



**ANNUAL INFORMATION FORM**

**for the year ended September 30, 2009**

**December 9, 2009**

## TABLE OF CONTENTS

GLOSSARY OF TERMS.....	1
FORWARD-LOOKING STATEMENTS.....	5
CHANGE IN FINANCIAL YEAR END.....	5
DATE OF ANNUAL INFORMATION FORM.....	5
CORPORATE STRUCTURE.....	6
GENERAL DEVELOPMENT OF THE BUSINESS.....	7
INDUSTRY OVERVIEW.....	8
DESCRIPTION OF THE BUSINESS.....	12
RISK FACTORS.....	17
DIVIDENDS.....	21
DESCRIPTION OF CAPITAL STRUCTURE.....	22
MARKET FOR SECURITIES.....	23
ESCROWED SECURITIES.....	23
DIRECTORS AND OFFICERS.....	23
LEGAL PROCEEDINGS.....	26
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL CONTRACTS.....	26
TRANSFER AGENT AND REGISTRAR.....	27
MATERIAL CONTRACTS.....	27
INTERESTS OF EXPERTS.....	27
AUDIT COMMITTEE INFORMATION.....	27
ADDITIONAL INFORMATION.....	28

## GLOSSARY OF TERMS

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

“**2009 Annual Report**” means the annual report of the Corporation dated September 30, 2009, a copy of which will be available on SEDAR at [www.sedar.com](http://www.sedar.com).

“**A&E**” means Architectural and Engineering

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

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

“**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.

“**AGL**” is an acronym for **Above Ground Level**.

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

“**Arrangement Agreement**” means the arrangement agreement dated as of July 29, 2009 between the Corporation and Optimal Geomatics.

“**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 Warrant**” means a warrant 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.

“**Compensation Options**” means the compensation options issued to the Underwriters in connection with the offering contemplated by the Underwriting Agreement, all pursuant to the terms of the Underwriting Agreement.

“**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.

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

“**DEM**” means Digital Elevation Model

“**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.

“**Financial Statements**” means the audited, consolidated financial statements of the Corporation for the financial year ended September 30, 2009, included in the 2009 Annual Report.

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

“**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.

“**Geodatabase**” means a database designed to store, query, and manipulate geographic information and spatial data.

“**Geomatics**” means the science and technology of gathering, analyzing, interpreting, distributing, and using geographic information.

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

“**Geophysics Survey**” means any systematic measurement of one or more physical properties of the Earth’s Subsurface, 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.

“**GIS**” is an acronym for Geographic Information Systems.

“**GPS**” is an acronym for Global Positioning System, a satellite-based system used to accurately determine location.

“**Gravimetric**” 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 unit of frequency expressed as 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 annual general meeting to be held on February 26, 2010, a copy of which will be available on SEDAR at [www.sedar.com](http://www.sedar.com).

“**LiDAR**” is an acronym for Light Detection and Ranging, and refers to a technique of determining the distance to an object using light waves.

“**Line Kilometre**” is a standard unit of size for an airborne Geophysics 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.

“**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, 2009, included in the 2009 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 14, 2006, September 26, 2007, July 17, 2008 and on January 19, 2009) 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.

“**Optimal Geomatics**” means Optimal Geomatics Inc., a corporation existing under the laws of Canada.

“**Ortho-rectification**” means a process of correcting distortion in photographic images to link them to a map or to map coordinates.

“**Photogrammetry**” means a remote sensing technique in which the geometric properties of objects are determined from photographic images

“**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.

“**Restricted Stock Unit Plan**” means the amended and restated restricted stock unit plan dated August 14, 2006 adopted by the Corporation and amended on July 17, 2008 and on January 19, 2009, 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 Geophysics Pty Ltd pursuant to which the Corporation agreed to purchase 100% of the shares of UTS Geophysics Pty. Ltd.

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

“**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 Surveys, Aeroquest (UK) Limited, UTS, UTS Aviation Pty Ltd., Universal Tracking Systems Pty Ltd., Aeroquest (AUST) Pty Ltd., UTS Geophysics Morocco Pty Ltd., Geophex, Ltd., AeroKaz LLP, Optimal Geomatics, Optimal Technologies, Inc. and Optimal Geomatics, Inc. and “**Subsidiary**” means any one of them.

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

“**TEM**” is an abbreviation for “Time Domain Electromagnetics”.

“**TIN**” is an acronym for Triangulated Irregular Network and is used as one basis for creating a DEM.

“**TSX**” means the Toronto Stock Exchange.

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

“**Underwriters**” means, collectively, Jennings Capital Inc., J.F. Mackie and Company Ltd. and National Bank Financial Inc., the underwriters of the offering contemplated by the Underwriting Agreement.

“**Underwriting Agreement**” means the underwriting agreement between the Corporation and Jennings Capital Inc., J.F. Mackie and Company Ltd. and National Bank Financial Inc. dated January 23, 2008 in respect of the issuance of 6,666,667 Common Shares at a price of \$3.00 per share, for gross proceeds of \$20.0 million.

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

“**USACE**” means United States Army Core of Engineers.

“**UTS/Aeroquest**” means UTS Geophysics Pty Ltd., a corporation incorporated under the laws of Australia and operating under the name UTS/Aeroquest.

## **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 December 9, 2009. Except where otherwise indicated, the information contained in this Annual Information Form is stated as of September 30, 2009 and all dollar amounts are expressed in Canadian dollars.

