

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended, and, subject to certain exemptions, may not be offered or sold in the United States or to U.S. Persons. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of Aeroquest International Limited at 7687 Bath Road, Mississauga, Ontario L4T 3T1, telephone (905) 672-9129 and are also available electronically at [www.sedar.com](http://www.sedar.com).

## Short Form Prospectus

New Issue

January 30, 2008



### \$20,000,001 (6,666,667 Common Shares)

Aeroquest International Limited ("Aeroquest" or 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.

This short form prospectus qualifies the distribution of 6,666,667 common shares (the "Offered Common Shares") of Aeroquest at a price of \$3.00 per Offered Common Share (the "Offering").

As at January 28, 2008, there were 28,152,791 common shares of Aeroquest ("Common Shares") issued and outstanding. Aeroquest is a Tier 1 issuer under the TSX Venture Exchange ("TSXV"). The Common Shares are listed and posted for trading on the TSXV under the trading symbol "AQL-V". On January 16, 2008, the last trading day prior to the announcement of this Offering, the closing price of the outstanding Common Shares was \$3.15 per Common Share. The TSXV has conditionally approved the listing of the Offered Common Shares qualified by this short form prospectus. Listing is subject to Aeroquest fulfilling all of the requirements of the TSXV within 30 days of the closing of the Offering.

The registered and head office of Aeroquest is located at 7687 Bath Road, Mississauga, Ontario L4T 3T1.

### Common Shares

**Price: \$3.00 per Common Share**

	Price to the Public <sup>(1)</sup>	Underwriters' Fee <sup>(2)</sup>	Net Proceeds <sup>(3)(4)</sup>
Per Common Share .....	\$3.00	\$0.18	\$2.82
Total .....	\$20,000,001	\$1,200,000	\$18,800,001

- Notes:
- (1) The price of the Offered Common Shares offered under this short form prospectus was established by negotiation between Aeroquest and Jennings Capital Inc., on its own behalf and on behalf of the other Underwriters (as defined below). See "Plan of Distribution."
  - (2) The Underwriters' fee (the "Underwriters' Fee") is equal to 6.0% of the gross proceeds of the Offering. See "Plan of Distribution". In addition to the Underwriters' Fee, Aeroquest has agreed to grant to the Underwriters, compensation options ("Compensation Options") equal to 6.0% of the total Common Shares issued pursuant to this Offering (including upon exercise of the Over-Allotment Option, as defined below). Each Compensation Option will entitle the holder to acquire one Common Share of Aeroquest at an exercise price equal to \$3.00 for a period of 24 months following the closing of the Offering. The Compensation Options are qualified for distribution by this short form prospectus.
  - (3) After deducting the Underwriters' Fee, but before deducting the expenses of the Offering, estimated to be \$350,000, which will be paid by Aeroquest.
  - (4) Aeroquest has granted to the Underwriters an option (the "Over-Allotment Option"), exercisable, in whole or in part, for a period of up to 30 days following the closing of the Offering, to purchase up to a total of 1,000,000 additional Common Shares on the same terms as set out above to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Underwriters' Fee" and "Net Proceeds" will be \$23,000,001, \$1,380,000 and \$21,620,001, respectively. This short form prospectus qualifies the distribution of the Over-Allotment Option and the distribution of the Common Shares issuable upon exercise of that option. See "Plan of Distribution".

Jennings Capital Inc., J.F. Mackie & Company Ltd. and National Bank Financial Inc. (collectively, the “**Underwriters**”), as principals, conditionally offer the Offered Common Shares, subject to prior sale if, as and when issued and delivered by Aeroquest and accepted by the Underwriters in accordance with the conditions contained in the underwriting agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters by Goodmans LLP, on behalf of Aeroquest, and Fasken Martineau DuMoulin LLP, on behalf of the Underwriters. In connection with this Offering, the Underwriters are permitted to engage in transactions that stabilize or maintain the market price of the Offered Common Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. **The Underwriters may offer the Offered Common Shares at prices lower than that stated above.** See “Plan of Distribution”.

