



Aeroquest International Limited
Audited Consolidated Financial Statements

For the years ended September 30, 2009 and 2008

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Consolidated Balance Sheets

As at	Sep. 30, 09	Sep. 30, 08
Assets		
Current		
Cash and cash equivalents (Note 1)	\$ 6,145,782	\$ 15,373,132
Accounts receivable	5,870,328	8,640,293
Income taxes recoverable	2,196,916	-
Unbilled contracts in progress	723,008	2,169,861
Inventory	342,012	132,853
Prepaid expenses and deposits	1,564,357	640,875
Total current assets	16,842,403	26,957,014
Long term		
Long term investments	99,521	30,501
Capital assets (Note 2)	12,426,652	10,890,000
Intangible assets (Note 3)	16,275,187	19,847,842
Goodwill (Notes 4, 5)	11,408,513	11,662,115
Future income taxes (Note 10)	687,907	152,584
Total long term assets	40,897,780	42,583,042
Total Assets	57,740,183	\$ 69,540,056
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 4,783,426	\$ 5,946,706
Income taxes payable	-	1,083,701
Deferred revenue	910,429	3,274,382
Capital lease obligations (Note 7)	543,874	321,426
Total current liabilities	6,237,729	10,626,215
Long term		
Capital lease obligations (Note 7)	223,815	469,575
Future income taxes (Note 10)	5,113,055	6,640,227
Total liabilities	11,574,599	17,736,017
Shareholders' equity		
Share capital (Note 9)	48,084,479	46,506,445
Contributed surplus (Note 9)	2,479,824	2,411,281
Accumulated other comprehensive income (loss)	1,490,428	(1,794,758)
Retained earnings/(deficit)	(5,889,147)	4,681,071
Total shareholders' equity	46,165,584	51,804,039
Total Liabilities and Shareholders' Equity	\$ 57,740,183	\$ 69,540,056

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

On behalf of the board:

"Roy T. Graydon" (signed)
Roy T. Graydon, Director

"John L. Barker" (signed)
John Barker, Director

Consolidated Statements of Operations

For the years ending	Sep. 30, 09	Sep. 30, 08
Sales	\$ 28,011,967	\$ 55,045,575
Cost of sales	20,338,937	34,350,797
Gross profit	7,673,030	20,694,778
Expenses and other items		
General and administrative	11,844,837	9,521,985
Foreign exchange (gain)/loss	(231,968)	(1,058,633)
Stock based compensation expense	456,437	959,792
Amortization of intangible assets	3,492,777	4,035,412
Impairment of goodwill and intangible assets	2,879,936	-
Depreciation of capital assets	3,899,812	2,813,564
Total operating expenses	22,341,831	16,272,120
Operating profit/(loss)	(14,668,801)	4,422,658
Other costs (income)	(67,668)	(84,389)
Interest Income	(59,101)	(453,756)
Interest Expense	-	314,079
Income/(loss) before income taxes	(14,542,032)	4,646,724
Income taxes (Note 10)		
Current	(1,488,221)	3,173,394
Future (recovery)	(2,431,507)	(1,369,775)
Total income tax	(3,919,728)	1,803,619
Net income/(loss) for the period	\$ (10,622,304)	\$ 2,843,105
Earnings/(loss) per share (Note 11)		
Basic	(\$0.32)	\$ 0.09
Diluted	(\$0.31)	\$ 0.09

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

Consolidated Statements of Retained Earnings/(Deficit)

For the years ending	Sep. 30, 09	Sep. 30, 08
Retained earnings (deficit), beginning of period	\$ 4,681,071	\$ 2,758,967
Excess of purchase price over cost on redemption of shares (Note 9)	52,086	(921,001)
Net income/(loss)	(10,622,304)	2,843,105
Retained earnings, end of period	\$ (5,889,147)	\$ 4,681,071

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

Consolidated Statements of Comprehensive Income

For the years ending	Sep. 30, 09	Sep. 30, 08
Net Income/(loss) for the period	\$ (10,622,304)	\$ 2,843,105
Revaluation of long term investments to fair market value (Net of tax \$7,818, 2008 - \$21,420)	15,176	(38,080)
Unrealized gain(loss) on translation of self-sustaining foreign operations	3,270,010	(1,219,403)
Total Other Comprehensive Income (loss)	\$ 3,285,186	\$ (1,257,483)
Total Comprehensive Income (loss)	\$ (7,337,118)	\$ 1,585,622
Accumulated Other Comprehensive Income (loss):		
Revaluation of long term investments to fair market value	\$ 24,096	\$ 8,920
Unrealized gain(loss) on translation of self-sustaining foreign operations	1,466,332	(1,803,678)
Total Accumulated Other Comprehensive Income (loss)	\$ 1,490,428	\$ (1,794,758)

