements are expected to continue to grow in future years, the Corporation does not expect at this time that the financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive position of the Corporation will be material in future years.

Employees

As at September 30, 2007, the Corporation had 107 full-time employees.

Foreign Operations

The Corporation operates internationally. The Corporation is pursuing a strategy of expanding international operations to the point that it will operate on every continent in which Geophysical Surveys are in demand. As a result, the Corporation will become increasingly dependent on its foreign operations in the future. For the period ended September 30, 2007, international operations represented approximately 45% of revenue. See "Risk Factors – Foreign Operations and Regulatory Requirements" and "Risk Factors – Multijurisdictional Tax Exposure" for additional information regarding the risks associated with the Corporation's foreign operations.

RISK FACTORS

In addition to the risk factors already discussed in this AIF and in the 2007 Annual Report, the Corporation's business, financial condition and results of operations are subject to the following material risk factors.

Reliance on key personnel

The Corporation's future success and growth depend in part upon the experience of a number of key personnel. If, for any reason, any one or more of such key personnel do not continue to be active in the Corporation's management, the Corporation's business, financial condition and results of operations could be adversely affected.

Strategic Relationships

The Corporation's business is founded upon strategic relationships that it has formed with other companies and organizations. Many of these relationships are not contractual in nature. While Management believes that they could find a replacement for each of the Corporation's strategic relationships within a relatively short period of time, there can be no assurance that the development of such a replacement relationship could be achieved without considerable cost to the Corporation and a significant delay, or that such replacement strategic relationship would be equally beneficial to the Corporation. The failure of the Corporation to find a suitable replacement for any of its strategic relationships could have a material adverse effect on its business, financial condition and results of operations.

Ability to Manage Rapid Growth

The Corporation has expanded its business operations in recent years as a result of increased demand for airborne Geophysical Surveys, which has placed significant demands on the Corporation's operating, management and financial control systems. Failure to enhance such control systems or difficulties encountered during such enhancements could have a material adverse effect on the Corporation's business, financial condition and results of operations. The Corporation's future growth will also depend on its ability to continue to improve and expand its

engineering and technical resources and to attract, retain and motivate key personnel. The failure of the Corporation to increase its revenues sufficiently to compensate for increased expenses resulting from current or future expansion, or the Corporation's failure to otherwise adequately manage the growth of its business, could have a material adverse effect on its business, financial condition and results of operations.

Commodity Price Fluctuations

All commodities, by their nature, are subject to wide price fluctuations and are affected by numerous factors beyond the Corporation's control, such as interest rates, exchange rates, inflation or deflation, global and regional supply and demand, weather and general economic conditions and political conditions. Currently, commodity prices for gold and oil are at historical highs. A decline in commodity prices could have a material adverse effect on the level of mineral and oil and gas exploration undertaken by the Corporation's clients and other industry participants which would result in a decrease in revenue for the Corporation and have a material adverse effect on the Corporation's business, financial condition and results of operation.

Foreign Operations and Regulatory Requirements

A significant portion of the Corporation's projects are undertaken outside of Canada. These operations may be affected in varying degrees by political and government regulations relating to the airborne survey and mining industries. Changes in such regulations or shifts in political conditions are beyond the control of the Corporation and may adversely affect its business, financial condition and results of operations. Operations may be affected in varying degrees by government regulations with respect to aircraft registration and operation, required permits and licenses, customs and duty requirements, and income taxes. Certain changes in foreign government regulations or shifts in political conditions affecting the airborne survey and mining industries could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Proprietary Protection

While the Corporation secures proprietary information regarding its technologies by having its employees, contractors and consultants sign an "Intellectual Property and Confidentiality Information Agreement" and by having its business partners sign "Confidentiality Agreements", there is no assurance that such proprietary information will not be disclosed, directly or indirectly, to competitors of the Corporation.