<u>Underwriters’ Position</u>	<u>Maximum size or number of securities held</u>	<u>Exercise period/Acquisition date</u>	<u>Exercise price or average acquisition price</u>
Over-Allotment Option	1,000,000 Common Shares	Exercisable for a period of 30 days from the Closing Date	\$3.00 per Common Share
Compensation Option	6.0% of the Common Shares issued pursuant to the Offering	24 months	\$3.00 per Common Share

Subscriptions for Offered Common Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. No certificates evidencing the Offered Common Shares will be issued to purchasers, except in limited circumstances, and registration of ownership of the Common Shares will be effected only through the book-based system administered by CDS Clearing and Depository Services Inc. (“**CDS**”). Closing of this Offering is anticipated to occur on or about February 5, 2008, or such other date as Aeroquest and the Underwriters may agree, but in any event no later than February 29, 2008. See “Plan of Distribution”.

**An investment in the Common Shares offered hereby is speculative and involves a high degree of risk. An investment in the Common Shares should only be made by those persons who can afford the loss of their entire investment. Certain risk factors in respect of the Corporation and an investment in the Common Shares should be carefully reviewed and evaluated by investors. See “Risk Factors”.**

Investors should rely only on the information contained in or incorporated by reference in this short form prospectus. The Corporation has not authorized anyone to provide investors with different information. The Corporation is not offering the Common Shares in any jurisdiction in which the offer is not permitted. Investors should not assume that the information contained in this short form prospectus is accurate as of any date other than the date on the front of this short form prospectus.

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## DOCUMENTS INCORPORATED BY REFERENCE

The following documents, filed with applicable securities regulatory authorities in Canada, are specifically incorporated by reference herein and form an integral part of this short form prospectus:

- (a) the annual information form of Aeroquest dated January 4, 2008 for the fiscal year ended September 30, 2007 (the “AIF”);
- (b) the audited consolidated balance sheets of the Corporation as at September 30, 2007 and April 30, 2007 and the consolidated statements of operations and comprehensive income, retained earnings, shareholders’ equity and cash flows for the five months ended September 30, 2007 and twelve months ended April 30, 2007, together with the auditors’ report thereon and notes thereto, and management’s discussion and analysis for the foregoing periods;
- (c) the business acquisition report of Aeroquest dated October 15, 2007 regarding the acquisition completed on July 3, 2007 (except for pages 1 to 10 and pages 1 to 8, respectively, of the annual reports of Universal Tracking Systems Pty Limited dated June 30, 2007 and June 30, 2006, attached to the business acquisition report);
- (d) the management information circular dated August 27, 2007 prepared in connection with the Corporation’s annual and special meeting of shareholders held on September 26, 2007;
- (e) the material change report of Aeroquest dated December 19, 2007 regarding the Corporation’s normal course issuer bid; and
- (f) the material change report of Aeroquest dated January 9, 2008 regarding the December 31, 2007 acquisition of Geophex, Ltd.

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of Aeroquest International Limited at 7687 Bath Road, Mississauga, Ontario L4T 3T1, telephone (905) 672-9129 and are also available electronically at [www.sedar.com](http://www.sedar.com).**

**All material change reports (excluding confidential material change reports), comparative interim financial statements, comparative annual financial statements and the auditors’ report thereon, all management discussion and analysis of the financial condition and results of operation, annual information forms, business acquisition reports and information circulars (other than those portions that are not required to be incorporated by reference under applicable securities laws) which are filed by Aeroquest with a securities commission or similar regulatory authority in any of the provinces of Canada after the date of this short form prospectus and prior to the termination of this Offering shall be deemed to be incorporated by reference into this short form prospectus.**

**Any statement contained in a document incorporated by reference or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein or in any subsequently filed document that also is, or is deemed to be, incorporated by reference herein modifies or supersedes a prior statement or includes any other information set forth in a document that it modifies or supersedes. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation or untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed in its unmodified or superseded form, to constitute part of this short form prospectus.**

## 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 its subsidiaries by aligning all fiscal year ends to the same period and to better reflect the seasonality of the business.

