



Aeroquest International Limited

Unaudited Consolidated Financial Statements

For the three and nine months ended June 30, 2009.

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited financial statements for the period ended June 30, 2009.

Consolidated Balance Sheets (Unaudited – Prepared by Management)

	As at	Jun. 30, 09 (Unaudited)	Sep. 30, 08 (Audited)
Assets			
Current			
Cash and cash equivalents (Note 1)		\$ 8,001,020	\$ 15,373,132
Accounts receivable		2,435,513	8,640,293
Income taxes recoverable		1,917,565	-
Unbilled contracts in progress		672,849	2,169,861
Inventory		157,028	132,853
Prepaid expenses and deposits		1,391,393	640,875
Total current assets		14,575,368	26,957,014
Long term			
Long term investments		99,138	30,501
Capital assets (Note 2)		13,070,653	10,890,000
Intangible assets (Note 3)		19,192,397	19,847,842
Goodwill (Notes 4, 5)		12,800,843	11,662,115
Future income taxes (Note 10)		501,380	152,584
Total long term assets		45,664,411	42,583,042
	Total Assets	\$ 60,239,779	\$ 69,540,056
Liabilities and Shareholders' Equity			
Current			
Accounts payable and accrued liabilities		\$ 3,394,381	\$ 5,946,706
Income taxes payable		-	1,083,701
Deferred revenue		450,080	3,274,382
Capital lease obligations (Note 7)		353,617	321,426
Total current liabilities		4,198,078	10,626,215
Long term			
Capital lease obligations (Note 7)		252,344	469,575
Future income taxes (Note 10)		6,526,985	6,640,227
Total liabilities		10,977,407	17,736,017
Shareholders' equity			
Share capital (Note 9)		46,827,533	46,506,445
Contributed surplus (Note 9)		2,371,215	2,411,281
Accumulated other comprehensive income (loss)		1,296,182	(1,794,758)
Retained earnings/(deficit)		(1,232,558)	4,681,071
Total shareholders' equity		49,262,372	51,804,039
	Total Liabilities and Shareholders' Equity	\$ 60,239,779	\$ 69,540,056

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Consolidated Statements of Operations (Unaudited – Prepared by Management)

For the period	Three months ended		Nine months ended	
	Jun. 30, 09	Jun. 30, 08	Jun. 30, 09	Jun. 30, 08
Sales	\$ 3,651,233	\$14,537,044	\$ 22,912,163	\$ 39,027,862
Cost of sales	3,217,445	8,933,278	16,297,300	23,433,834
Gross profit	433,788	5,603,766	6,614,863	15,594,028
Expenses and other items				
General and administrative (Note 17)	2,294,909	2,641,229	9,728,343	7,061,986
Foreign exchange (gain)/loss	690,546	135,940	(540,105)	103,790
Stock based compensation expense	108,406	173,209	348,066	729,171
Amortization of intangible assets	785,262	1,155,666	2,417,790	3,226,554
Depreciation of capital assets	1,155,384	907,751	2,967,848	2,074,221
Total operating expenses	5,034,507	5,013,795	14,921,942	13,195,722
Operating profit (loss)	(4,600,719)	589,971	(8,307,079)	2,398,306
Interest income	(23,408)	(128,630)	(198,151)	(419,834)
Interest expense	18,869	17,685	51,973	297,363
Income (loss) before income taxes	(4,596,180)	700,916	(8,160,901)	2,520,777
Income taxes (Note 10)				
Current	(850,004)	751,780	(1,420,099)	2,350,698
Future (recovery)	(247,229)	(354,987)	(775,087)	(1,070,287)
Total income tax	(1,097,233)	396,793	(2,195,186)	1,280,411
Net income (loss) for the period	\$ (3,498,947)	\$ 304,123	\$ (5,965,715)	\$ 1,240,366
Earnings (loss) per share (Note 11)				
Basic	\$ (0.10)	\$ 0.01	\$ (0.17)	\$ 0.04
Fully diluted	\$ (0.10)	\$ 0.01	\$ (0.17)	\$ 0.03

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Consolidated Statements of Retained Earnings/Deficit (Unaudited – Prepared by Management)

For the period	Three months ended		Nine months ended	
	Jun. 30, 09	Jun. 30, 08	Jun. 30, 09	Jun. 30, 08
Retained earnings, beginning of period	\$ 2,266,389	\$ 3,280,994	\$ 4,681,071	\$ 2,758,967
Excess of purchase price over cost on redemption of shares (Note 9)	-	(211,167)	52,086	(625,383)
Net income (loss)	(3,498,947)	304,123	(5,965,715)	1,240,366
Retained earnings/(deficit) , end of period	\$ (1,232,558)	\$ 3,373,950	\$ (1,232,558)	\$ 3,373,950

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Consolidated Statements of Comprehensive Income

For the period	Three months ended		Nine months ended	
	Jun. 30, 09	Jun. 30, 08	Jun. 30, 09	Jun. 30, 08
Net Income (loss) for the period	\$ (3,498,947)	\$ 304,123	\$ (5,965,715)	\$ 1,240,366
Revaluation of long term investments to fair market value (Net of tax \$ (46,930), 2008 - \$1,478)	(99,726)	(3,000)	68,637	(28,000)
Unrealized gain(loss) on translation of self-sustaining foreign operations (Note 20)	1,208,749	385,873	3,022,303	2,544,548
Total Other Comprehensive Income (loss)	1,109,023	382,873	3,090,940	2,516,548
Total Comprehensive Income (loss)	\$ (2,389,924)	\$ 686,996	\$ (2,874,775)	\$ 3,756,914
Accumulated Other Comprehensive Income (loss):				
Revaluation of long term investments to fair market value	\$77,557	\$ 44,000	\$ 77,557	\$ 44,000
Unrealized gain(loss) on translation of self-sustaining foreign operations	1,218,625	3,086,539	1,218,625	3,086,539
Total Accumulated Other Comprehensive Income (loss)	\$ 1,296,182	\$ 3,130,539	\$ 1,296,182	\$ 3,130,539

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Consolidated Statements of Cash Flow (Unaudited – Prepared by Management)