Due to the complex and evolving nature of the Corporation's proprietary technologies, management has determined not to file for patent protection for any of the Corporation's proprietary technologies in Canada or in any other jurisdiction in which the Corporation proposes to conduct operations now or in the future.

It has been, and continues to be, a policy of the Board, to assess the potential risk associated with any potential patent infringement issue as they arise, before electing to proceed in a manner which could result in the Corporation infringing on a patent of which it is aware. In assessing this risk, the Board seeks to determine what effect (if any) such potential patent issue might have on the Corporation's business.

Because the Corporation has been in the business of conducting airborne surveys for many years, in some instances, the Corporation may determine that it is in a position to launch a strong defence to a particular third party patent infringement claim based on "prior art." In other situations, the Corporation may determine that it is able to distinguish its technologies from those covered by the patent altogether. However, asserting any such defences could take considerable Management time and expense to mount and there can be no assurance that the Corporation would ultimately prevail.

If a patent holder were ultimately successful in proving that one or more of the Corporation's technologies was infringing on an existing patent, the potential adverse effect to the Corporation's business could be significant and could materially adversely affect the Corporation, depending on the jurisdiction of such infringement and the remedy sought by the patent holder. For example, a patent holder might seek an injunction to prevent the Corporation from conducting surveys in the jurisdiction covered by the patent. If successful, the impact on the Corporation's business would vary depending on the relative importance of that particular jurisdiction in generating revenue for the Corporation. In addition, a patent holder might seek compensatory or other damages against the Corporation. The effect of such damage award on the Corporation's business could vary widely depending on the

jurisdiction involved. Some jurisdictions, such as the United States, may be more “punitive” than others in the way they award damages resulting from such claims. Therefore, as the Corporation continues to expand to markets outside of Canada, the risks associated with such expansion increases as well.

Financing

The Corporation may require additional financing in order to implement and execute on its business strategy. There is no assurance that financing will be available or, if obtainable, on reasonable terms. Unless adequate funds are attainable, the Corporation may not be eligible to take advantage of acquisition opportunities, or otherwise respond to competitive pressures. The failure of the Corporation to obtain financing on reasonable terms could result in delay or indefinite postponement of further business activities and may result in a material adverse effect on the Corporation’s business, financial condition and results of operations.

Fluctuations in Quarterly Results

The Corporation’s operating results will be subject to quarterly fluctuations due to a variety of factors, including seasonality, shifts among its competitors and changes in pricing policies by the Corporation, its competitors or its suppliers. Operating results could be adversely affected by general economic conditions affecting the mineral, oil and gas, and environmental industries. Certain general economic changes and other factors leading to fluctuations in the Corporation’s quarterly results could have a material adverse effect on the Corporation’s business, financial condition and results of operations.

Market Acceptance

The future success of the Corporation depends on its ability to address the need of its potential customer base by developing and introducing products, product updates, and services on a timely basis, by adapting the operation of its products to new platforms and by keeping pace with technological developments and emerging industry standards. In order to secure future growth, the Corporation must be able to commit substantial resources to developing and marketing new products and services. If markets do not develop, or demand for the Corporation’s products occurs more slowly than expected, the Corporation will have expended resources and capital without realizing sufficient revenue, and its business, financial condition and results of operations could be adversely affected.

Future Acquisitions and Reliance on Management

Shareholders may not have an opportunity to evaluate the merits and risks prior to any future acquisitions or developments made by the Corporation and will need to rely on the experience and judgment of the Corporation’s Management. There is no assurance that future developments will be successfully completed. Management will have responsibility for and substantial discretion in, decisions guiding the Corporation. Therefore, the future profitability of the Corporation will depend to some degree upon the ability of Management to identify and complete commercially viable acquisitions. The failure of the Corporation to identify and complete commercially viable acquisitions could have a material adverse effect on its business, financial condition and results of operations.