## **ELIGIBILITY FOR INVESTMENT**

In the opinion of Goodmans LLP, counsel to Aeroquest, and Fasken Martineau DuMoulin LLP, counsel to the Underwriters, provided the Offered Common Shares are listed on Tier 1 of the TSXV, the Offered Common Shares would, if issued on the date hereof, be qualified investments under the *Income Tax Act* (Canada) and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans and registered disability savings plans.

## **FORWARD-LOOKING STATEMENTS**

This short form prospectus, together with the documents incorporated by reference herein, 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 "may", "will", "should", "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" in this short form prospectus and in the AIF, 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 short form prospectus 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 short form prospectus or to reflect the occurrence of unanticipated events.

## **DEFINED TERMS**

All capitalized terms used in this short form prospectus but not otherwise defined herein shall have the meanings given to them in the AIF.

## **MARKET AND INDUSTRY DATA**

This short form prospectus includes market and industry data that has been obtained from third party sources, including industry publications and websites, as well as data prepared by management on the basis of its knowledge of and experience in these markets. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although believed to be reliable, neither management nor the Underwriters has independently verified any of the data from third party sources referred to in this short form prospectus or ascertained the underlying economic assumptions relied upon by such sources. In addition, the Underwriters have not independently verified any of the market and industry data prepared by management.

## INDUSTRY OVERVIEW

The following is a brief overview of the airborne Geophysical Survey industry. For additional information regarding the airborne Geophysical Survey industry, refer to the heading “Industry Overview” in the AIF.

### 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*

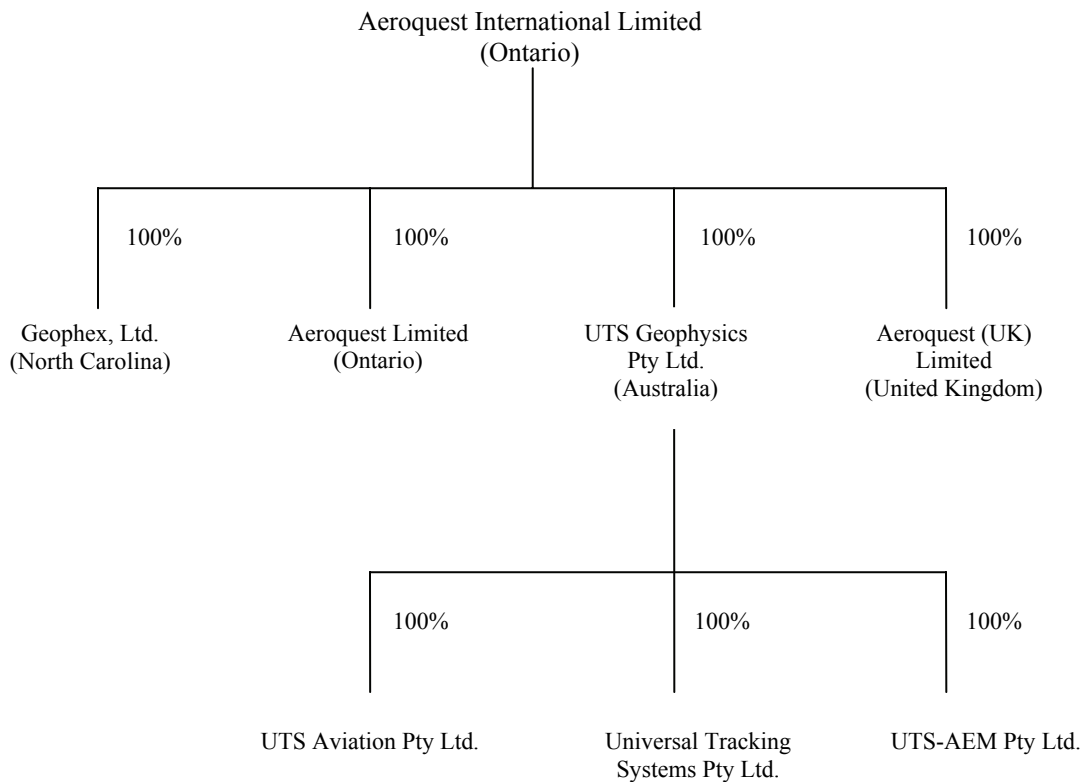
The oil and gas exploration industry is conducted in the same primary geographic markets as the mineral explorations industry. The major difference between mineral and oil and gas exploration is the relative importance of airborne Geophysics. In both industries, airborne Geophysics offers a cost effective 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.