For the period	Three months ended		Nine months ended	
	Jun. 30, 09	Jun. 30, 08	Jun. 30, 09	Jun. 30, 08
Cash provided by (used in)				
Operating activities				
Net income (loss) for the period	\$ (3,498,947)	\$ 304,123	\$ (5,965,715)	\$ 1,240,366
Operating items not requiring cash				
Amortization of intangible assets	785,262	1,155,666	2,417,790	3,226,554
Depreciation of capital assets	1,155,384	907,751	2,967,848	2,074,221
Future income taxes (recovery)	(247,229)	(354,987)	(775,087)	(1,070,287)
Interest accretion on promissory notes	-	-	-	221,213
Stock based compensation	108,406	173,209	348,066	729,171
Loss/(gain) on disposal of capital assets	-	(86,275)	-	(135,751)
Operating cash flow before changes in non-cash working capital	(1,697,124)	2,099,487	(1,007,098)	6,285,487
Changes in non cash working capital	(188,061)	677,731	(1,450,794)	(555,901)
Total cash flow from operating activities	(1,885,185)	2,777,218	(2,457,891)	5,729,586
Investing activities				
Capital asset purchases	(550,603)	(1,883,266)	(4,678,509)	(5,057,268)
Proceeds from sale of equipment	-	187,710	-	421,050
Mineral rights acquired	-	-	(35,958)	-
Cash cost of acquisition (Notes 4a & 4b)	-	(34,125)	-	(2,150,741)
Total cash flow from investing activities	(550,603)	(1,729,681)	(4,714,468)	(6,786,959)
Financing activities				
Promissory note payments	-	-	-	(5,337,600)
Capital lease payments	(42,091)	(44,840)	(184,796)	(273,899)
Aeroquest shares redeemed	-	(611,282)	(56,815)	(1,426,650)
Proceeds: issuance of common shares	41,857	334,615	41,857	19,648,147
Total cash flow from financing activities	(234)	(321,507)	(199,754)	12,609,998
Net change in cash and cash equivalents for the period	\$ (2,436,022)	\$ 726,030	\$ (7,372,113)	\$ 11,552,625
Cash and cash equivalents, beginning of period	10,437,041	16,225,372	15,373,132	5,398,777
Cash and cash equivalents, end of period	\$ 8,001,019	\$ 16,951,402	\$ 8,001,019	\$ 16,951,402

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Supplementary Information in Note 15

Aeroquest International Limited



Consolidated Statements of Shareholders' Equity (Unaudited – Prepared by Management)

For the nine months ended June 30, 2009

	Share Capital	Contributed Surplus	Retained Earnings/ (Deficit)	Accumulated Other Comp. Income (loss) (Note 20)	Total Shareholders' Equity
Balance Sep. 30, 08	\$ 46,506,445	\$ 2,411,281	\$ 4,681,071	\$ (1,794,758)	\$ 51,804,039
Aeroquest shares purchased for cancellation	(104,240)	(4,661)	52,086		(56,815)
Net income for the period			(5,965,715)		(5,965,715)
Stock based compensation expense		348,066			348,066
Share issuances pursuant to vested restricted stock units	368,503	(368,503)			-
Share issuances pursuant to stock options exercised	56,825	(14,968)			41,857
Unrealized gain (loss) on translation of self sustaining foreign operations				3,022,303	3,022,303
Revaluation of long term investments to fair market value				68,637	68,637
Balance Jun. 30 09	\$ 46,827,533	\$ 2,371,215	\$ (1,232,558)	\$ 1,296,182	\$ 49,262,372

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Summary of Significant Accounting Policies June 30, 2009 and September 30, 2008

Nature of Business

Aeroquest International Limited is incorporated under the Ontario Business Corporations Act. The Company is a public company trading on the TSX as of July 24, 2008 under the trading symbol AQL. Prior to that date, the Company's shares traded on the TSX-V.

The Company's wholly owned subsidiaries, Aeroquest Limited, UTS Geophysics, Aeroquest (UK) Limited and Aerokaz LLP are engaged in the operation of providing airborne geophysical services to the mining, oil & gas, environmental and geologic engineering industries as well as government agencies worldwide.

The Company acquired 100% of the voting shares of UTS Geophysics on July 3, 2007. UTS Geophysics is incorporated in Australia and has been in operation since 1992. Its head office is located at Perth Airport, Western Australia. On December 31, 2007, the Company acquired 100% of the voting shares of Geophex Ltd. Geophex manufactures and sells primarily ground-based geophysical instruments, and also supplies institutions and private entities with specialized survey equipment on a contract-to-build basis. Geophex has established a particular expertise in special and customized geophysical investigations, especially as it relates to environmental projects.

The Company's wholly owned subsidiary, Aeroquest (UK) Limited is incorporated under the laws of England and Wales. The Company's wholly owned subsidiary, Aerokaz LLP is incorporated under the laws of Kazakhstan.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Aeroquest Limited, UTS Geophysics, Aeroquest (UK) Limited, Geophex Limited and Aerokaz LLP. All significant inter-company transactions and balances have been eliminated on consolidation.

Certain comparative figures have been reclassified to conform to the presentation adopted for the current period.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the determination of potential impairments of intangibles and goodwill, the valuation of future income tax assets and liabilities, rates for amortization of property, plant and equipment, the fair value of stock-based compensation and other stock based payments, and provisions for inventory and accounts receivable.

Revenue Recognition

The Company's revenue recognition policy is to recognize revenue on a percentage of completion basis.

Summary of Significant Accounting Policies June 30, 2009 and September 30, 2008

MOBILIZATION CHARGES – Mobilization charges are recognized as revenue at the time the Company commences mobilization to a new job site. The related costs of mobilization are included in cost of sales.

SURVEY REVENUE – Survey revenue is recognized over the period of the contract at the rate of 95 per cent of the established per kilometer survey rate for every kilometer actually flown and accepted during the survey. The final five percent of survey revenue is recognized upon completion and shipment of the final report to the customer.

STANDBY CHARGES – Standby charges are recognized as revenue as standby days are incurred. The related costs of standby are included in cost of sales.

SALE OF EQUIPMENT - Revenue on sale of equipment is recognized when title transfers to the customer as defined in the sales agreement. The cost of the equipment sold is capitalized to work in process until revenue on the sale of the equipment is recognized and then costs are recognized in cost of sales.

In all cases, revenue is recognized only when the amounts are fixed and determinable and when the Company can be reasonably assured of collection. Unbilled contracts in process represent the difference between revenue recognized on a percentage completion basis for contracts in process and that billed on the contract.

Foreign Currency Translation

The Company's functional currency is the Canadian dollar. Foreign currency accounts are translated into Canadian dollars as follows: At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars at the monthly average exchange rate. At the period end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in income in the current period.

The accounts of self-sustaining foreign operations are translated at period end exchange rates, and revenues and expenses are translated at monthly average exchange rates. Differences arising from these foreign currency translations are recorded in shareholders' equity as accumulated other comprehensive income until they are realized by a reduction in the investment.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short-term interest-bearing securities with maturities at the date of purchase of three months or less.

Inventories

Inventories are valued at the lower of cost, determined on a first-in, first-out basis, and market. For raw materials, market is defined as replacement cost; for work-in-process and finished goods, market is defined as net realizable value.

Long-term Investments

Long-term investments are classified as available-for-sale financial assets and measured at fair value with subsequent gains and losses included in other comprehensive income until the asset is removed from the balance sheet.