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

Consolidated Statements of Cash Flow

For the years ending	Sep. 30, 09	Sep. 30, 08
Cash provided by (used in)		
Operating activities		
Net income/(loss) for the period	\$ (10,622,304)	\$ 2,843,105
Operating items not requiring cash		
Amortization of intangible assets	3,492,777	4,035,412
Impairment of goodwill and intangible assets	2,879,936	
Depreciation of capital assets	3,899,812	2,813,564
Future income taxes	(2,431,507)	(1,369,775)
Interest accretion on promissory notes	-	221,213
Stock based compensation	456,437	959,792
Loss on disposal of capital assets	-	50,639
Operating cash flow before changes in non-cash working capital	(2,324,849)	9,553,950
Changes in non cash working capital	(2,348,909)	(1,648,864)
Total cash flow from operating activities	(4,673,758)	7,905,086
Investing activities		
Capital asset purchases	(4,149,488)	(7,073,194)
Proceeds from sale of capital assets	-	588,980
Long-term investments acquired	(53,844)	-
Cash cost of acquisitions (Notes 4a & 4b)	(65,407)	(2,157,641)
Total cash flow from investing activities	(4,268,739)	(8,641,855)
Financing activities		
Promissory note payments	-	(5,337,600)
Capital lease payments	(270,133)	(301,448)
Aeroquest shares redeemed	(56,815)	(3,297,975)
Proceeds: issuance of common shares	42,095	19,648,147
Total cash flow from financing activities	(284,853)	10,711,124
Net change in cash and cash equivalents for the period	\$ (9,227,350)	\$ 9,974,355
Cash and cash equivalents, beginning of period	15,373,132	5,398,777
Cash and cash equivalents, end of period	\$ 6,145,782	\$ 15,373,132
Cash	\$ 6,145,782	\$ 13,665,898
Cash Equivalents	-	\$ 1,707,234

Supplementary Information (Note 15)

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

Consolidated Statements of Shareholders' Equity

For the year ending	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comp. Income (loss)	Total Shareholders' Equity
Balance Sep. 30, 07	\$ 27,403,594	\$ 1,320,461	\$ 2,758,967	\$(537,275)	\$ 30,945,747
Aeroquest shares purchased for cancellation	(2,283,689)	(93,285)	(921,001)		(3,297,975)
Issuance of common shares for cash, net of expenses	17,995,618				17,995,618
Issuance of common shares on acquisition	1,962,708				1,962,708
Share issuances pursuant to restricted stock unit vesting	22,500	(22,500)			-
Share issuances pursuant to stock options exercised	169,040	(43,585)			125,455
Warrants exercised	1,236,674	(238,402)			998,272
Broker Warrants Granted		528,800			528,800
Net income for the period			2,843,105		2,843,105
Stock based compensation expense		959,792			959,792
Unrealized gain (loss) on translation of self sustaining foreign operations				(1,219,403)	(1,219,403)
Revaluation of long term investments to fair market value				(38,080)	(38,080)
Balance Sep. 30, 08	\$ 46,506,445	\$ 2,411,281	\$ 4,681,071	\$ (1,794,758)	\$ 51,804,039

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

Consolidated Statements of Shareholders' Equity

For the year ending	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comp. Income (loss)	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)
Issuance of common shares on acquisition	1,256,946				1,256,946
Share issuances pursuant to restricted stock unit vesting	368,503	(368,503)			-
Share issuances pursuant to stock options exercised	56,825	(14,730)			42,095
Net loss for the period			(10,622,304)		(10,622,304)
Stock based compensation expense		456,437			456,437
Unrealized gain (loss) on translation of self sustaining foreign operations				3,270,010	3,270,010
Revaluation of long term investments to fair market value				15,176	15,176
Balance Sep. 30, 09	\$ 48,084,479	\$ 2,479,824	\$ (5,889,147)	\$ 1,490,428	\$ 46,165,584

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

Summary of Significant Accounting Policies September 30, 2009 and 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 ("UTS"), 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. On September 30, 2009, the Company acquired 100% of the voting shares of Optimal Geomatics Inc., which had traded on the TSX-V. Optimal provides airborne survey operations using LiDAR and orthophotogrammetry technologies. Optimal has operations in Huntsville, Alabama and Vancouver, British Columbia.