**THE CORPORATION**

Aeroquest was originally incorporated under the laws of Delaware as Phoenix International, Inc. on September 21, 2001, and was subsequently continued under the *Business Corporations Act* (Alberta) as PICorp. Capital Ltd. on April 29, 2004. The Corporation's name was changed to Aeroquest International Limited on October 26, 2004 and then the Corporation continued under the *Business Corporations Act* (Ontario) ("OBCA") on October 27, 2004. Aeroquest Limited, the Corporation's wholly-owned subsidiary, is incorporated under the OBCA. Aeroquest (UK) Limited, the Corporation's wholly-owned subsidiary, is incorporated under the laws of England and Wales. UTS Geophysics Pty Ltd ("UTS"), the Corporation's wholly-owned subsidiary, is incorporated under the laws of Australia. Geophex, Ltd. ("Geophex"), the Corporation's wholly-owned subsidiary, is incorporated under the laws of North Carolina. The following diagram sets out the intercorporate relationships concerning the Corporation and its subsidiaries as at January 29, 2008:



For additional information regarding the Corporation, refer to the "General Development of the Business" section in the AIF.

## DESCRIPTION OF THE BUSINESS

The following is a brief summary, on a consolidated basis, of the business of Aeroquest as of the date of this short form prospectus except where otherwise stated. For additional information regarding Aeroquest's business, refer to the heading "Description of the Business" in the AIF.

### Summary Description of Business

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.

### Operations

The Corporation reports the results of its operations in three geographic segments: (i) Canada; (ii) Australia; and (iii) International; and one reportable operating segment comprising of two airborne platforms, helicopter and fixed wing. The Corporation's operations in all markets have similar products, services and customer types as well as similar economic characteristics.

### 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 and used by the Corporation.

During the past three years ending September 30, 2007, 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; and 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 as II, III and IV under the AeroTEM™ trademark:

- 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 m<sup>2</sup>) 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 Amp m<sup>2</sup> to approximately 180,000 Amp m<sup>2</sup>. 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 Amp m<sup>2</sup> up to 300,000 Amp m<sup>2</sup>. 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 centimetres 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, the first 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 3 Magnetic Gradiometers and 7 single-sensor Magnetic aircraft. Gamma Ray Spectrometers were installed in 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 to 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 4 regional survey aircraft.

## Recent Acquisition

On December 31, 2007, the Corporation acquired Geophex. Geophex designs and manufactures primarily ground-based geophysical instruments, and also supplies institutions and private entities with specialized survey equipment on a contract-to-build basis. Geophex derives revenue from the sale and rental of survey equipment and the design and manufacture of Electromagnetic sensors and equipment under non-classified contracts to governments and institutions. Geophex has established a particular expertise in special and customized geophysical investigations, especially as it relates to environmental projects.

Geophex has four principal lines of Electromagnetic Sensor (EM) equipment all provided under the GEM™ trademark:

- GEM-2 systems are small hand-held EM sensors operating in multiple frequencies suitable for investigations of shallow geology, groundwater, geotechnical engineering, soil science, archaeology, and environmental contaminations.
- GEM-3 systems are handheld or vehicle-mounted broadband EM sensors designed for metal detection and discrimination.
- GEM-5 systems are vehicle-mounted broadband EM sensors suitable for unexploded ordnance, landmine, and tunnel or buried pipeline detection.
- GEM 2-A systems are airborne FDEM systems similar to the Corporation's Impulse FDEM systems, and are used for base and precious metals exploration, geological survey and mapping, regional groundwater resource studies, and other environmental investigations.