Multi-jurisdictional Tax Exposure

The Corporation conducts airborne Geophysical Surveys in many jurisdictions. International business activities expose the Corporation to a variety of tax regimes, taxation procedures and tax treaties. The Corporation arranges the conduct of its business to effectively manage and minimize its tax exposure. However, there is no assurance that any taxation authority, including the Canada Revenue Agency, will acknowledge or agree with the Corporation’s business arrangements or its characterization of revenues, expenses or income for taxation purposes. Accordingly, the Corporation may be exposed to the risk of reassessment or payment of taxes, additional taxes or penalties in the event of disagreement with taxation authorities. Rates and methods of taxation are subject to change. Rate increases, tax base expansion or other changes to taxation legislation could adversely affect the Corporation’s financial position. Certain changes in the Corporation’s tax exposure in the jurisdictions in which it operates could have a material adverse effect on the Corporation’s business, financial condition and results of operations.

Control of Shares by Insiders

Directors and officers of the Corporation own approximately 25.7% of the outstanding Common Shares. As a result, these shareholders, acting together, are able to exercise significant influence over all matters requiring shareholder approval, including the election of directors and approval of fundamental changes to the Corporation. This concentration of ownership may have the effect of delaying or preventing a change in control of the Corporation, the Board or Management.

Unlimited Authorization to Issue Shares

Subject to applicable regulatory approvals and prospectus exemptions, the Board is authorized to issue an unlimited number of Common Shares without obtaining shareholder approval, thereby potentially diluting the percentage ownership of existing shareholders without their approval or consent.

Volatility of Market Trading

The market price of the Common Shares may be volatile and could be subject to fluctuations in response to quarterly variations in operating results, announcements of technological innovations or new products by the Corporation or its competitors, changes in financial estimates by securities analysts, or other events or factors. In addition, the financial markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of many technology companies. Often, these fluctuations have been unrelated to the operating performance of such companies or have resulted from the failure of the operating results of such companies to meet market expectations in a particular quarter. Broad market fluctuations, or any failure of the Corporation's operating results in a particular quarter to meet market expectations, may adversely affect the market price of the Common Shares.

Aircraft Related Risks

In addition to the risk of securing suitable aircraft, pilots and maintenance personnel on acceptable terms as discussed under the heading "Industry Overview – Competitive Conditions", the use of aircraft to perform survey activities entails certain additional risks. In particular, the nature of airborne surveys requires that aircraft fly in many remote areas. The aircraft fly at low altitude over potentially rugged and/or mountainous terrain and in potentially hazardous conditions. The loss of an aircraft would adversely affect the ability of the Corporation to complete existing contracts and acquire new contracts and would have a material adverse effect on the Corporation's business, financial condition and results of operations.

Reliance on GPS Satellite Networks

The Corporation relies on signals from satellites that it does not own or operate for accurate navigation and positioning for its airborne surveys. Such satellites and their ground support systems are complex electronic systems subject to electronic and mechanical failures and possible sabotage. The satellites have limited design lives and are subject to damage by the hostile space environment in which they operate. If a significant number of satellites were to become inoperable, there could be a substantial delay before they are replaced with new satellites. A reduction in the number of operating satellites could impair the current utility of the GPS system or the growth of current and additional market opportunities, which, in either case, would adversely affect the Corporation's business, financial condition and results of operations. In addition, there is no assurance that the United States or Russian governments will remain committed to the operation and maintenance of GPS satellites in the future, or that the policies of these governments relating to the use of GPS, without charge, will remain unchanged.

DIVIDENDS

The Corporation has not declared or paid any dividends in any of its three most recently completed financial years and does not intend to pay any dividends in the foreseeable future.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The Corporation is authorized to issue an unlimited number of Common Shares. As at September 30, 2007, there were 27,310,273 Common Shares issued and outstanding.

The holders of the Common Shares are entitled to receive dividends if, as and when declared by the Board. The holders of Common Shares are entitled to receive notice of and to attend all meetings of shareholders, and are entitled to one vote per Common Share held at all such meetings. In the event of the liquidation, dissolution or winding up of the Corporation or other distribution of assets of the Corporation among its shareholders, for the purpose of winding up its affairs, the holders of the Common Shares will be entitled to share equally, share for share, in any distribution of the assets of the Corporation.