The Company owns shares in a number of Canadian public companies.

Capital Assets

Capital assets are stated at cost less accumulated depreciation. Cost is net of related investment tax credits and government grants. Depreciation based on the estimated useful life of the asset is calculated as follows:

Airborne and geophysical equipment	30% diminishing balance
Automotive equipment	30% diminishing balance
Data processing equipment	30% diminishing balance
Office equipment	20% diminishing balance
Leasehold improvements	shorter of estimated economic life or lease term

Summary of Significant Accounting Policies June 30, 2009 and September 30, 2008

Included in capital assets are Company owned data libraries. The Company creates data libraries and capitalizes the costs incurred. Created libraries may be acquired without pre-sale commitments or with pre-sale commitments that include an exclusive data use period. Created libraries, without pre-sale commitments, are amortized on a straight-line basis over a four year period. Created data libraries, with a pre-sale commitment are initially expensed to cost of sales at 60% on delivery of data to the customer with the remaining balance amortized on a straight line basis over the next four year period commencing a year from the delivery date.

Intangible Assets and Other Long-Lived Assets

Intangible assets are amortized over the useful life of the underlying asset. No amortization is recorded where the asset has an infinite life or is not determinable. Any intangible assets not subject to amortization are tested annually for any impairment. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which carrying amounts of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

Amortization is recorded on a straight line basis over the estimated useful life of the assets as follows:

Customer relationships	7 years
Technology	7 years
Sales backlog	1 year
Trade name	Not amortized

Goodwill

Goodwill represents the difference between the price paid and the fair value attributed to tangible and intangible assets upon the acquisition of businesses. Goodwill is not amortized but tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. The impairment test first consists of a comparison of the fair value (using undiscounted cash flows) of the reporting unit to which goodwill is assigned with its carrying amount. When the carrying amount of a reporting unit exceeds its fair value, the fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. Any impairment loss is charged to earnings in the period in which the loss is incurred. The Corporation uses the discounted cash flow method to determine the fair value of reporting units.

Research and Development

All research costs are charged to operations in the year of expenditure. Development costs are only capitalized if they meet the criteria for capitalization and are then amortized over the period of the expected life. Development costs are written off when there is no longer expectation of future benefits. Any investment tax credits received for these costs are offset against the related expenses and recognized when there is reasonable assurance that the credits will be realized.

Income Taxes

The Company follows the asset and liability method of tax allocation in accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws expected to be in effect when the differences are realized.

Stock Based Compensation

Liabilities incurred or other compensation arrangements that are based on the price of common stock, are measured at fair value at each reporting date, with the change in fair value reported in the statement of operations.

The Company uses the fair value based method of accounting for all its stock based compensation including restricted stock units. Accordingly, the fair value method of accounting is applied for stock options and restricted

Summary of Significant Accounting Policies June 30, 2009 and September 30, 2008

stock units granted to directors, officers, employees and consultants whereby the fair value of options granted is recognized over the vesting period. When the awards are exercised, share capital is credited by the sum of the consideration paid together with the related portion previously credited to contributed surplus.

Financial Instruments

All financial assets and liabilities to be classified into one of the following five categories: held-for-trading; held-to-maturity; loans and receivables; available-for-sale financial assets; and other financial liabilities. All financial instruments, including derivatives, are measured on the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and recognition of the changes in fair value of financial instruments depends upon their initial classifications, as follows:

HELD-FOR-TRADING FINANCIAL ASSETS - are measured at fair value with subsequent changes in fair value recognized in current period net income;

HELD-TO-MATURITY ASSETS, LOANS AND RECEIVABLES AND OTHER FINANCIAL LIABILITIES – are initially measured at fair value and subsequently measured at amortized cost with changes recognized in current period net income;

AVAILABLE-FOR-SALE FINANCIAL ASSETS - are measured at fair value with subsequent gains and losses included in other comprehensive income until the asset is removed from the balance sheets; and

DERIVATIVE FINANCIAL INSTRUMENTS - are classified as held-for-trading financial instruments and measured at fair value, with respect to gains and losses in the current period income.

Aeroquest designates its cash and cash equivalents as held-for-trading, its accounts receivable as loans and receivables, and its accounts payables and accruals as other financial liabilities and long term investments as available for sale financial assets. Promissory notes are designated as other financial liabilities.

Comprehensive income represents the changes in the value of the net assets from non-owner sources. Other comprehensive income refers to items that are recognized in the comprehensive income but excluded from net income calculated in accordance with Canadian generally accepted accounting principles until such time as it is considered appropriate to recognize them in net income.

CHANGES IN ACCOUNTING POLICIES

On October 1, 2007, the Company adopted new Canadian accounting standards for financial instruments disclosures and presentation, sections 3862 and 3863, which require the Company to increase disclosure on the nature, extent and risk arising from the financial instruments and how the entity manages those risks (See Note 17).

On October 1, 2007, the Company adopted new Canadian accounting standards for capital management which specifies the disclosure of an entity's objectives, policies and procedures for managing capital, quantitative data about what it manages as capital, any externally imposed capital requirements and the consequences of non-compliance (Note 18).

In February 2008, the CICA issued Section 3064, Goodwill and intangible assets, replacing Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new Section is applicable to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The results of operations of the Company were not materially affected by these new pronouncements.

Summary of Significant Accounting Policies June 30, 2009 and September 30, 2008

FUTURE ACCOUNTING PRONOUNCEMENTS

Harmonization of Canadian and International Financial Reporting Standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian public and publicly accountable companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over a five year period ended in 2011. On May 9, 2008, the Canadian Securities Administrators issued CSA Staff Notice 52-320 which provided guidance on disclosure related to each financial reporting period in the three years before the first year for which a public company prepares its financial statements in accordance with IFRS. As the Company will begin reporting its financial statements under IFRS in our September 30, 2012 fiscal year, the staff notice requires disclosure on the key elements and timing of its IFRS changeover plan beginning in this interim MD&A.

There are several phases to that the Company will have to complete on the path to implementing IFRS:

- The initial impact assessment and scoping phase including the identification of significant differences between existing Canadian GAAP and IFRS as relevant to the Company’s specific instance;
- The key elements phase including the identification, evaluation and selection of accounting policies necessary for the changeover to IFRS. As well, this phase includes other operational elements such as information technology, internal control over financial reporting and training;
- Finally, the embedding phase that will integrate the solutions into the Company’s underlying financial systems and processes that are necessary for the Company to changeover to IFRS.

The Company has engaged third party consultants to assist in this process. As of December 31, 2008, the Company has begun the initial impact assessment phase. However, the Company is not yet in a position to quantify the result (if any) of this study but will continue to report on this process in subsequent MD&A.