## Recent Board Changes

On December 14, 2007, the Corporation announced that Dr. Gordon West resigned as a director of the Corporation. On January 16, 2008, the Corporation announced that Mr. Gordon Bogden was appointed to the Board. Mr. Bogden has extensive experience as an investment banker having most recently held the position as Vice Chairman and Head of Global Mining and Metals, Corporate and Investment Banking at National Bank Financial Inc. Prior to National Bank, Mr. Bogden held senior positions with Beacon Group Advisors Inc., Newcrest Capital Inc., N.M. Rothschild & Sons Canada Limited and CIBC Wood Gundy Securities (the predecessor company to CIBC World Markets). Mr. Bogden began his career as a professional engineer and geophysicist, having co-founded Quantech Consulting Inc. (now known as Quantec Geoscience Inc.). He holds a Bachelor of Science in Geology from Queen's University and is a Certified Corporate Director from the Institute of Corporate Directors. Mr. Bogden has been a member of the board of directors of several public mining and investment companies and is currently the chairman of Goldcrest Resources Ltd.

## CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Corporation as at September 30, 2007, before giving effect to the Offering, and as at September 30, 2007 after giving affect to the Offering. This table should be read in conjunction with the audited consolidated annual financial statements of Aeroquest for the financial year ended September 30, 2007 which have been incorporated by reference into this short form prospectus.

<u>Designation</u>	<u>Authorized</u>	<u>As at September 30, 2007 before giving effect to the Offering<sup>(1)(2)</sup></u>	<u>As at September 30, 2007 after giving effect to the Offering<sup>(1)(2)</sup></u>
Common Shares .....	Unlimited	\$27,403,594 (27,310,273 Common Shares) <sup>(3)</sup>	\$46,203,594 (33,976,940 Common Shares) <sup>(3)</sup>
Debt (promissory notes and capital leases) .....		\$4,146,484	\$4,146,484 <sup>(4)</sup>
<b>TOTAL</b>		<b>\$23,257,110</b>	<b>\$42,057,110</b>

### Notes:

- (1) After deducting the Underwriters' Fee but before deducting expenses of the Offering, estimated to be \$350,000.
- (2) Assumes no exercise of any outstanding warrants or stock options, the Over-Allotment Option or the Compensation Options.
- (3) Prior to giving effect to the net issuance by the Corporation of 842,518 Common Shares since September 30, 2007.
- (4) Prior to giving effect to any payments or repayments in accordance with the proposed use of proceeds from the Offering.

## USE OF PROCEEDS

The net proceeds from the Offering, after deducting the Underwriters' Fees and estimated expenses of the Offering of \$350,000, are estimated to be approximately \$18.45 million, assuming no exercise of the Over-Allotment Option, or approximately \$21.27 million if the Over-Allotment Option is exercised in full. Aeroquest intends to use the net proceeds of the Offering for the repayment of debt incurred in connection with the respective acquisitions of UTS and Geophex, certain capital expenditures, general working capital purposes and to fund future growth opportunities. Specifically, Aeroquest intends to use the net proceeds of the Offering in the following manner:

<b>Principal Purposes</b>	<b>Approximate Amount (in millions)</b>
Repayment of promissory notes issued in connection with the acquisition of UTS <sup>(1)</sup>	\$3.4
Repayment of promissory note issued in connection with the acquisition of Geophex <sup>(2)</sup>	\$2.0
Capital expenditures to build additional AeroTEM™ and fixed wing systems	\$4.0
Fund organic growth plans in petroleum and environmental services	\$2.0
Working capital purposes and future growth opportunities	\$7.0
<b>TOTAL</b>	<b>\$18.4</b>

Notes:

- (1) Messrs. Goodey and Tuffili, directors of Aeroquest, will receive approximately \$2.67 million, in the aggregate, in connection with the repayment of the promissory notes they received as consideration in connection with the acquisition of UTS by Aeroquest in July 2007.
- (2) Mr. Won, an officer of Geophex, will receive the proceeds from the repayment of the promissory note he received as consideration in connection with the acquisition of Geophex by Aeroquest on December 31, 2007.

## PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement dated January 23, 2008 between Aeroquest and the Underwriters (the “**Underwriting Agreement**”), Aeroquest has agreed to sell, and the Underwriters have agreed to purchase on the Closing Date, being on or about February 5, 2008, or such later date as may be agreed upon by the parties, an aggregate of 6,666,667 Offered Common Shares at a price of \$3.00 per Offered Common Share. The obligations of the Underwriters under the Underwriting Agreement are several and may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated in certain stated circumstances and upon the occurrence of certain stated events. In certain circumstances, if an Underwriter fails to purchase the Offered Common Shares which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase such Common Shares. The Underwriters are, however, obligated to take up and pay for all of the Offered Common Shares if any of the Offered Common Shares are purchased under the Underwriting Agreement. Aeroquest has agreed to indemnify the Underwriters and their respective shareholders, directors, officers, employees and agents against certain liabilities, including civil liabilities under Canadian provincial securities legislation, or to contribute to any payments the Underwriters may be required to make in respect thereof. Aeroquest has also agreed to reimburse the Underwriters for their expenses reasonably incurred in connection with the Offering.

This Offering is being made by way of short form prospectus in each of the provinces of Canada except Québec, Newfoundland and Labrador and Prince Edward Island. Aeroquest has agreed to pay the Underwriters a fee equal to 6.0% of the gross proceeds on the sale of the Offered Common Shares representing, \$0.18 per Common Share issued pursuant to this Offering. The price of the Offered Common Shares was determined solely by negotiation between Aeroquest and Jennings Capital Inc., on its own behalf and on behalf of the other Underwriters. In addition to the Underwriters' Fee, Aeroquest has agreed to grant to the Underwriters Compensation Options equal to 6.0% of the total Common Shares issued pursuant to this Offering (including upon exercise of the Over-Allotment Option). Each Compensation Option will entitle the holder to acquire one Common Share of Aeroquest at an exercise price equal to \$3.00 for a period of 24 months following the closing of the Offering. The Compensation Options are qualified for distribution by this short form prospectus.

Aeroquest has granted to the Underwriters the Over-Allotment Option to purchase up to 1,000,000 additional Common Shares at a price of \$3.00 per Common Share for the purpose of covering over-allotments, if any, and for market stabilization purposes. The Over-Allotment Option is exercisable in whole or in part, at the sole discretion of the Underwriters, up to 30 days following the closing of the Offering. This short form prospectus also qualifies the distribution of the Over-Allotment Option and the distribution of the Common Shares issuable upon exercise of the Over-Allotment Option.

The issued and outstanding Common Shares are currently listed on the TSXV under the symbol “AQL-V”. The TSXV has conditionally approved the listing of the Offered Common Shares qualified by this short form prospectus. Listing is subject to Aeroquest fulfilling all of the requirements of the TSXV within 30 days of the closing of the Offering.

The Offering is being made in each of the provinces of Canada except Québec, Newfoundland and Labrador and Prince Edward Island. The Offered Common Shares have not been and will not be registered under the *United States Securities Act of 1933* (the “**U.S. Securities Act**”) and, subject to certain exceptions, may not be offered or sold in the United States. In connection with the Offering, the Offered Common Shares may be sold in the United States to certain types of qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) pursuant to Rule 144A under the U.S. Securities Act and to a limited number of accredited investors (as defined in Rule 501(a) of Regulation D under the U.S. Securities Act) in transactions that are exempt from the registration requirements under the U.S. Securities Act. In addition, until 40 days after the closing of the Offering, an offer or sale of the Offered Common Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if that offer or sale is made other than in accordance with Rule 144A or another exemption under the U.S. Securities Act.

Pursuant to policy statements of certain securities commissions or regulatory authorities, the Underwriters may not, throughout the period of distribution under this short form prospectus, bid for or purchase Common Shares. The foregoing restriction is subject to certain exceptions provided that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of relevant self-regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Aeroquest has been advised that in connection with the Offering and pursuant to the first-mentioned exception, the Underwriters may effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Underwriters propose to offer the Offered Common Shares initially at the offering price specified on the cover page of this short form prospectus. After the Underwriters have made a reasonable effort to sell all of the Offered Common Shares at the price specified on the cover page, the offering price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Offered Common Shares is less than the proceeds paid by the Underwriters to Aeroquest.