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("UTS"), Aeroquest (UK) Limited, Geophex Limited, Optimal Geomatics Inc., and Aerokaz LLP. All significant inter-company transactions and balances have been eliminated on consolidation.

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, goodwill and capital assets, the valuation of future income tax assets and liabilities, rates for amortization of capital assets, the fair value of stock-based compensation and other stock based payments, and provisions for inventory and accounts receivable. Actual results could differ from estimates.

Revenue Recognition

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

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.

Summary of Significant Accounting Policies September 30, 2009 and 2008

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 year 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 net realizable value. For raw materials, net realizable value is defined as replacement cost.

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. Fair value is determined by reference to publicly quoted market prices.

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

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 capitalized and amortized on a straight line basis over the next four year period commencing a year from the delivery date.

Summary of Significant Accounting Policies September 30, 2009 and 2008

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 or more frequently if changes in circumstances indicate potential 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 until decision is made to end trade name at which time the amortization will take place over the remaining expected life of the trade name.

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 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 impairment occurs. The Corporation uses a combination of the discounted cash flow method and the market value 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 stock units granted to directors, officers, employees and consultants whereby the fair value of awards 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.

Summary of Significant Accounting Policies September 30, 2009 and 2008

Financial Instruments

All financial assets and liabilities are 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. Capital lease obligations and 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 (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.

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle. The revised requirements are effective for annual and interim 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 September 30, 2009 and 2008

FUTURE ACCOUNTING PRONOUNCEMENTS

Harmonization of Canadian and International Accounting Standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period.

In 2008, the AcSB confirmed that IFRS will be mandatory in Canada for profit-oriented publicly accountable entities for fiscal periods beginning on or after January 1, 2011. The Company's first annual IFRS financial statements will be for the year ending September 30, 2012 and will include the comparative period for 2011. Starting in the first quarter of fiscal 2012, the Company will provide unaudited consolidated financial information in accordance with IFRS including comparative figures for 2011.

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.

Initial impact assessment and scoping phase – status: Based upon the then current state of IFRS, in fiscal 2009 this phase utilized a diagnostic process and identified a modest number of topics possibly impacting either the Company's financial results and/or the Company's effort necessary to changeover to IFRS. The International Accounting Standards Board has activities currently underway which may, or will, change IFRS and such change may, or will, impact the Company; the Company will assess any such change as a component of its key elements phase.

Key elements phase – status: Currently underway are the identification, evaluation and selection of the accounting policies necessary for the Company to changeover to IFRS; consideration of impacts on operational elements such as information technology and internal control over financial reporting are integral to this process. Although its impact assessment activities are underway and progressing to plan, continued progress is necessary before the Company can prudently increase the specificity of the disclosure of pre- and post-IFRS changeover accounting policy differences.

Business Combinations

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. This standard will impact the Company's financial statements if the Company enters into business acquisitions in the future.

Notes To Consolidated Financial Statements September 30, 2009 and 2008

1. Cash and Cash Equivalents

Cash and cash equivalents are comprised of the following denominations (in their natural currency):

	Sep. 30, 2009	Sep. 30, 2008
Canadian Dollars	\$ 5,356,746	\$ 11,359,010
United States Dollars	1,043,337	2,432,422
Australian Dollars	(349,851)	1,712,616
Kazakhstan Tenge	21,129	245,488

2. Capital Assets

	Sep. 30, 2009			Sep. 30, 2008 Net Book Value
	Cost	Accumulated Depreciation	Net Book Value	
Airborne and geophysical equipment	\$ 18,816,434	\$ 8,502,819	\$ 10,313,615	\$ 8,985,883
Automotive equipment	631,878	425,095	206,783	290,832
Data processing equipment	733,926	423,485	310,441	310,926
Leasehold improvements	339,183	146,642	192,541	266,546
Office equipment	894,416	341,735	552,681	614,692
Data libraries	336,228	-	336,228	-
Equipment in process	514,363	-	514,363	421,121
	\$ 22,226,428	\$ 9,839,776	\$ 12,426,652	\$ 10,890,000

Equipment in process relates to airborne equipment that was not ready for use at year end and as a result has not been amortized.

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

	Sep. 30, 2009			Sep. 30, 2008
	Cost	Accum. Depreciation	Net Book Value	Net Book Value
Airborne and geophysical equipment	\$ 1,642,777	\$ 910,399	\$ 732,378	\$ 904,198
Office equipment	377,190	-	377,190	-
	\$ 2,019,967	\$ 910,399	\$ 1,109,568	\$ 904,198

Depreciation for assets under capital lease was \$194,109 and \$330,886 for September 30, 2009 and 2008 respectively.