Common Share Purchase Warrants

(i) *Broker Warrants*

On May 29, 2007, concurrent with the issuance of the Subscription Receipts pursuant to the Private Placement, a total of 450,000 non-transferable Broker Warrants were issued to the Agents. Each Broker Warrant is exercisable for one Common Share at a price of \$1.95 until 5:00 p.m. (Calgary time) on May 29, 2009.

The Broker Warrants were issued pursuant to Broker Warrant certificates and may be surrendered for exercise or exchange at the Corporation's head office in Mississauga, Ontario.

Holders of the Broker Warrants do not have any voting right or other right or interest attaching to the Common Shares until the Broker Warrants are properly exercised and Common Shares issuable upon the exercise of the Broker Warrants are issued. The holder of a Broker Warrant may subscribe for and purchase a number of Common Shares less than the number which the holder is entitled to purchase pursuant to the surrendered Broker Warrant certificate, provided, however, that a minimum of one thousand (1,000) Broker Warrants must be exercised by the holder thereof at any one time. The holder is entitled to receive a new Broker Warrant certificate in respect of the balance of the Common Shares which the holder was entitled to purchase pursuant to the surrendered Broker Warrant certificate and which were then not purchased. No fractional Common Shares will be issued upon the exercise of Broker Warrants.

The exercise price applicable to the Broker Warrants and the number of Common Shares that may be purchased upon exercise of the Broker Warrants may be adjusted upon the occurrence of certain events, as set out in the Terms and Conditions of Broker Warrants appended to the Broker Warrant certificates (the "**Terms and Conditions of Broker Warrants**"). No adjustment in the exercise price or the number of Common Shares that may be purchased upon the exercise of the Broker Warrants will be required to be made unless the cumulative effect of the adjustment or adjustments would result in an increase or decrease of at least 1% in the number of Common Shares that may be purchased upon exercise of the Broker Warrants, provided, however, that any adjustments not then made shall be carried forward and taken into account in any subsequent adjustment or adjustments.

The foregoing is a summary of certain provisions of the Terms and Conditions of Broker Warrants and does not purport to be complete and is qualified in its entirety by reference to such Terms and Conditions of Broker Warrants.

(ii) *Warrants*

On July 3, 2007, each of the 4,500,000 Subscription Receipts issued pursuant to the Private Placement were exchanged for 4,500,000 Common Shares and 2,250,000 Warrants. Each Subscription Receipt entitled the holder, without payment of additional consideration, to one Common Share and one-half of one non-transferable Warrant with each whole Warrant exercisable for an additional Common Share at a price of \$2.45 until May 29, 2009, subject to certain adjustments set out below. Any unexercised Warrants will expire and become null and void at 4:30 p.m. (Toronto time) on May 29, 2009. Notwithstanding the foregoing, if for a period of twenty (20) consecutive trading days beginning on or after September 29, 2007, the closing price for the Common Shares on the TSX-V equals or exceeds \$3.50, then the Corporation may elect to give notice in writing to Warrant holders that

unexercised Warrants will otherwise expire at 3:30 p.m. (Calgary time) on the 21st day following delivery of such notice.

The Warrants were issued under the Warrant Indenture between the Corporation and Computershare, in its capacity as Warrant agent. Computershare's principal transfer office in Toronto is the location at which the Warrants may be surrendered for exercise or exchange. The Warrants are not listed on the TSX-V or any other exchange.