Aeroquest has agreed not to, at any time prior to 90 days from the closing of the Offering, create, issue, sell or announce any intention to issue or sell any Common Shares or any securities convertible into or exchangeable for or exercisable to acquire Common Shares, without the prior written consent of Jennings Capital Inc., on behalf of the Underwriters, except in connection with: (i) the grant or exercise of currently outstanding stock options and other similar issuances pursuant to the share incentive plan of the Corporation and/or other security-based compensation arrangements in existence on the date hereof, and (ii) outstanding warrants or convertible securities outstanding on the date hereof.

Subscriptions for Common Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. No certificates evidencing the Offered Common Shares will be issued to purchasers, except in limited circumstances, and registration of ownership of the Common Shares will be effected only through the book-based system administered by CDS. Closing of this Offering is anticipated to occur on or about February 5, 2008, or such other date as Aeroquest and the Underwriters may agree, but in any event no later than February 29, 2008.

## DESCRIPTION OF COMMON SHARES

The Corporation is authorized to issue an unlimited number of Common Shares. As at January 28, 2008, there were 28,152,791 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.

## RISK FACTORS

**There are certain risks inherent in an investment in the Common Shares and in the activities of Aeroquest which investors should carefully consider before investing in the Common Shares. For a discussion of the risks inherent in an investment in**

**the Common Shares, please see the risks described below, as well as those described under the heading “Risk Factors” in the AIF.**

### **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 and Exploration Spending 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. Such high mineral commodity prices coupled with strong demand for such commodities have driven worldwide exploration spending over the past several years. However, 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. The failure of the Corporation’s management to carefully monitor and respond to fluctuations in commodity prices and exploration spending could 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. Moreover, the Corporation’s results of operations may also be affected by fluctuations in foreign currency exchange rates given that the Corporation has significant inflows and outflows of currencies other than the Canadian dollar.

### **Industry Competition**

The level of competition in the Corporation’s industry is heavily influenced by changes in supply or demand. Changes in supply can occur as existing competitors expand (or contract) their fleets of airborne survey systems. As these fleets expand they may be deployed in areas where the Corporation is active. If the demand for services is not high enough in these areas to support the additional systems, the Corporation’s management would expect to see increased competition and an adverse effect on pricing. In particular, in highly competitive situations, industry pricing could fall to a level that makes it difficult for the Corporation to cover its per hour surveying costs with its standard pricing on a per Line Kilometre basis. Moreover, although the barriers to entry into the

airborne Geophysical Survey industry are not insignificant, over the past several years a number of new competitors have entered the market, most of which offer many similarities to the Corporation's surveying systems. It is possible that new entrants will continue to appear, especially if demand for services remains high. The presence of new and existing competitors 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.

### **Technological Obsolescence**

While the Corporation is currently not aware of any emerging technology, it is possible that new technology will replace the survey systems currently used by the Corporation. Despite the Corporation's ongoing commitment to research and development activities, new technological advances could require significant capital expenditures, which would in turn affect the Corporation's financial condition and results of operations. The Corporation's failure to adequately respond to technological advances made by competitors could also result in a material adverse effect on the Corporation's business, financial condition and results of operations.

### **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**

As of September 30, 2007, directors and officers of the Corporation owned 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 of the Corporation.

## **Unlimited Authorization to Issue Shares**

The issuance of the Common Shares pursuant to the Offering will result in significant dilution to the existing holders of Common Shares. Subject to applicable regulatory approvals and prospectus exemptions, the Board is authorized to issue an unlimited number of Common Shares at any time in the future without obtaining shareholder approval, thereby potentially diluting the percentage ownership of existing shareholders without their approval or consent. Issuances of additional Common Shares will dilute an investor's investment in the Corporation which may adversely affect the market price of the Common Shares.

## **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 in the AIF 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. Additionally, the Corporation may be subject to liability claims arising out of accidents involving aircraft, including claims for personal injury or death. There can be no assurance that the Corporation’s insurance coverage will be sufficient to cover one or more large claims and any shortfall may be material. Additionally, any accident involving aircraft may significantly harm the Corporation’s reputation for safety, which would have a material adverse effect on the Corporation’s business, financial condition and results from operations.