## CORPORATE STRUCTURE

### Name, Address and Incorporation

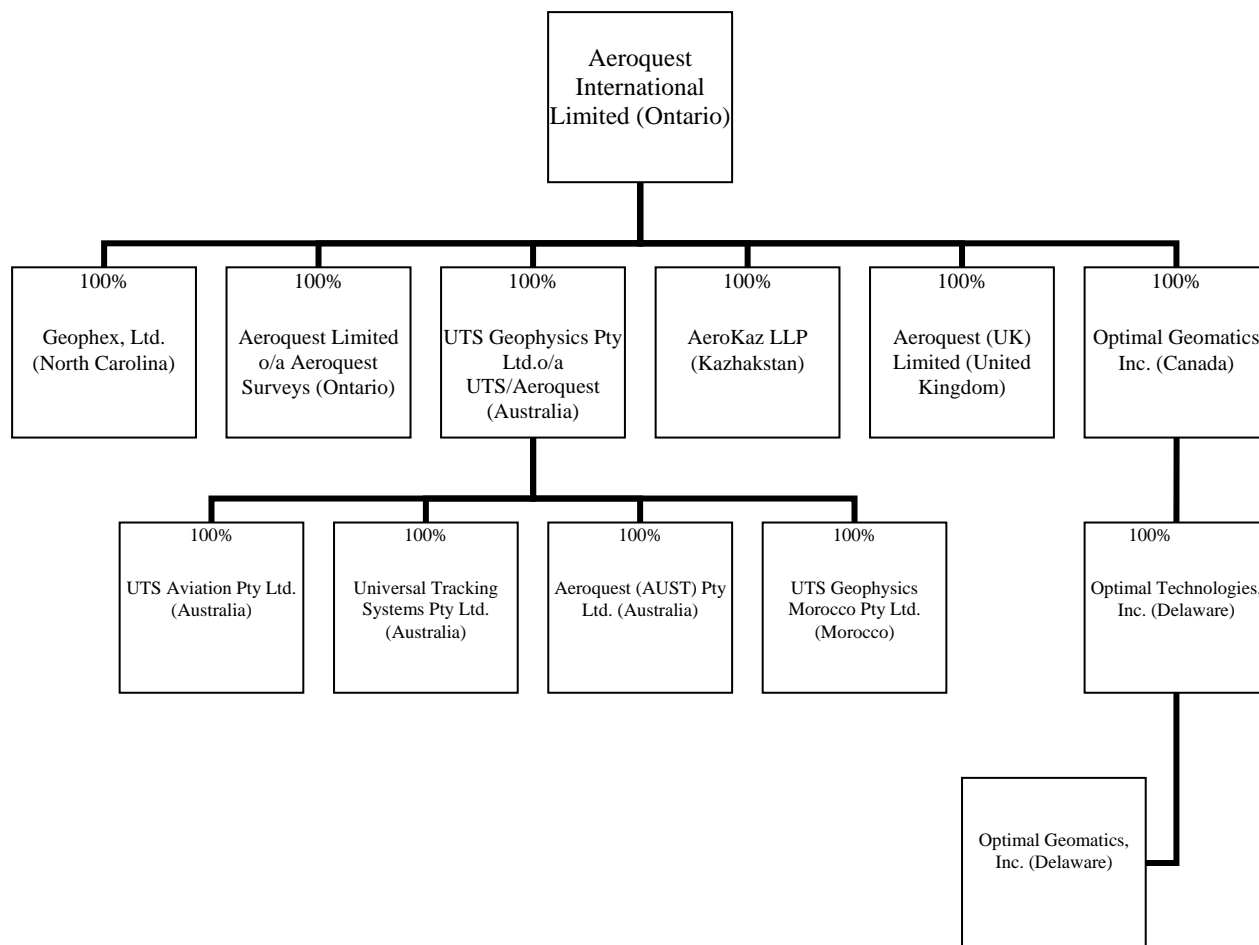
Aeroquest Limited (doing business as “Aeroquest Surveys”) was incorporated under the *Business Corporations Act* (Ontario) (“**OBCA**”) on May 17, 1988. PICorp. Capital Ltd. (formerly Phoenix International, Inc., “**PICorp**”) was incorporated by certificate of incorporation issued pursuant to the provisions of the general corporation law of the state of Delaware on September 21, 2001. On April 29, 2004, PICorp was continued under the *Business Corporations Act* (Alberta). On October 26, 2004, PICorp changed its name by articles of amendment to Aeroquest International Limited (the “**Corporation**”) and on October 27, 2004, was continued under the OBCA. On October 28, 2004, Aeroquest Limited and its principal shareholders entered into a reverse takeover of the Corporation wherein all of the issued and outstanding shares of Aeroquest Limited were sold, by way of share exchange, to the Corporation. Holders of issued and outstanding common shares of Aeroquest Limited received one share of the Corporation for each Aeroquest Limited share held. Upon completion of the reverse takeover, there were 13,829,162 shares outstanding of 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 and is doing business under the name “Aeroquest Surveys”. The Corporation’s other wholly-owned Subsidiaries: Aeroquest (UK) Limited, is incorporated under the laws of England and Wales; UTS Geophysics Pty Ltd, doing business under the name UTS/Aeroquest (“**UTS/Aeroquest**”), is incorporated under the laws of Australia; Geophex, Ltd. (“**Geophex**”), is incorporated under the laws of the State of North Carolina; Optimal Geomatics Inc. is incorporated under the laws of Canada; and AeroKaz LLP is a limited liability partnership governed by the laws of the Republic of Kazakhstan. Optimal Geomatics Inc. (Canada) is incorporated under the laws of Canada. Optimal Technologies Inc. and Optimal Geomatics Inc. (Delaware) are incorporated under the laws of the State of Delaware.