Holders of the Warrants do not have any voting right or other right or interest attaching to the Common Shares until the Warrants are properly exercised and Common Shares issuable upon the exercise of the Warrants are issued. Warrant certificates represent whole Warrants only. The holder of any Warrant may subscribe for and purchase a number of Common Shares less than the number which the holder is entitled to purchase pursuant to the surrendered Warrant certificate. However, no fractional Common Shares will be issued upon the exercise of Warrants. Instead, the holder is entitled to receive a new Warrant certificate in respect of the balance of the Common Shares which the holder was entitled to purchase pursuant to the surrendered Warrant certificate and which were then not purchased. Warrant holders will not be entitled to receive a cash payment in respect of fractional Common Shares that might otherwise have been issued.

The Warrant Indenture provides for adjustment in the exercise price applicable to the Warrants and the number of Common Shares that may be purchased upon exercise of the Warrants upon the occurrence of certain events, as follows:

- (i) *Common Share Reorganization.* If the Corporation issues Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all the holders of Common Shares as a stock dividend or otherwise, other than as a Dividend Paid in the Ordinary Course (as defined in the Warrant Indenture), or subdivides, redivides or changes its outstanding Common Shares into a greater number of shares, or consolidates, combines or reduces its outstanding Common Shares into a smaller number of shares (each, a “**Common Share Reorganization**”).
- (ii) *Rights Offering.* If the Corporation issues rights, options or warrants to all or substantially all of the holders of Common Shares entitling them to acquire Common Shares or securities exchangeable for or convertible into Common Shares at a price per share to the holder of less than 95% of the Current Market Price (as defined in the Warrant Indenture) of the Common Shares (a “**Rights Offering**”).
- (iii) *Special Distribution.* If the Corporation distributes to all or substantially all of the holders of Common Shares any securities, property, evidences of indebtedness or other assets (including cash) and such issuance or distribution does not constitute a Dividend Paid in the Ordinary Course, a Common Share Reorganization or a Rights Offering.
- (iv) *Capital Reorganization.* If the Corporation implements a reclassification or redesignation of Common Shares or any other capital reorganization involving the Common Shares (other than a Common Share Reorganization), or in the case of consolidations, amalgamations, arrangements, mergers, take-overs or other reorganization of the Corporation with or into any other company or other entity (other than events which do not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other shares or securities), or in the case of transfers of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation or other entity.

No adjustment in the exercise price or the number of Common Shares that may be purchased upon the exercise of the Warrants will be required to be made unless the cumulative effect of the adjustment or adjustments would result in a change of at least 1% in the prevailing exercise price or a change in the number of Common Shares that may be purchased upon exercise by at least one one-hundredth of a Common Share, as the case may be.

The Corporation covenants in the Warrant Indenture that, during the period in which the Warrants remain outstanding, it will not amend the Warrant Indenture without the approval of the holders of Warrants, which approval shall be by Special Resolution (as defined in the Warrant Indenture), and it will give notice to the holders

of Warrants of its intention to fix a record date for any event which may give rise to an adjustment of the exercise price for the Warrants or the number of Common Shares issuable upon exercise of the Warrants, at least twenty-one (21) days prior to the record date or effective date, as the case may be, of such event.

The foregoing is a summary of certain provisions of the Warrant Indenture entered into in connection with the Warrants and does not purport to be complete and is qualified in its entirety by reference to the provisions of the Warrant Indenture.

As at September 30, 2007, there were 2,250,000 Warrants and 450,000 Broker Warrants outstanding.

Stock Options

Pursuant to the Stock Option Plan, the Board may grant Stock Options to qualified directors, officers, employees and persons providing ongoing services to the Corporation. Each Stock Option can be exchanged for one Common Share of the Corporation. The strike price of the Stock Options granted will not be less than the market price of the Common Shares at the time of the grant. The Stock Options vest upon grant and have a term of five years. All Stock Options are non-assignable and non-transferable. 2,720,000 Common Shares have been authorized for issuance pursuant to the Stock Option Plan. As at September 30, 2007, there were 975,000 Stock Options outstanding.