Notes To Consolidated Financial Statements June 30, 2009 and September 30, 2008

1. Cash and Cash Equivalents

Cash is comprised of the following denominations:

	Jun. 30, 2009	Sep. 30, 2008
Canadian Dollars	\$ 6,743,457	\$ 11,359,010
United States Dollars	509,685	2,432,422
Australian Dollars	701,266	1,712,616
Kazakhstan Tenge	245,488	245,488

2. Capital Assets

	Cost	Jun. 30, 2009 Accumulated Depreciation	Net Book Value	Sep. 30, 2008 Net Book Value
Airborne and geophysical equipment	\$ 18,327,371	\$ 7,795,975	\$ 10,531,396	\$ 8,985,883
Automotive equipment	632,053	402,363	229,690	290,832
Data processing equipment	722,222	396,311	325,911	310,926
Leasehold improvements	342,848	125,638	217,210	266,546
Office equipment	890,230	308,843	581,387	614,692
Data libraries	399,303	-	399,303	-
Equipment in process	785,756	-	785,756	421,121
	\$22,099,783	\$ 9,029,130	\$ 13,070,653	\$ 10,890,000

Equipment in process relates to airborne equipment that was not ready for use at period end.

Included in the above are assets under capital lease as follows:

	Jun. 30, 2009			Sep. 30, 2008
	Cost	Accum. Depreciation	Net Book Value	Net Book Value
Airborne and geophysical equipment	\$ 1,628,342	\$ 849,311	\$ 779,031	\$ 904,198

Depreciation for assets under capital lease was \$49,737 and \$142,284 for the three and nine months ending June 30, 2009 compared to \$70,562 and \$182,294 for the three and nine months ending June 30, 2008 respectively.

**Notes To Consolidated Financial Statements
June 30, 2009 and September 30, 2008**

3. Intangible Assets

Certain intangible assets were acquired as part of the acquisition of UTS (See Note 4). These intangible assets have been identified and recorded at their fair values as of the date of the acquisition.

UTS		Jun. 30, 2009			Sep. 30, 2008
Intangible Asset	Amort. Period (Years)	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Customer relationships	7	\$ 13,055,648	\$ 3,730,187	\$ 9,325,461	\$ 9,753,913
Technology	7	6,129,600	1,751,314	4,378,286	4,579,440
Sales backlog	1	928,853	928,853	-	-
Trade name	N/A	1,834,949	-	1,834,949	1,668,916
		\$ 21,949,050	\$ 6,410,354	\$ 15,538,696	\$ 16,002,269

Certain intangible assets were acquired as part of the acquisition of Geophex (See Note 4). These intangible assets have been identified and recorded at their fair values as of the date of the acquisition.

Geophex		Jun. 30, 2009			Sep. 30, 2008
Intangible Asset	Amort. Period (Years)	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Customer relationships	7	\$ 2,698,375	\$ 578,223	\$ 2,120,152	\$ 2,204,591
Technology	7	1,055,886	226,261	829,625	862,666
Sales backlog	1	586,603	586,603	-	134,192
Trade name	N/A	703,924	-	703,924	644,124
		\$ 5,044,788	\$ 1,391,087	\$ 3,653,701	\$ 3,845,573

Consolidated intangible assets are comprised of the following:

Consolidated		Jun. 30, 2009			Sep. 30, 2008
Intangible Asset	Amort. Period (Years)	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Customer relationships	7	\$ 15,754,023	\$ 4,308,410	\$ 11,445,613	\$ 11,958,504
Technology	7	7,185,486	1,977,575	5,207,911	5,442,106
Sales backlog	1	1,515,456	1,515,456	-	134,192
Trade names	N/A	2,538,873	-	2,538,873	2,313,040
		\$ 26,993,838	\$ 7,801,441	\$ 19,192,397	\$ 19,847,842

Notes To Consolidated Financial Statements June 30, 2009 and September 30, 2008

4. Business Acquisitions

a) On July 3, 2007, the Company acquired 100% of the outstanding share capital of UTS Geophysics Pty Ltd. for a total consideration of CAD\$25,005,331 (of which \$6,900 was incurred in fiscal 2008) which includes direct costs related to the acquisition of \$277,181. The total consideration paid is made up of the following:

Cash, net of cash acquired	\$ 7,050,796
Acquisition costs	277,181
Cash cost of acquisition	7,327,977
Shares of Aeroquest International (6,800,000 shares @ \$2.15)	14,620,000
Promissory note	3,057,354
Total Purchase Price	\$ 25,005,331

The acquisition has been accounted for under the purchase method of accounting and the results of operations have been included in the consolidated statements of operations, effective from the acquisition date. The process of valuing certain assets acquired has now been finalized and has resulted in several changes in the allocation of the purchase price between those estimated at September 30, 2007 and the final allocation at September 30, 2008. The details of the consideration given and the fair value of net assets acquired, in Canadian dollars, are as follows:

Net Assets Acquired at Fair Values:

Cash	\$ 2,140,180
Accounts receivable	3,097,521
Unbilled contracts in progress	1,361,239
Capital assets	3,432,000
Future income taxes	(6,652,200)
Accounts payable and accruals	(3,972,024)
Capital lease obligations	(1,110,557)
Income taxes payable	(1,327,873)
Intangible assets	21,220,000
Goodwill	8,957,225
Total net assets acquired, net of cash	\$ 25,005,331

Notes To Consolidated Financial Statements June 30, 2009 and September 30, 2008

b) On December 31, 2007, the Company acquired 100% of the outstanding share capital of Geophex Ltd. for a total consideration of CAD\$6,096,049, which includes direct costs related to the acquisition of \$208,364. The total consideration paid is made up of the following:

Cash, net of cash acquired	\$ 1,942,377
Acquisition costs	208,364
Cash cost of acquisition	2,150,741
Shares of Aeroquest International (585,883 shares @ \$3.35)	1,962,708
Promissory note	1,982,600
Total Purchase Price	\$ 6,096,049

The acquisition has been accounted for under the purchase method of accounting and the results of operations have been included in the consolidated statements of operations, effective from the acquisition date. The process of valuing certain assets acquired has now been finalized. The details of the consideration given and the fair value of net assets acquired, in Canadian dollars, are as follows:

Net Assets Acquired at Fair Values:

Cash	\$ 40,223
Accounts receivable	19,658
Inventory	261,208
Capital assets	198,260
Future income taxes	(1,657,650)
Accounts payable and accruals	(36,630)
Intangible assets	4,300,000
Goodwill	3,011,203
Total net assets acquired, net of cash	\$ 6,096,049

Notes To Consolidated Financial Statements June 30, 2009 and September 30, 2008

5. Goodwill

Goodwill has been acquired as part of the acquisitions of UTS Geophysics and Geophex Limited.