The following diagram sets out the intercorporate relationships concerning the Corporation and the Subsidiaries as at the date hereof:



Additional information relating to the Corporation may be found in the Information Circular, 2009 Annual Report and the Corporation’s audited consolidated financial statements (the “**Financial Statements**”) and MD&A for the financial year ended September 30, 2009. These documents can be accessed on SEDAR at [www.sedar.com](http://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 30, 2009, Aeroquest and Optimal Geomatics jointly announced the completion of the plan of arrangement resulting in Aeroquest acquiring all of the issued and outstanding common shares of Optimal Geomatics. Under the terms of the plan of arrangement, Optimal Geomatics shareholders received one Common Share for each 21 common shares of Optimal Geomatics owned, resulting in an aggregate of 2,923,130 Common Shares being issued.
- On February 4, 2009, Aeroquest announced that it and Spectrem Air Limited had jointly agreed to terminate the previously announced Letter of Intent regarding the long term outsourcing of Spectrem’s assets.
- On July 24, 2008 Aeroquest commenced trading on the TSX under the symbol “AQL” and concurrently was de-listed from the TSX-V.
- On February 5, 2008 Aeroquest completed the issuance of 6,666,667 Common Shares at a price of \$3.00 per share, for gross proceeds of \$20.0 million. In connection with this offering, Aeroquest issued to the Underwriters a total of 400,000 Compensation Options, each Compensation Option exercisable for one

Common Share at a price of \$3.00 until February 5, 2010. The net proceeds from the offering were used to repay notes issued in connection with Aeroquest's previously completed acquisition of UTS/Aeroquest and Geophex, for certain capital expenditures, for general working capital purposes and to fund future growth opportunities.

- On December 31, 2007, the Corporation acquired 100% of the shares of Geophex, 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 consisted of US\$2.0 million in cash, US\$2.0 million in the form of a promissory note due July 1, 2009 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 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 acquisition.
- On December 13, 2007, the Corporation announced 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 was amended on July 24, 2008 (upon listing on the TSX) through the facilities of the TSX to increase the number of Common Shares to be purchased to 1,653,336, representing 10% of the public float of the Common Shares as of December 7, 2007. A total of 1,594,400 Common Shares were acquired by Aeroquest and cancelled under the bid, which expired on December 16, 2008.
- On July 3, 2007, the Corporation acquired 100% of the shares of UTS Geophysics Pty. Ltd, a company specializing in ultra-high resolution magnetic, radiometric and gravimetric fixed wing Geophysics Surveys, and now operating as UTS/Aeroquest. The purchase price consisted of 6.8 million Common Shares, the payment to the vendors of \$9.2 million 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/Aeroquest, each Subscription Receipt issued by the Corporation on May 29, 2007 was exchanged for one Common Share and one-half of one Warrant.
- 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.

## INDUSTRY OVERVIEW

### Overview of the airborne Geophysics and Geomatics Survey Industries

The Corporation operates in the airborne Geophysical and Geomatics Survey industries. Airborne Geophysics and Geomatics Surveys are used for delineating geologic and geographic 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 assessing ground characteristics, and planning infrastructure projects. Geophysics and Geomatics Survey instruments, either towed beneath helicopters or mounted on fixed wing aircraft, measure and collect data relating to a particular geophysical or geomatic property of the Earth in the immediate area of the instrument.

Geophysics 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. Geomatics Survey equipment can include LiDAR cameras, digital and film cameras, used to record and measure features of the earth's surface or the objects upon it.

This Geophysics and Geomatics 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 or Geomatics Survey system.

Geophysics 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 Geophysics 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 Geophysics Surveying techniques. Airborne Geophysics 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. Airborne Geophysics Surveys are generally flown at heights ranging from 30 to 300 meters AGL

Geomatics Surveys are generally flown over an area of ground, also in a regular grid pattern. The size of an aerial Geomatics Survey is usually measured and described in square kilometres or square miles, which is the area required to be covered by the Survey. Geomatics Surveys are commonly flown at heights in excess of 500 meters AGL.

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 Geophysics and Geomatics Survey business. Occasionally, previously collected data is re-processed and/or reinterpreted and/or resold.

The three main markets for airborne Geophysics 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 Geophysics 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 complementary 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 main markets for Geomatic Services are:

(i) *US Federal Government programs:*

The US Army Corps of Engineers is expected to expand its funding of projects over the next several years. Following multiple years of reduced budgets due to the War on Terrorism, the expectation is the federal government will increase funding for USACE civil projects. Additionally, other US federal agencies are expected to utilize USACE contract in order to complete their projects.

In addition, the Federal Aviation Administration (FAA) would like airports to have up-to-date obstruction surveys every five years. The FAA continues to develop GIS solutions for submitting obstruction survey data and will use, in addition to other techniques, LiDAR and Ortho-photography for these surveys through the Airport Consultants and the various State Departments of Transportation.

(ii) *State and Local government market:*

State Departments of Transportation (DOT) use airborne LiDAR technology and aerial photography, including photogrammetry to generate as-built records to create the data that is essential for engineers, surveyors and construction professionals to evaluate ground terrain, topography and other existing conditions. LiDAR technology generally provides a low-cost alternative to traditional land surveys with the benefits of faster data acquisition, elimination of property access issues and consistent positional accuracy along the entire route. Data can be provided in formats required by the clients. An additional major concern of DOTs is safety. Most highways are busy arteries today and ground base surveys along busy corridors are not merely unsafe but sometimes deadly.

(iii) *Energy Transmission Market*

Electrical Transmission Utilities use Geomatics for power-line mapping and inspection services, as well as vegetation encroachment monitoring, while the Pipeline Industry uses LiDAR and digital photography to produce accurately positioned assets and Right-of-way imagery.