Restricted Stock Units

Pursuant to the Restricted Stock Unit Plan, the Board may grant RSUs to qualified directors, officers, employees and persons providing ongoing services to the Corporation. Each RSU is exchangeable for one Common Share of the Corporation. The strike price of the RSUs granted will not be less than the market price of the Common Shares at the time of the grant. The RSUs vest over a three year period with one third vesting in each of the three years on the anniversary date of the grant. 5% of the outstanding number of Common Shares has been authorized for issuance pursuant to the Restricted Stock Unit Plan.

MARKET FOR SECURITIES

The Common Shares are listed and posted for trading on the TSX-V under the trading symbol AQL-V.

The following table summarizes the price range and aggregate volume of trading of the Common Shares on the TSX-V (as reported by the TSX-V) on a monthly basis for each month of the Corporation's most recently completed financial year:

Month	High (\$)	Low (\$)	Volume (#)
May	2.10	1.65	416,675
June	2.35	1.71	501,289
July	2.17	1.85	652,700
August	2.33	1.76	655,500
September	2.43	1.98	1,804,334

ESCROWED SECURITIES

None of the Corporation's securities are held in escrow.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following are the names and municipalities of residence of all directors and officers of the Corporation, their positions and offices with the Corporation and their principal occupation(s) during the past five years:

Name and Municipality of Residence (Age)	Position or Office Held	Principal Occupation(s) during the past five years	Number of Common Shares Beneficially Owned or Controlled	Director Since
Roy Graydon ⁽¹⁾ Toronto, ON, Canada	President, CEO and Director	On November 10, 2005, Mr. Graydon was appointed CEO and a director of the Corporation. On January 29, 2007 Mr. Graydon became President and CEO of the Corporation. From 2003 until 2005, Mr. Graydon was Executive Vice President and Chief Financial Officer of Call-Net Enterprises Inc., a TSX-listed company, and from 2002 until 2003 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 Teachers' Pension Plan Board	1,408,000	November 10, 2005
John Barker ⁽¹⁾⁽²⁾⁽³⁾ Burlington, ON, Canada	Director	On August 18, 2006 Mr. Barker was appointed as a Director of the Corporation. From 2000 to 2006, Mr. Barker was Senior Vice President and Chief Financial Officer of Zenon Environmental Inc.	Nil	August 18, 2006
Keith Morrison ⁽¹⁾⁽²⁾⁽³⁾ Oakville, ON, Canada	Director (Chair)	On October 13, 2006 Mr. Morrison was appointed as a Director of the Corporation. On August 17, 2007, he was elected chairman of the Board. Mr. Morrison served as CEO of Quantec Geoscience Limited, which provides geophysical services to the mining industry from 1989 to 2005 and is currently a director. Mr. Morrison is also currently a director and the CEO of Vismand Exploration Inc., a privately held global exploration company.	23,000	October 13, 2006
Neil Goodey Western Australia, Australia	Director and Chief Operating Officer	On July 30, 2007, Mr. Goodey was appointed Chief Operating Officer and a Director of the Corporation. Mr. Goodey was co-founder of UTS, held the office of Managing Director from 1992 to 2001 and Executive Chairman from 2001 to 2006. From 2001 to 2006, Mr. Goodey was CEO of DTI Group Ltd, a public company and spin-out of UTS providing mass transit CCTV surveillance equipment and security data management solutions. Mr. Goodey remains Executive Director of DTI Group Ltd and sits on an advisory board to Curtin University (Perth) overseeing technology commercialization opportunities.	2,770,576	July 30, 2007
Nino Tufilli Western Australia, Australia	Director	On July 30, 2007, Mr Tufilli was appointed as a Director of the Corporation. From 2001 until 2007, Mr. Tufilli was the Managing Director of UTS. Mr. Tufilli was a director of DTI Group Ltd. from 2001 through 2004.	2,770,576	July 30, 2007

Name and Municipality of Residence (Age)	Position or Office Held	Principal Occupation(s) during the past five years	Number of Common Shares Beneficially Owned or Controlled	Director Since
Wilfred Edge Acton, Ontario	Chief Financial Officer	Mr. Edge was appointed Chief Financial Officer of the Corporation on March 28, 2006. 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 the Corporation, Mr. Edge spent the last ten years in the automotive industry as Controller for a privately held company.	30,000	N/A

Notes:

- (1) Member of Audit Committee
- (2) Member of Nominating and Corporate Governance Committee
- (3) Member of Compensation Committee

The term of office of each director expires at the next annual meeting of shareholders of the Corporation.