	Jun. 30, 2009	Sep. 30, 2008
Goodwill, beginning of period	\$ 11,662,115	\$ 8,965,370
Acquisitions	-	3,011,203
Adjustments to purchase price	-	(241,883)
Foreign currency translation gain/(loss)	1,138,728	(72,575)
Goodwill, end of period	\$12,800,843	\$ 11,662,115

6. Promissory Notes

a) As part of the acquisition of UTS, the Company entered into unsecured subordinated promissory note agreements with the vendors for a total value of \$3,355,000. The promissory notes were non-interest bearing for the first year and then would bear interest at an annual rate of 10% calculated on a simple basis, payable semi-annually in arrears on June 30 and December 31 of each year. The promissory notes mature on June 30, 2011 and call for principal payments of \$838,750 on June 30 2008 and each year thereafter until June 30, 2011.

The notes were discounted at a rate of 10% to \$3,057,354, which represents the fair value of the notes at the date of acquisition. The Company covenanted that it would not borrow or guarantee any indebtedness other than operating lines of credit and any credit facility or other indebtedness in existence at the time of the promissory notes without the consent of the note holders. As well, any cash proceeds from the issuance of any securities to the public or upon the exercise of any warrants existing as of the date of the note were to go to repay the latest scheduled principal payment outstanding. Included in the balance was \$2,488,168 due to related parties.

These notes were paid in full in February 2008. In the quarter ending March 31, 2008 we recognized interest accretion of \$78,345.

b) As part of the acquisition of Geophex Ltd. the Company entered into an unsecured promissory note agreement with the vendor. The promissory note was for USD \$2,000,000 due July 1, 2008 with interest calculated at 7.5% per annum. This promissory note was paid in full in March 2008 with accrued interest of \$27,030.

7. Capital Lease Obligations

Finance leases are established for the purchase of capital assets with terms ranging from 1 to 5 years. The lease obligations are capitalized at the lease inception at the lower of fair value of the leased property and the present value of the minimum lease payments. The weighted average interest rate implicit in the leases is 7.81% (2008 – 7.63%).

Notes To Consolidated Financial Statements June 30, 2009 and September 30, 2008

Commitments in relation to capital leases are payable as follows:

	Jun. 30, 2009	Sep. 30, 2008
Within one year	\$ 388,241	\$ 372,208
Later than one year but not later than five years	262,229	499,777
Minimum lease payments	650,470	871,985
Future finance charges	(44,509)	(80,984)
Recognized as a liability	\$ 605,961	\$791,001
Representing Capital Lease Obligations		
Current	353,617	321,426
Long term	252,344	469,575
	\$ 605,961	\$ 791,001

8. Operating Lease Commitments

The Company has several operating leases for premises. The lease payments range from \$1,050 per month to \$16,000 per month. Leases expire in July 2010, January, February and December 2012 and November 2013.

The minimum annual lease payments for the next five years are as follows:

2009	\$ 144,544
2010	547,780
2011	537,360
2012	353,824
2013	113,598
	\$ 1,697,106

Notes To Consolidated Financial Statements June 30, 2009 and September 30, 2008

9. Share Capital

a. Authorized

Unlimited number of voting common and non-voting preferred shares.

b. Issued and Outstanding – Common Shares

	Jun. 30, 2009		Sep. 30, 2008	
	Qty	Amount	Qty	Amount
Share capital, opening	33,514,974	\$ 46,506,445	27,310,273	\$ 27,403,594
Shares issued on exercise of stock options	80,001	56,825	119,832	169,040
Shares issued on vesting of RSU's	173,335	368,503	30,001	22,500
Issuance of common shares for cash	-	-	6,666,667	20,000,000
Issuance of common shares from exercise of broker warrants	-	-	374,168	968,031
Issuance of common shares from exercise of retail warrants	-	-	109,650	268,643
Issuance of common shares on acquisition (Note 4)	-	-	585,883	1,962,708
Costs associated with equity issue	-	-	-	(2,004,382)
Shares redeemed	(75,000)	(104,240)	(1,681,500)	(2,283,689)
Share capital, closing	33,693,310	\$ 46,827,533	33,514,974	\$ 46,506,445

In the nine months ended June 30, 2009, a total of 80,001 common shares were issued upon the exercise of employee stock options generating cash proceeds of \$41,857. For the year ending September 30, 2008, a total of 119,832 common shares were issued upon the exercise of employee stock options generating cash proceeds of \$125,455.

In the nine months ended June 30, 2009, a total of 173,335 common shares were issued under the restricted stock unit plan for a value of \$368,503. For the year ending September 30, 2008, a total of 30,001 common shares were issued under the restricted stock unit plan for a value of \$22,500. These shares represent the vesting of restricted stock units upon the anniversary date. No cash proceeds were received. See note 9(e) for further details.

On February 5, 2008 Aeroquest closed an equity issue in a "bought deal" with Jennings Capital Inc. and a syndicate of underwriters including J.F. Mackie and Company Ltd. and National Bank Financial, previously announced on January 17, 2008. A total of 6,666,667 common shares were issued at a price of \$3.00 per share, for gross proceeds to Aeroquest of \$20 million. Aeroquest agreed to grant the underwriters an over-allotment to purchase an additional 1 million common shares (15% of offering) at the issue price of \$3.00 per share exercisable for 30 days following the closing of the offering. This over-allotment expired unexercised.

Notes To Consolidated Financial Statements June 30, 2009 and September 30, 2008

The net proceeds from the offering were used to repay notes issued in connection with Aeroquest's previously completed acquisition of UTS Geophysics and Geophex Ltd, for general working capital, and to fund continued growth.

For the year ending September 30, 2008, a total of 109,650 common shares were issued upon the exercise of the retail warrants generating cash proceeds of \$268,643. Also in the year, a total of 374,168 common shares were issued upon the exercise of the broker warrants generating cash proceeds of \$729,629. See note 9(c) for further details on the share purchase warrants.

Common shares were issued in connection with the acquisition of Geophex Ltd. on December 31, 2007; 585,883 common shares at an ascribed value of \$3.35 for a total value of \$1,962,708 based on a reasonable period of time surrounding the transaction date.

In the quarter ending December 31, 2008, the Company redeemed 75,000 shares under the normal course issuer bid for a cash consideration of \$56,814. A total of \$104,240 is allocated to share capital, \$4,661 to contributed surplus and (\$52,086) to retained earnings. For the year ending September 30, 2008, the Company redeemed 1,681,500 shares for a total consideration of \$3,297,975 of which \$2,283,689 is allocated to share capital, \$93,285 to contributed surplus and \$921,001 to retained earnings.

c. Share Purchase Warrants

Warrants issued in the year ending September 30, 2007 were issued in connection with a private placement of subscription receipt units and are exercisable at the holder's option. Warrants at an exercise price of \$2.45 have an acceleration clause that entitles the Company to force exercise of the warrants if the stock price on the TSX Exchange equals or exceeds \$3.50 for a period of 20 consecutive trading days beginning November 3, 2007. There are no conditions whereby the Company would have to settle the warrants in cash. The warrants issued to the brokers on the equity offering of 450,000 have a value of \$270,000 which is included in the cost associated with the equity offering. The retail warrants remain attached to the common shares issued as part of the offering until such time that they are exercised.