(iv) *Architectural and Engineering Firms*

A&E Firms such in the field of Forestry, Land Development and Utilities use mapping services as a base product; an input to their construction and engineering models.

## **Competitive Conditions**

### *Airborne Geophysics Survey*

Fugro, NV, a Netherlands based public company with operating divisions in Canada, South Africa and Australia, is the largest company in the airborne Geophysics Survey industry with as much as 40% of the worldwide market. Management believes, based on industry interaction and participation, that the Corporation, together with two private companies, Geotech Ltd. and Sander 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, and Firefly Aviation Ltd.

Contracts for work in the airborne Geophysics 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 common in the industry.

Competition in the airborne Geophysics Survey industry is affected by a number of factors, including:

(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 Geophysics 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 Geophysics Surveys, significant capital expenditures must be incurred to acquire the necessary equipment, including Geophysics 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 Geophysics Survey industry also and poses a barrier to entry into the industry. Although equipment suitable for some airborne Geophysics Surveys may be purchased from suppliers, the availability of technically qualified and experienced personnel to coordinate and implement Geophysics Survey systems is limited in the market. Further, the operational knowledge, experience and infrastructure needed to conduct global Geophysics Survey operations provides a further barrier for potential new entrants.

(v) *Equipment and Software*

Although generic equipment and software to undertake certain airborne Geophysics 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 Geophysics Survey equipment. Airborne Geophysics Survey companies possessing specialty or customized equipment or software may possess competitive advantages.

(vi) *Technological Change*

Geophysics 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 Geophysics Survey industry.

#### *Aerial Geomatics Surveys*

Competition conditions in Geomatics Surveys are similar to the Geophysics Survey markets in particular (i) Aircraft/Helicopters; (iii) Capital Costs; (iv) Technological/Operational Expertise and (v) Equipment and Software.

### **DESCRIPTION OF THE BUSINESS**

#### **Overview**

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

#### *Airborne Geophysics Surveys*

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 Geophysics 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 Geophysics Survey industry. In order to deliver on this strategy, the Corporation has identified three areas of focus: (i) expand the number of airborne Geophysics 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.

#### *Aerial Geomatics Surveys*

The Corporation's Geomatics systems include LiDAR and aerial photography systems. Each of these systems is typically purchased as a turn-key product from a major supplier and installed on an aircraft on an 'as needed' basis.

Please refer to the heading "Description of the Business – Survey Systems" for additional information regarding the Corporation's Geomatics instrumentation.

#### **Operating Segments**

In the three most recently completed fiscal years, the Corporation has reported the results of its operations in three geographic segments: (i) Canada; (ii) Australia; and (iii) International; and two operating segments: (i) airborne services; and (ii) research and development. 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:

<b>Geographic Segment:</b>	<b>September 30, 2009</b> (\$)	<b>September 30, 2008</b> (\$)	<b>September 30, 2007<sup>1</sup></b> (\$)
Canada	4,289,000	21,028,000	10,524,594
Australia	5,823,000	10,325,000	3,090,000
International	17,899,967	23,674,537	5,685,024
<b>Total Revenue:</b>	<b>28,011,967</b>	<b>55,027,537</b>	<b>19,299,618</b>

<sup>1</sup> 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:

<b>Operating Segment:</b>	<b>September 30, 2009</b> (\$)	<b>September 30, 2008</b> (\$)	<b>September 30, 2007<sup>1</sup></b> (\$)
Airborne Geophysical Surveys	26,380,967	53,743,093	19,299,618
R&D Services	1,631,000	1,284,444	–
<b>Total Revenue:</b>	<b>28,011,967</b>	<b>55,027,537</b>	<b>19,299,618</b>

<sup>1</sup> 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.

As a consequence of the acquisition of Optimal Geomatics, in 2010 the Corporation will begin to report its operations in three business segments; Airborne Geophysics Surveys, Geomatics Services, and R&D Services.

### **Principal Products and Services**

The Corporation currently provides helicopter-borne and fixed wing Geophysical and Geomatics Survey services for the mineral and, oil and gas exploration industries and the environmental and infrastructure industries on a commercial basis, combining data acquisition, processing and interpretation. During the past three fiscal years, the Corporation has successfully surveyed over 421,000 Line Kilometres using helicopter borne Magnetic, Radiometric and Electromagnetic sensors and over 3,200,000 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 Geophysics Survey instrumentation, see "Description of the Business – Survey Systems Geophysical and Geomatics 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.

The Corporation in some cases designs and manufactures and in all cases maintains and operates its Geophysical and Geomatics 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, GIS professionals, 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, data acquisition, engineering and information technology services.

## Geophysics Survey Systems

The Corporation offers Geophysics Surveys using a variety of systems and platforms. As at September 30, 2009, the Corporation operated 28 systems – 11 fixed wing systems and 17 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 13 of the 17 helicopter systems as at September 30, 2009. 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.

AeroTEM™ systems are 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 H-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 offers ultra-high resolution Magnetic Gradiometer, Radiometric and Gravimetric surveys using fixed-wing aircraft. As at September 30, 2009, the Corporation operated a fleet of 10 Geophysics Survey aircraft with two Magnetic configurations, one being single-sensor 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, 2009, the Corporation operated 3 Magnetic Gradiometers, two Gravity sensors (with multi sensor magnetic gradiometers and 5 single-sensor Magnetic aircraft. Gamma Ray Spectrometers were installed in 9 of the survey aircraft.

The Corporation's 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*

The Corporation specializes in the acquisition of ultra-high resolution geophysical measurements using fixed wing aircraft. Precision GPS equipment and advanced flight navigation systems allow the Corporation's fixed wing aircraft to undertake airborne Geophysics 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, 2009, the Corporation operated 8 ultra-high resolution survey aircraft.