## **Weather Risks**

The Corporation’s airborne services can only be conducted in conditions that allow for flying. Precipitation, wind, low visibility and excessively high or low temperatures can all affect the ability to fly. In some areas, at some times of the year, the weather can be highly unpredictable, or sometimes consistently harsh. Bad weather affects productivity and can adversely affect profitability if the Corporation does not, to the best of its ability, anticipate and plan for bad weather, or if bad weather remains for unusually long periods. Although the Corporation mitigates this risk by flying in many different areas of the world at the same time, the weather cannot be predicted with absolute certainty and poor weather conditions can have material adverse effects 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.

## **INTERESTS OF EXPERTS**

The matters referred to under “Eligibility for Investment” as well as certain other legal matters relating to the issue and sale of the Offered Common Shares will be passed upon on behalf of Aeroquest by Goodmans LLP and on behalf of the Underwriters by Fasken Martineau DuMoulin LLP. As of January 29, 2008 the partners and associates of Goodmans LLP, as a group, and the partners and associates of Fasken Martineau DuMoulin LLP, as a group beneficially owned, directly or indirectly, less than 1% of the outstanding Common Shares. In addition, to the knowledge of Aeroquest, as of January 29, 2008, BDO Dunwoody LLP was “independent” within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

## **AUDITORS, REGISTRAR AND TRANSFER AGENT**

The auditors of Aeroquest are BDO Dunwoody LLP at 1 City Centre Drive, Suite 1700, Mississauga, Ontario, Canada L5B 1M2. The registrar and transfer agent of Aeroquest is Computershare Investor Services Inc. at 100 University Avenue, 11<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1.

## **PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. The securities legislation in certain of the provinces of Canada further provides a purchaser with remedies for rescission or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the

purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

## AUDITORS' CONSENT

We have read the short form prospectus of Aeroquest International Limited (the "**Corporation**") dated January 30, 2008 relating to the issue and sale of common shares of the Corporation. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned prospectus of our report to the shareholders of the Corporation on the consolidated balance sheets of the Corporation as at September 30, 2007 and April 30, 2007 and the consolidated statements of operations and comprehensive income, retained earnings, shareholders' equity and cash flows for the five months ended September 30, 2007 and twelve months ended April 30, 2007. Our report is dated January 15, 2008.

Toronto, Canada  
January 30, 2008

By: (Signed) BDO Dunwoody LLP  
Chartered Accountants and Advisors

## AUDITORS' CONSENT

We have read the short form prospectus of Aeroquest International Limited (the "**Corporation**") dated January 30, 2008 relating to the issue and sale of common shares of the Corporation.

We consent to the use, including through incorporation by reference, in the above-mentioned short form prospectus of our report to the shareholders of the Corporation, on the consolidated balance sheets of Universal Tracking Systems Pty Limited, a subsidiary of the Corporation, as at 30 June 2007 and 30 June 2006 and the consolidated income statements, statements of changes in equity, cash flow statements, accounting policies and notes to the financial statements for the years then ended. Our audit report is dated 31 August 2007.

West Perth, WA Australia  
January 30, 2008

By: (Signed) BDO Kendalls Audit &  
Assurance (WA) Pty Ltd.

**CERTIFICATE OF THE ISSUER**

Dated: January 30, 2008

This short form prospectus, together with the documents incorporated by reference herein, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada except for Québec, Newfoundland and Labrador and Prince Edward Island.

**AEROQUEST INTERNATIONAL LIMITED**

By: (Signed) Roy Graydon  
Chief Executive Officer

By: (Signed) Wilfred Edge  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS**

By: (Signed) John Barker  
Director

By: (Signed) Keith Morrison  
Director

**CERTIFICATE OF THE UNDERWRITERS**

Dated: January 30, 2008

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference herein, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada except for Québec, Newfoundland and Labrador and Prince Edward Island.

**JENNINGS CAPITAL INC.**

By: (Signed) David Donato

**J.F. MACKIE & COMPANY LTD.**

By: (Signed) Philip Hodge

**NATIONAL BANK FINANCIAL INC.**

By: (Signed) Jim Hardy