Type and Number of warrants	Fair value	Exercise Price	Expiry Date
2,250,000 (Retail Warrants)	\$0.22	\$2.45	May 29, 2009
450,000 (Broker Warrants)	\$0.60	\$1.95	May 29, 2009

The fair value of each warrant granted has been estimated as of the date of the grant using a Black-Scholes model with the following assumptions: Risk free rate of interest 4%- dividend yield 0%-volatility 70%- term 2 years.

For the year ending September 30, 2008, 109,650 retail warrants were exercised at a price of \$2.45 yielding \$268,643 and 374,168 broker warrants were exercised at a price of \$1.95 yielding \$729,629. At September 30, 2008 a total of 2,140,350 retail warrants and 75,832 broker warrants remain outstanding. There were no transactions in the three and nine months ended June 30, 2009 and all remaining broker and retail warrants expired on May 29, 2009.

**Notes To Consolidated Financial Statements
June 30, 2009 and September 30, 2008**

	Jun. 30, 2009	Sep. 30, 2008
	Qty	Qty
Broker Warrants, opening balance granted	75,832	450,000
Granted	-	-
Exercised during year	-	(374,168)
Expired during year	(75,832)	
Broker Warrants, ending balance	-	75,832
Retail Warrants, opening balance	2,140,350	2,250,000
Granted	-	-
Exercised during year	-	(109,650)
Expired during year	(2,140,350)	
Retail Warrants, ending balance	-	2,140,350

d. Stock Options

The Company has a Stock Option plan under which the directors of the Company may grant options to acquire shares of the Company to qualified directors, officers, employees and persons providing ongoing services to the Company. Stock options granted after September 30, 2007 vest over a three year period with one-third vesting on the grant date and two-thirds vesting over the following two years on the anniversary of the grant date.

The following table reflects the continuity of employee stock options granted under the stock option plan at June 30, 2009 and September 30, 2008. A total of 966,335 stock options remain available in the pool at June 30, 2009.

	Number of Options	Weighted Avg. Exercise Price
Outstanding Sep. 30, 2007	975,000	\$ 0.65
Options granted	390,000	2.52
Options exercised	(119,832)	1.39
Options expired	(95,668)	2.90
Total outstanding Sep. 30, 2008	1,149,500	1.06
Options granted	557,000	0.42
Options exercised	(80,001)	0.53
Options expired	(217,666)	2.21
Total outstanding Jun. 30, 2009	1,408,833	\$ 0.77
Total exercisable Jun. 30, 2009	1,011,167	\$ 0.80

Notes To Consolidated Financial Statements June 30, 2009 and September 30, 2008

The fair value of stock options granted in the 2008 and 2009 fiscal years was estimated using a Black-Scholes option pricing model on the date of the grant with the following weighted average assumptions:

2008 Options

Stock price at grant date	\$1.70 - \$3.15
Exercise price	\$1.70 - \$3.15
Expected life of options	3 years
Expected stock price volatility	70%
Expected dividend yield	-
Risk free interest rate	4%

2009 Options

Stock price at grant date	\$0.38 - \$0.42
Exercise price	\$0.38 - \$0.42
Expected life of options	3 years
Expected stock price volatility	70%
Expected dividend yield	-
Risk free interest rate	4%

e. Restricted Stock Unit Plan

The Company has a Restricted Stock Unit (RSU) plan under which the directors of the Company may grant RSU units of the Company to qualified directors, officers, employees and persons providing ongoing services to the Company. The strike price of these units will not be less than the market price of the common shares at the time of the grant. The units vest over a three year period with one third vesting in each of the three years on the anniversary date of the grant. Unit holders receive common shares upon vesting.

The following table reflects the continuity of restricted stock units granted under the RSU plan and remain not vested at June 30, 2009 and September 30, 2008.

Notes To Consolidated Financial Statements June 30, 2009 and September 30, 2008

	Number of Units	Weighted Avg. Exercise Price
Outstanding, Sep. 30, 2007	110,000	\$ 0.75
Granted	450,000	2.34
Vested	(30,001)	0.75
Expired	(33,332)	0.75
Total Outstanding Sep. 30, 2008	496,667	\$ 2.29
Granted	225,000	0.42
Vested	(173,335)	2.13
Expired	-	
Total Outstanding, Jun. 30, 2009	548,332	\$ 1.48

f. Contributed Surplus

	Jun. 30, 2009	Sep. 30, 2008
Contributed surplus, beginning of period	\$ 2,411,281	\$ 1,320,461
Stock option expense	95,116	303,792
Restricted stock unit expense	252,950	656,000
Redemption of shares	(4,661)	(93,285)
Exercise of stock options and RSU's	(383,471)	(66,085)
Compensation options (400,000 @ \$1.322)(i)	-	528,800
Broker warrants (450,000 @ \$0.60)	-	(238,402)
Contributed surplus, end of period	\$ 2,371,215	\$ 2,411,281

- (i) These amounts have been included in costs associated with equity issue included in share capital. The fair value of compensation options granted in fiscal 2008 was estimated using a Black-Scholes option pricing model on the date of the grant with the following weighted average assumptions: two year life, exercise price of \$3.00, risk free interest rate of 4% and volatility of 70%. The compensation options expire January 19, 2010 and are not included in the continuity schedule in note 9d.

Notes To Consolidated Financial Statements June 30, 2009 and September 30, 2008

10. Income Taxes

	Jun. 30, 2009	Sep. 30, 2008
Income (loss) before income taxes	\$ (4,596,180)	\$ 4,646,724
Statutory income tax rate	33.13%	34.16%
Computed income tax payable	(1,522,714)	1,587,321
Non-deductible/non-taxable items	43,750	594,485
Other	-	19,190
Loss carry forward utilized	-	(65,042)
Prior year Investment Tax Credit's	-	(40,157)
Lower tax rate in foreign jurisdiction	(381,731)	(292,178)
Income taxes	\$ (1,097,233)	\$ 1,803,619

The tax effects of temporary differences that give rise to significant portion of the future tax assets at June 30, 2009 and September 30, 2008 are presented below:

Future Taxes	Jun. 30, 2009	Sep.30, 2008
Capital Assets	\$ (226,214)	\$ (473,134)
Financing Fees	-	7,814
Other Comprehensive Income	(34,933)	(3,605)
Corporate Minimum Tax	-	23,905
Acquisition Portion	(6,070,133)	(6,283,149)
Accruals	166,394	152,584
Other	139,281	87,942
	\$ (6,025,605)	\$ (6,487,643)

Notes To Consolidated Financial Statements June 30, 2009 and September 30, 2008

11. Earnings (loss) per Share

Basic earnings (loss) per share have been calculated by dividing net income by the weighted average number of shares outstanding during the period. Fully diluted earnings per share is similar to basic earnings per share, except the denominator is increased to include the number of additional common shares that would have been outstanding if dilutive potential common shares had been issued. As the Company experienced a loss in the quarter ending June 30, 2009, all potential common shares outstanding from dilutive securities are considered anti-dilutive and are excluded from the calculation of loss per share.