(ii) *Regional Surveys*

Traditional fixed wing airborne Geophysics Surveys take sensor measurements at a Line Spacing of 50 to 100 metres and with sensor heights of 80 metres AGL. 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 Geophysics Survey programmes. As at September 30, 2009, the Corporation operated 3 regional survey aircraft.

### **Aerial Geomatics Survey Systems**

Aerial Geomatics Survey encompasses a wide range of survey and mapping capabilities including:

- Aerial Photography and LiDAR
- Digital Map Production, and
- Geographical Information Systems

The products and services are quite similar through each industry served. The USACE, mortgage lending agencies and A&E firms all utilize terrain models and GIS base maps. This commonality allows production to streamline workflows. The Corporation has the capability to produce raw, intermediate or final, end-user products. Each of these products and services provides individual clients, especially A&E clients, with the flexibility to choose services that fit project budgets.

Raw LiDAR and scanned photography are common products and are provided to those companies that have in-house processing capabilities. Clients include other photogrammetric and LiDAR firms.

Also, intermediate products can be provided to a number of specialty companies. These companies have the capabilities and software to utilize pre-processed LiDAR information and/or photogrammetric information for inclusion into a GIS system. Clients include other photogrammetric and engineering consulting firms.

Final products are in the form of terrain models, contours, grid and TIN DEMs, fully compiled maps and Geodatabases. This data is used by end-users including county governments, the USACE, land developers and smaller photogrammetric firms.

### **Economic Dependence**

The Corporation's revenue is generated by entering into purchase or service orders for specific geophysical or geomatic surveys typically for a specific number of Line Kilometres or a specific area designated by a number of square kilometres or square miles. Once the survey has been completed, there is generally no ongoing obligation for the customer or the Corporation in respect of that purchase or service order. The Corporation has a large number of customers and is not dependent upon any one customer or any specific contract for any material portion of its revenues.

Further, given the nature of the business of the Corporation, the Corporation is not dependent or reliant upon any one supplier of goods, services or materials for the operation of its business. Management believes that it could replace any current supplier without any significant or material disruptions in its business. The Corporation is also not dependent or reliant upon any licence or agreement for the use of any patent, formula, trade secret, process or trade name for the operation of its business.

### **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, GIS, electronics, engineering, computer science or physics and each has considerable expertise in performing regional surveys, processing airborne geophysics or geomatics data, and detailed mapping.

Survey personnel often work both at remote locations conducting on-site compilation, and preliminary analysis 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 both the Northern and Southern Hemispheres the spring and fall seasons are often characterized by unusual weather including fog, extreme winds and sometimes violent storms. 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 and Geomatics 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 and Geomatics 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, 2009, the Corporation had 149 full-time employees, with 42 in Canada, 82 in the United States and 35 in Australia. This headcount includes employees acquired with the Optimal Geomatics acquisition. All of the Corporation's employees are non-unionized and Management believes it has a positive relationship with its 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 or Geomatics Surveys are in demand. As a result, the Corporation will remain dependent on its foreign operations in the future. For the period ended September 30, 2009, international operations represented approximately 75% 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 2009 Annual Report, the Corporation's business, financial condition and results of operations are subject to the following material risk factors.

### **General Economic Conditions**

The events in global financial markets in 2008 and 2009 have had a profound impact on the global economy and an adverse impact on the operating results of the Corporation. The mining industry and its related service industries have been adversely impacted by these market conditions. These conditions worsened in 2008 and are continuing in 2009, causing a loss of confidence in the broader Canadian, U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. These factors have negatively impacted company valuations and will likely impact the performance of the global economy going forward. A continued or worsened slowdown

in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Corporation's financial position and will likely affect the Corporation's ability to finance any acquisitions or working capital requirements. These macro-economic conditions will likely have a significant and adverse effect on the operating conditions of the clients and industries in which the Corporation services which, has resulted in fiscal 2009, and may result in the fiscal 2010, a significant decline in exploration by mining and oil and gas companies and create uncertainty and caution for the future outlook of the financial performance of and the Common Share price of the Corporation.

### **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.

### **Strategic Acquisitions**

The Corporation has made, and may continue to make, strategic acquisitions. Acquisitions involve significant risks and uncertainties, including the risks that: (i) the airborne Geophysics Survey industry may develop in a different direction than anticipated and the technologies acquired may not prove to be those that the Corporation needs or the business models of acquired companies may become obsolete; (ii) the future valuations of acquired businesses may decrease from the market price paid for the acquisitions; (iii) the revenues of acquired businesses may not offset increased operating expenses associated with these acquisitions; and (iv) assumed liabilities may be greater than anticipated. Moreover, if Management is not successful in operating or integrating strategic acquisitions, the Corporation's business, results of operations and financial condition may be materially and adversely affected. While the Corporation is continually evaluating potential strategic acquisition candidates, there can also be no assurance that the Corporation will find such strategic acquisition candidates or if found, that an acquisition can be negotiated on acceptable terms to the Corporation.

In addition, 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 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.

### **Ability to Manage Changes in Demand**

The Corporation has expanded its business operations in recent years, which has placed significant demands on the Corporation's operating, management and financial control systems. This growth was followed by a period of rapid contraction resulting in headcount reductions at all areas of the Corporation. Failure to enhance such control systems or difficulties encountered during such periods of change 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 have experienced significant declines compared to their historical highs. This decline in commodity prices will 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.