As at September 30, 2007, the directors and officers of the Corporation beneficially owned, as a group, directly or indirectly, 7,002,152 Common Shares of the Corporation, representing 25.7% of the issued and outstanding Common Shares of the Corporation as of that date.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Board, no director, executive officer, or shareholder holding a sufficient number of securities of the Corporation to materially affect the control of the Corporation is, or within the 10 years prior to the date hereof, has been, a director or executive officer of any other company that, while that person was acting in that capacity: (i) was the subject of a cease trade order or similar order, or an order that denied the relevant company access to any exemption under Canadian securities legislation, for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

To the knowledge of the directors of the Corporation, no director, executive officer or shareholder holding a sufficient number of securities of the Corporation to materially affect the control of the Corporation has, during the 10 years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold assets of any director or executive officer.

To the knowledge of the directors of the Corporation, no director, executive officer or shareholder holding a sufficient number of securities of the Corporation to materially affect the control of the Corporation has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflict of Interest

None of the directors, officers or principal shareholders of the Corporation and no Associate or Affiliate of any of them has, or has had, any material interest in any transaction which materially affects the Corporation. Certain of the directors of the Corporation are also directors, officers, or shareholders of companies that are engaged in the

business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time.

Conflicts, if any, will be subject to the procedures and remedies available under the OBCA. The OBCA provides that in the event a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall not attend any part of the meeting of directors during which the contract or transaction is discussed and shall not vote on any resolution to approve the contract or transaction unless otherwise provided by the OBCA.

LEGAL PROCEEDINGS

Legal Proceedings

There are no material legal proceedings to which the Corporation is a party or to which any of the Corporation's property is the subject, nor are any such proceedings known to the Corporation to be contemplated.

Regulatory Actions

No penalties or sanctions have been imposed against the Corporation by any court relating to securities legislation or by a securities regulatory authority and no settlement agreement has been entered into with any court relating to securities legislation or with any securities regulatory authority and no other penalties or sanctions have been imposed by any court or regulatory body against the Corporation that would likely be considered to a reasonable investor in making an investment decision.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL CONTRACTS

Other than as disclosed in the Corporation's MD&A and Information Circular, to the knowledge of the directors and executive officers of the Corporation, there were no material interests, direct or indirect, of directors or executive officers of the Corporation, any shareholder that is a direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of the Corporation's voting securities, or any Associate or Affiliate of any of the foregoing persons, in any transaction in the Corporation's three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Corporation, other than as disclosed herein.

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for the Common Shares is Computershare Investor Services Inc. at its principal offices in the city of Toronto, Ontario.

MATERIAL CONTRACTS

The following are the Corporation's material contracts, other than contracts entered into in the ordinary course of business:

- Warrant Indenture

INTERESTS OF EXPERTS

The only persons or companies who are named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by the Corporation during, or relating to, the Corporation's most recently completed financial year, and whose profession or business gives authority to the statement, report or valuation made by the person or company, is BDO Dunwoody.

The Auditor is "independent" in accordance with the auditor's rules of professional conduct of the Institute of Chartered Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be accessed through the SEDAR website at www.sedar.com or through the Corporation's website at www.aeroquest.ca.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Corporation's Information Circular for its most recent annual meeting of security holders that involved the election of directors.

Additional financial information is provided in the Financial Statements and MD&A for the period ended September 30, 2007. Copies of any documents may also be obtained upon request to the Chief Executive Officer of the Corporation.