	Jun. 30, 2009	Jun. 30, 2008
Numerator		
Net income (loss) for the period	\$ (3,498,947)	\$ 304,123
Denominator		
Average common shares outstanding	33,626,643	34,662,091
Fully diluted common shares outstanding	34,232,244	38,813,440
Basic earnings (loss) per share	\$ (0.10)	\$ 0.01
Fully diluted earnings (loss) per share	\$ (0.10)	\$ 0.01

12. Segmented Information

For the three month period ended June 30, 2009, one customer accounted for 24% of total revenue. For the nine months ended June 30, 2009, one customer accounted for 12% of total revenue. For the three and nine months ended June 30, 2008, no one customer represented more than 10% of total revenue. For the year ended September 30, 2008, no one customer represented more than 10% of revenue.

The research and development activities of Geophex Limited are treated as a separate segment (research services) from the airborne services segment. Selective information from the Research Services and the Airborne Services Segments are presented below:

In CAD\$	Research Services	Airborne Services	Total Consolidated
Revenue	\$ 425,853	\$ 3,225,380	\$ 3,651,233
Cost of Sales	183,208	3,034,237	3,217,445
Gross Margin	242,645	191,143	433,788
Operating Expenses	388,475	4,646,032	5,034,507
Income Taxes	(17,061)	(1,080,172)	(1,097,233)
Net Income	(128,769)	(3,370,178)	(3,498,947)
Total Capital Expenditures	3,397	547,206	550,603
Total Assets	\$ 1,552,640	\$ 58,687,139	\$ 60,239,779

Notes To Consolidated Financial Statements June 30, 2009 and September 30, 2008

13. Geographic Segments

The Company has operations in Canada, Australia and the United States. The Company conducts surveys around the world. Its operations in all markets have similar products, services and customer types as well as similar economic characteristics. Revenues from external customers are generated around the world and are attributed to one of three geographic segments. The following table outlines revenue by geographic segment for the three month periods ending June 30, 2009 and June 30, 2008:

	Jun. 30, 2009	Jun. 30, 2008
Revenue		
Canada	\$ 234,442	\$ 5,044,381
Australia	1,024,176	2,546,971
International	2,392,615	6,945,692
Total Revenue	\$ 3,651,233	\$ 14,537,044

Goodwill is located in Australia and USA. All capital assets originate in Canada, Australia and the United States and are mobilized to the job sites around the world. Capital assets in Canada at June 30, 2009 amount to \$6.9 million, Australia \$6.0 million and USA \$0.2 million (June 30, 2008, Canada \$6.4 million, Australia \$4.3 million and USA \$0.2 million).

14. Related Party Transactions

For the quarters ending June 30, 2009 and 2008, there were no payments to companies owned by directors for management consulting services.

The Company entered into promissory notes with certain current and former directors as part of the financing of the UTS acquisition on July 3, 2007. The amount of the promissory notes to these two directors was \$2,488,168 and was paid in the quarter ended March 31, 2008.

15. Supplementary Cash Flow Information

	Jun. 30, 2009	Sep. 30, 2008
(a) Interest Paid	\$ 19,008	\$ 312,809
(b) Interest Received	10,862	413,209
(d) Income taxes paid (Refunded)	(181,922)	3,265,694
(e) Non cash transactions		
- Issuance of share capital and promissory notes on acquisition (Note 4)	-	3,945,308

Notes To Consolidated Financial Statements June 30, 2009 and September 30, 2008

16. Credit Facilities

The Company has several operating facilities. In Canada, an operating facility is in place for Aeroquest Limited totalling \$2,000,000 bearing interest at prime plus 0.75%, and secured by accounts receivable and a general security agreement. At June 30, 2009 and September 30, 2008, no amounts have been drawn on this facility. In Australia, an operating facility is in place for UTS of A\$400,000 and, at June 30, 2009 and September 30, 2008, no amounts have been drawn on this facility. The operating facility in Australia is secured by a fixed and floating charge over the assets of UTS. Current interest rate on the bank facility in Australia is 9.76% (2008 – 12.61%).

17. Financial Instruments Risk Exposure and Management

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes to the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods.

Principal Financial Instruments

The Company holds various forms of financial instruments from which financial instrument risks arises including:

- Trade receivables
- Cash at bank
- Trade and other payables
- Investments

The nature of these instruments and the Company's operations expose the Company to industry credit, interest rate, and foreign currency risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. The carrying amounts of the Company's monetary assets and liabilities approximate their fair values. The Company's risk exposures and the impact on the financial instruments are as follows:

- (a) Credit Risk Management: Credit risk is the risk that the counterparty to a financial asset will default resulting in the Company incurring a financial loss. To mitigate this risk, the Company routinely follows up on overdue accounts. A significant portion of the Company's trade accounts receivable are from companies in the mining and oil and gas industry and are exposed to normal industry credit risks.

As at June 30, 2009, the top five customers accounted for 42% of the Company's total accounts receivable and at September 30, 2008, the top five customers accounted for 33% of the Company's total accounts receivable.

The Company establishes an allowance for doubtful accounts therefore the carrying amount of accounts receivables generally represents the maximum credit exposure. The aging of trade receivables is illustrated below:

Notes To Consolidated Financial Statements June 30, 2009 and September 30, 2008

	30-Jun-09		30-Sep-08	
	\$	%	\$	%
Not Past Due	892,451	36.6%	3,583,730	41.5%
Past Due 0-30	149,369	6.1%	2,053,936	23.8%
Past Due 31-90	323,126	13.3%	2,497,559	28.9%
More than 90 days	2,771,111	113.8%	269,635	3.1%
Total trade receivables	4,136,057	169.8%	8,404,860	97.3%
Accrued receivables	69,598	2.9%	389,420	4.5%
Allowance for doubtful accounts	(1,770,142)	-72.7%	(153,987)	-1.8%
Total accounts receivable	2,435,513	100.0%	8,640,293	100.0%

Included in general and administrative expense in the consolidated statement of operations is \$183,785 and \$1,561,413 in provision for doubtful accounts for the three and nine months ended June 30, 2009 (\$68,936 and \$196,107 for the three and nine months ended June 30, 2008).