### **Foreign Currency Exchange Rate Fluctuations**

The Corporation provides its services in international markets and many of these contracts are priced in currencies other than Canadian dollars. As a result, many of the operational and other expenses incurred by the Corporation are paid in currencies where operations are performed. The assets and liabilities of the Corporation are recorded in Canadian dollars. As a result, fluctuations in the foreign currencies against the Canadian dollar could result in unanticipated and material fluctuations in the financial results of the Corporation.

### **Proprietary Protection**

While the Corporation secures proprietary information regarding its technologies by having its employees, contractors and consultants sign an "Intellectual Property and Confidential 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 adverse market conditions, 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.

### **Multi-jurisdictional Tax Exposure**

The Corporation conducts airborne Geophysics 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.

### **Authorization to Issue an Unlimited Number of 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 and companies providing services to the commodity industry. 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.

### **Litigation**

The Corporation may be threatened from time to time with, or may be named as a defendant in, various legal proceedings, including lawsuits based upon negligence, personal injury, breach of contract and lost profits or other consequential damages claims, in the ordinary course of conducting its business. A significant judgment against the Corporation, or the imposition of a significant fine or penalty, as a result of a finding that the Corporation has failed to comply with laws or regulations could have a material adverse effect on the Company and its financial position, possibly affecting the price of its Common Shares.

### **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, 2009, there were 36,616,440 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.

### Compensation Options

On February 5, 2008, Aeroquest granted a total of 400,000 Compensation Options to the Underwriters in connection with the issuance of 6,666,667 Common Shares pursuant to the terms of the Underwriting Agreement. Each Compensation Option is exercisable for one Common Share at a price of \$3.00 until 5:00 p.m. (Toronto time) on February 5, 2010.

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

Holders of the Compensation Options do not have any voting right or other right or interest attaching to the underlying Common Shares until the Compensation Options are properly exercised and Common Shares issuable upon the exercise of the Compensation Options are issued. The holder of a Compensation Option may exercise such Compensation Option and purchase a number of Common Shares less than the number which the holder is entitled to purchase pursuant to the surrendered Compensation Option certificate. The holder is entitled to receive a new Compensation Option certificate in respect of the balance of the Common Shares which the holder was entitled to purchase pursuant to the surrendered Compensation Option certificate and which were then not purchased. No fractional Common Shares will be issued upon the exercise of Compensation Options.

The exercise price applicable to the Compensation Options and the number of Common Shares that may be purchased upon exercise of the Compensation Options may be adjusted upon the occurrence of certain events, as set out in the Compensation Option certificates (the "**Terms and Conditions of Compensation Options**"). No adjustment in the exercise price of the Compensation Options 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% to such exercise price, 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 Compensation Options and does not purport to be complete and is qualified in its entirety by reference to such Terms and Conditions of Compensation Options.

As at September 30, 2009, there were 400,000 Compensation Options 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, 2009, there were 2,030,833 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. As at September 30, 2009, there were 539,999 RSUs outstanding.

## MARKET FOR SECURITIES

### Trading Price and Volume

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

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

Month	High (\$)	Low (\$)	Volume (#)
October 2008	1.24	0.38	3,572,100
November 2008	0.52	0.30	2,019,500
December 2008	0.45	0.28	3,480,300
January 2009	0.54	0.355	1,278,800
February 2009	0.41	0.27	1,802,900
March 2009	0.35	0.27	1,093,100
April 2009	0.41	0.28	740,900
May 2009	0.58	0.36	606,200
June 2009	0.74	0.455	572,000
July 2009	0.495	0.335	933,900
August 2009	0.48	0.40	1,158,700
September 2009	0.65	0.45	817,200

## 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	Position or Office Held	Principal Occupation(s) during the past five years	Number of Common Shares Beneficially Owned or Controlled	Director Since
Roy Graydon 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 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.	1,722,832	November 10, 2005
John Barker <sup>(1)(2)(3)</sup> Burlington, ON, Canada	Director	On August 18, 2006 Mr. Barker was appointed as a Director of the Corporation. Mr. Barker is also a Director of EcoSynthetix Inc., a privately held company and a director of Titan Medical Inc., a company listed on the TSX-V. From 2000 to 2006, Mr. Barker was Senior Vice President and Chief Financial Officer of Zenon Environmental Inc., a TSX listed company.	93,878	August 18, 2006
Keith Morrison Oakville, ON, Canada	Director (Chair)	On October 13, 2006 Mr. Morrison was appointed as a Director of the Corporation. On August 17, 2008, he was elected chairman of the Board. Mr. Morrison is also currently a director and the CEO of Gedex Inc., a privately held company that develops airborne gravity gradiometer technology. Mr. Morrison served as CEO of Quantec Geoscience Limited, which provides ground geophysical services to the mining industry, from 1989 to 2005.	71,878	October 13, 2006
Gordon Bogden <sup>(1)(2)(3)</sup> Toronto, ON, Canada	Director	On January 16, 2008, Mr. Bogden was appointed as a Director of the Corporation. Mr. Bogden is currently a Managing Partner of Gryphon Partners, an independent investment bank with offices in Australia and Canada. Between 2003 and 2007, Mr. Bogden was previously the Vice Chairman, Global Metals and Mining, Corporate and Investment Banking, at National Bank Financial Inc. From 1990 to 2003, Mr. Bogden held positions of increasing responsibility with a number of Canadian-based investment dealers.	43,530	January 16, 2008
John Hick <sup>(1)(2)(3)</sup> Toronto, ON, Canada	Director	On December 5, 2008, Mr. Hick was appointed as a Director of the Corporation. Mr. Hick is currently the President and CEO and a director of Medoro Resources Ltd., He is also an independent director of a number of public companies, including, First Uranium Corporation, Carpathian Gold Inc., Hudson Resources Inc., Marengo Mining Ltd. and Timminco Limited. From 2004 to 2006, Mr. Hick was the CEO and then Vice Chairman of Rio Narcea Gold Mines Ltd., and between June 2003 and September 2004, he was the President and CEO of Defiance Mining Corp.	31,371	December 5, 2008

Name and Municipality of Residence	Position or Office Held	Principal Occupation(s) during the past five years	Number of Common Shares Beneficially Owned or Controlled	Director Since
Robert Motz, Mississauga, ON, Canada	Chief Financial Officer & Corporate Secretary	On June 26, 2008, Mr. Motz was appointed as Chief Financial Officer of the Corporation and on July 17, 2008, Mr. Motz was appointed Corporate Secretary. From 2003 until his appointment as Chief Financial Officer, Mr. Motz was Chief Financial Officer of Agility Logistics, Co., a Canadian subsidiary of a public company in the transportation and third party logistics business.	5,000	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, 2009, the directors and officers of the Corporation beneficially owned, as a group, directly or indirectly, 1,968,483 Common Shares of the Corporation, representing 5.4% 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, and except as discussed below, 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.

Mr. Hick was a director and non-executive Chairman of the Board of Tamaya Resources Limited, an Australian incorporated and ASX listed company, which made a Voluntary Appointment of an Administrator, Ernst & Young (Australia), as a result of becoming insolvent. The reasons for the insolvency are summarized in the Questionnaire and Report to the Administrators dated November 14, 2008, as filed with the Australian Stock Exchange. As a result of the Voluntary Administration, effective upon the appointment of the Administrators on October 26, 2008, the appointed Administrators immediately assumed all legal powers, rights and obligations of the directors of Tamaya and the directors had no legal rights with respect to the administration or management of Tamaya or 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 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.

On August 19, 2008 Aeroquest announced that it had been served by Geotech Ltd., Geotech Airborne Limited and Geo Equipment Manufacturing Ltd. (collectively, the "**Plaintiffs**") with a Statement of Claim filed in the Ontario Superior Court of Justice. The Plaintiffs' claim included fifty million dollars in general damages and one million dollars in punitive damages from Aeroquest, three of its Subsidiaries and another party for an alleged breach of contractual undertakings and misappropriation of certain confidential information.

On September 22, 2008, Aeroquest filed a Statement of Defence and Counterclaim in the Ontario Superior Court of Justice to the Statement of Claim of the Plaintiffs.

On March 3, 2009 Aeroquest announced that it entered into an agreement with the Plaintiffs to settle their claim and to settle the counterclaim filed against the Plaintiffs by Aeroquest. As part of the settlement, the Plaintiffs acknowledged that Aeroquest's helicopter-borne time domain electromagnetic systems branded as "AeroTEM systems" do not use any of their confidential information. Aeroquest did not pay any sum of money to the Plaintiffs, nor did Aeroquest agree to any restrictions on its operations as part of the settlement.

### **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 entered into since September 30, 2007, other than contracts entered into in the ordinary course of business:

- Arrangement Agreement
- Underwriting Agreement

### **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.

### **AUDIT COMMITTEE INFORMATION**

The Corporation has an audit committee (the "**Audit Committee**") to assist the Board in fulfilling their responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures of the Corporation, the adequacy of internal accounting controls and procedures and the quality and integrity of financial statements.

#### **Audit Committee Charter**

Set forth as Appendix "A" to this Annual Information Form is the full text of the Charter of the Audit Committee.

#### **Composition and Education**

As at September 30, 2009, the Audit Committee was composed of John Barker (Chair), John Hick and Gordon Bogden. In addition to each member's general business experience and experience listed above under the heading "Directors and Officers", the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as a member of the Audit Committee are as follows:

<b>Name</b>	<b>Relevant Education and Experience</b>
JOHN W.W. HICK .....	Mr. Hick has a Bachelor of Arts degree from the University of Toronto and LLB from the University of Ottawa and is currently the CEO of Medoro Resources Ltd., as well as a corporate director of a number of public companies. In his previous roles as President and/or Chief Executive Officer of a number of public companies, he had direct involvement in and responsibilities for the financial results and reporting. Mr. Hick has served or is currently serving on the audit committees of a number of public companies.
JOHN BARKER .....	Mr. Barker is the Chair of the Audit Committee and is a Certified Management Accountant and was awarded Fellow of the Society of Management Accountants in 2006. Mr. Barker, who has held previous positions as CFO in public as well as private companies, has a Bachelor of Arts degree in Business and also sits on the Board of Directors and the Audit Committee of a private corporation and of another publicly traded corporation.
GORDON BOGDEN .....	Mr. Bogden is an Institute Certified Director, a designation received from the Rotman School of Management (University of Toronto) and was professionally employed as an investment banker for over 19 years, which involved close scrutiny of financial statements for publicly-traded companies.

The Board has determined that each member of the Audit Committee is “independent” and “financially literate” as defined in Multilateral Instrument 52-110 – *Audit Committees*.

#### **Reliance on Certain Exemptions**

At no time since September 30, 2008 has the Corporation relied on any exemptions set forth in Multilateral Instrument 52-110 — *Audit Committees*.

#### **Pre-approval Policies and Procedures**

The Audit Committee approves, on a case by case basis, all non-audit services provided to the Corporation thereof by the Corporation’s external auditors, BDO Dunwoody LLP.