(b) Interest Rate Risk: While the company does have credit facilities in which it can draw upon (see Note 16) if required, the Company did not draw upon them at any time in the nine months ended June 30, 2009 or in the year ended September 30, 2008. Any remaining interest bearing debt relates to obligation under capital leases, which is at a fixed interest rate.

(c) Foreign Currency Rate Risk: While the Company's functional currency is the Canadian dollar, it does have significant transactions in United States and Australian dollars. Accordingly, the related financial assets and liabilities are subject to fluctuations in exchange rates and can have an effect on the Company's reported results. The Company manages its exposure to foreign currency fluctuations by maintaining foreign currency bank accounts and trade accounts receivable to offset foreign currency payables where possible. Management relies on the natural hedge created by this matching process and thus has chosen not to otherwise hedge its foreign exchange risk. The significant balances in foreign currencies are as follows:

	30-Jun-09		30-Sep-08	
	USD	AUD	USD	AUD
Cash and cash equivalents	\$ 510,000	\$ 701,000	\$ 2,432,000	\$ 1,713,000
Accounts receivable	3,049,000	339,000	5,671,000	1,418,000
Accounts payable and accrued liabilities	(951,000)	(880,000)	(1,567,000)	(1,966,000)
Income taxes recoverable/(payable)	(1,000)	(857,000)	(169,000)	(2,268,000)
Capital lease obligations (current)		(415,000)	-	(437,000)
Capital lease obligations (long term)		(280,000)	-	(587,000)
Totals	\$ 2,607,000	\$ (1,392,000)	\$ 6,367,000	\$ (2,127,000)

Notes To Consolidated Financial Statements June 30, 2009 and September 30, 2008

The translation impact to the Company of a 1 cent increase in the Canadian dollar versus the Australian dollar would have increased the net profit by \$9,122, whereas the impact versus the US dollar would have decreased the net profit by \$31,850 for the period ended June 30, 2009. Conversely, a 1 cent decrease in the Canadian dollar versus the Australian dollar would have decreased the net profit by \$9,272, whereas the impact versus the US dollar would have increased the net profit by \$32,566 for the period ended June 30, 2009.

(d) Liquidity Risk: Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. As at June 30, 2009 the Company had a cash balance of \$8.0 million, \$2.4 million in accounts receivable and \$2.3 million in unused committed bank credit facilities to settle current liabilities of \$3.7 million (excluding deferred revenue of \$0.5 million). To manage liquidity risk, the Company utilizes long and short term cash forecasts to ensure it has necessary funds to fulfill its obligations.

Management also reviews additional sources of capital and alternative replacement debt structures to continue its activities and discharge its commitments as they become due. Management believes that the liquidity risk is acceptable given historical operating results, value of the underlying assets as well as the existing and future pipeline of business opportunities. All financial liabilities noted in current liabilities are due for payment within the next year.

18. Capital Management

The Company's objectives in managing capital are to (i) ensure sufficient liquidity to pursue the Company's growth in operations and strategic acquisitions that are in line with the Company's business strategy globally; and (ii) to ensure the Company's ability to provide capital growth for its shareholders.

In the management of capital, the Company includes share capital and retained earnings in the definition of capital.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, and/or issue new debt to replace existing debt with different characteristics.

The Company's current policy is to minimize the use of long term debt (other than capital leases). Previously, the Company had permitted the issuance of promissory notes in connection with the acquisition of its UTS and Geophex subsidiaries. These notes were retired in the 2008 fiscal year by using proceeds from the issuance of common shares as noted in Note 9.

19. Legal Action

On August 19, 2008 the Company announced that it has been served with a Statement of Claim by Geotech Ltd., Geotech Airborne Limited and Geo Equipment Manufacturing Ltd. (the "Geotech claim") filed in the Ontario Superior Court of Justice. The Geotech claim includes \$50 million in general damages and \$1 million 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. The claim relates to the activities of a former employee of Geotech Ltd. during the course of his employment with Aeroquest and certain undertakings given by the employee and Aeroquest in connection therewith. On September 22, 2008, the Company filed a Statement of Defence and Counterclaim indicating, among other things, that the Claim was completely without merit and the sole reason for filing the claim was to damage the business, operations and reputation of the Company. The Company has counterclaimed for a total of \$21 million for abuse of process and damages.

Notes To Consolidated Financial Statements June 30, 2009 and September 30, 2008

On March 3, 2009, the Company announced that it had entered into an agreement with Geotech to settle the claim filed against us by Geotech, and to settle the counterclaim filed against Geotech by the Company. As part of the settlement, Geotech has acknowledged that our helicopter-borne time domain electromagnetic systems (AeroTEM systems) do not use any confidential information of Geotech or any of their subsidiary companies. The settlement does not compromise any patent rights of the Company or Geotech in any manner.

The Company did not pay any sum of money to Geotech, nor did it agree to any restrictions on its operations as part of the settlement. The remaining terms of the settlement between the parties remain confidential.

In addition to the above, the Company is involved in various claims and litigation arising in the normal course of business. While the outcome of these matters is uncertain and there can be no assurance that such matters will be resolved in the Company's favour, the Company does not currently believe that the outcome of adverse decisions in any pending or threatened proceedings related to those or other matters or amount which may be required to pay by reason thereof would have a material adverse impact on its financial position, results of operations or liquidity.

20. Prior Year Adjustments

In the quarter ending June 30, 2008, the Company retroactively corrected an error in recording the translation of self sustaining foreign operations pertaining to the value of Goodwill and Intangible Assets. The adjustment has the effect of increasing Goodwill by \$1,443,202, Intangible assets by \$1,729,517 and Future Income Tax Liability by \$422,203 for a net increase of \$2,705,516 which has been charged to Accumulated Other Comprehensive Income (Loss).

21. Subsequent Event

On July 29, 2009, the Company announced that it had entered into an Arrangement Agreement with Optimal Geomatics Inc. (TSXV:OPG) whereby Optimal will be acquired by the Company. Under the terms of the Arrangement Agreement, the proposed transaction will be effected by way of a Plan of Arrangement completed under the Canada Business Corporations Act. Optimal shareholders will receive 1 common share of Aeroquest for each 21 common shares of Optimal owned and will result in the Company issuing approximately 3.0 million common shares to Optimal shareholders.

Completion of the transaction is conditional on the approval of Optimal shareholders and satisfaction of other customary conditions including stock exchange and court approvals. The required shareholder approval will be two-thirds of the votes cast by holders of common shares at a meeting of Optimal shareholders held to consider the proposed transaction. The optimal shareholders meeting, to approve the Arrangement, will be held in mid-September, 2009 with closing expected by the end of September, 2009.

The Boards of Directors of both Optimal and the Company have determined that the proposed transaction is in the best interest of their respective companies and have unanimously recommended that Optimal shareholders vote in favour of the Arrangement.