#### **External Auditor Service Fees (By Category)**

The fees paid or payable by the Corporation to BDO Dunwoody LLP, the Corporation’s external auditors, for each of the last two fiscal years of the Corporation for audit and non-audit services were as follows:

	<b>Fiscal Year ended September 30, 2009 (\$)</b>	<b>Fiscal Year ended September 30, 2008 (\$)</b>
<b>BDO Dunwoody LLP</b>		
Audit Fees <sup>(1)</sup> .....	90,000	106,050
Audit-Related Fees <sup>(2)</sup> .....	10,000	25,000
Tax Fees <sup>(3)</sup> .....	5,000	5,000
All Other Fees <sup>(4)</sup> .....	54,543	38,000
<b>Total</b> .....	<b>159,543</b>	<b>174,050</b>

#### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation may be accessed through the SEDAR website at [www.sedar.com](http://www.sedar.com) or through the Corporation’s website at [www.aeroquest.ca](http://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, 2009. Copies of any documents may also be obtained upon request to the Chief Executive Officer of the Corporation.

## APPENDIX “A”

### Audit Committee Charter

The Audit Committee is established to assist the board of directors of the Corporation (the “Board”) in fulfilling its oversight responsibilities with respect to the accounting and financial reporting processes of the Corporation and external audits of the Corporation’s consolidated financial statements. In that regard, the Audit Committee shall:

1. Satisfy itself on behalf of the Board with respect to the Corporation’s internal control systems including identifying, monitoring and mitigating business risks as well as compliance with legal, ethical and regulatory requirements. The Audit Committee shall also review with management, the external auditor and, if necessary, legal counsel, any litigation, claim or other contingency (including tax assessments) that could have a material effect on the financial position or operating results of the Corporation (on a consolidated basis), and the manner in which these matters may be, or have been, disclosed in the financial statements;
2. Review with management and the external auditor the annual consolidated financial statements of the Corporation, the reports of the external auditor thereon and related financial reporting, including Management’s Discussion and Analysis and earnings press releases (collectively, “Annual Financial Disclosure”) prior to their submission to the Board for approval. This process should include, but not be limited to:
  - a. reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future year’s financial statements;
  - b. reviewing significant accruals, reserves or other estimates;
  - c. reviewing accounting treatment of unusual or non-recurring transactions;
  - d. reviewing disclosure requirements for commitments and contingencies;
  - e. reviewing financial statements and all items raised by the external auditor, whether or not included in the financial statements; and
  - f. reviewing unresolved differences between the Corporation and the external auditor.

Following such review, the Audit Committee shall recommend to the Board for approval all Annual Financial Disclosure;

3. Review with management all interim consolidated financial statements of the Corporation and related financial reporting including Management’s Discussion and Analysis and earnings press releases (collectively “Quarterly Financial Disclosure”) and approve all Quarterly Financial Disclosure;
4. Be satisfied that adequate procedures are in place for the review of the Corporation’s public disclosure of financial information extracted or derived from the Corporation’s financial statements, other than Annual Financial Disclosure or Quarterly Financial Disclosure, and shall periodically assess the adequacy of those procedures;
5. Review with management and recommend to the Board for approval, any financial statements of the Corporation which have not previously been approved by the Board and which are to be included in a prospectus of the Corporation;
6. Review with management and recommend to the Board for approval, the Corporation’s Annual Information Form (if any);
7. With respect to the external auditor:

- a. receive all reports of the external auditor directly from the external auditor;
- b. discuss with external auditor:
  - 1. critical accounting policies;
  - 2. alternative treatments of financial information within GAAP discussed with management (including the ramifications thereof and the treatment preferred by the external auditor); and
  - 3. other material, written communication between management and the external auditor;
- c. consider and make a recommendation to the Board as to the appointment or reappointment of the external auditor, being satisfied that such auditor is a participant in good standing pursuant to applicable securities laws;
- d. review the terms of engagement of the external auditor, including the appropriateness and reasonableness of the auditor's fees and make a recommendation to the Board as to the compensation of the external auditor;
- e. when there is to be a replacement of the external auditor, review with management the reasons for such replacement and the information to be included in any required notice to securities regulators and recommend to the Board for approval the replacement of the external auditor along with the content of any such notice;
- f. oversee the work of the external auditor in performing its audit or review services and oversee the resolution of any disagreements between management and the external auditor;
- g. review and discuss with the external auditor all significant relationships that the external auditor and its affiliates have with the Corporation and its affiliates in order to determine the external auditor's independence, including, without limitation:
- h. requesting, receiving and reviewing, on a periodic basis, written or oral information from the external auditor delineating all relationships that may reasonably be thought to bear on the independence of the external auditor with respect to the Corporation;
- i. discussing with the external auditor any disclosed relationships or services that the external auditor believes may affect the objectivity and the independence of the external auditor; and
- j. recommending that the Board take appropriate action in response to the external auditor's information to satisfy itself of the external auditor's independence;
- k. as may be required by applicable securities laws, rules and guidelines, either:
  - 1. pre-approve all non-audit services to be provided by the external auditor to the Corporation (and its subsidiaries, if any), or, in the case of de minimis non-audit services, approve such non-audit services prior to the completion of the audit; or
  - 2. adopt specific policies and procedures for the engagement of the external auditor for the purposes of the provision of non-audit services;
  - 3. review and approve the hiring policies of the Corporation regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation;

8.
  - a. establish procedures for:
    1. the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
    2. the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters; and
  - b. review with external auditor its assessment of the internal controls of the Corporation, its written reports containing recommendations for improvement, and the Corporation's response and follow-up to any identified weaknesses;
9. With respect to risk management, be satisfied that the Corporation has implemented appropriate systems of internal control over financial reporting (and review senior management's assessment thereof) to ensure compliance with any applicable legal and regulatory requirements;
10. Review annually with management and the external auditor and report to the Board on insurable risks and insurance coverage; and
11. Engage independent counsel and other advisors as it determines necessary to carry out its duties and set and pay the compensation for any such advisors.