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

3. Intangible Assets

Certain intangible assets were acquired as part of the acquisition of UTS on July 3, 2007. These intangible assets have been identified and recorded at their fair values as of the date of the acquisition.

UTS Intangible Asset	Amort. Period (Years)	Sep. 30, 2009				Sep. 30, 2008
		Cost	Accumulated Amortization	Impairment Charge	Net Book Value	Net Book Value
Customer relationships	7	\$ 13,171,389	\$4,233,661	\$ -	\$8,937,728	\$ 9,753,913
Technology	7	6,183,937	1,987,694	-	4,196,243	4,579,440
Sales backlog	1	937,087	937,087	-	-	-
Trade name	1.17	1,851,215	264,459	1,396,756	190,000	1,668,916
		\$ 22,143,628	\$ 7,422,901	\$ 1,396,756	\$ 13,323,972	\$ 16,002,269

On August 5, 2009, the Company decided to phase out the UTS tradename. This change necessitated an impairment test for goodwill and intangible assets at that date. The result was an impairment charge to the trade name of \$1,396,756. The balance of the trade name will be amortized to income and fully expensed by September 30, 2010.

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. During the year, an assessment of the fair value of the goodwill and intangible assets was performed (see Note 5). The result of this analysis was an impairment to the trade name of \$289,065 which has been charged to earnings. The balance of the trade name remains with an indefinite life.

Geophex Intangible Asset	Amort. Period (Years)	Sep. 30, 2009				Sep. 30, 2008
		Cost	Accumulated Amortization	Impairment Charge	Net Book Value	Net Book Value
Customer relationships	7	\$ 2,484,223	\$621,066	\$ -	\$ 1,863,157	\$ 2,204,591
Technology	7	972,087	243,022	-	729,065	862,666
Sales backlog	1	540,048	540,048	-	-	134,192
Trade name	indefinite	648,058	-	289,065	358,993	644,124
		\$ 4,644,416	\$ 1,404,136	\$ 289,065	\$ 2,951,215	\$ 3,845,573

Notes To Consolidated Financial Statements September 30, 2009 and 2008

3. Intangible Assets (Continued)

Consolidated intangible assets are comprised of the following:

Consolidated Intangible Asset	Amort. Period (Years)	Sep. 30, 2009				Sep. 30, 2008
		Cost	Accumulated Amortization	Impairment Charge	Net Book Value	Net Book Value
Customer relationships	7	\$ 15,565,612	\$ 4,854,717	\$ -	\$ 10,800,895	\$ 11,958,504
Technology	7	7,156,024	2,230,716	-	4,925,308	5,442,106
Sales backlog	1	1,477,135	1,477,135	-	-	134,192
Trade name	varies	2,499,273	264,459	1,685,821	548,994	2,313,040
		\$ 26,788,044	\$ 8,827,027	\$ 1,685,821	\$ 16,275,187	\$ 19,847,842

4. Business Acquisitions

a) On September 30, 2009, the Company acquired 100% of the outstanding share capital of Optimal Geomatics Inc. for a total consideration of CAD\$1,322,353 which includes direct costs related to the acquisition of \$594,847. The total consideration paid is made up of the following:

Acquisition costs	\$ 594,847
Less: Cash acquired	(529,440)
Cash cost of acquisition	65,407
Shares of Aeroquest International (2,923,130 shares @ \$0.43)	1,256,946
Total Purchase Price	\$ 1,322,353

The acquisition has been accounted for under the purchase method of accounting and has been included in the consolidated balance sheet of the Company on September 30, 2009. The details of the fair value of net assets acquired, in Canadian dollars, are as follows:

Notes To Consolidated Financial Statements September 30, 2009 and 2008

4. Business acquisitions (continued)

Net Assets Acquired at Fair Values:	
Cash	\$ 529,440
Accounts receivable	2,269,024
Inventory	7,271
Work in progress	47,562
Prepays	266,847
Capital assets	400,299
Other assets	254,043
Accounts payable and accrued liabilities	(1,483,578)
Capital lease obligations	(246,821)
Deferred revenue	(192,294)
Total net assets acquired, net of cash	\$ 1,322,353

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 fair value of net assets acquired, in Canadian dollars, are as follows:

Notes To Consolidated Financial Statements September 30, 2009 and 2008

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

5. Goodwill

	Sep. 30, 2009	Sep. 30, 2008
Goodwill, beginning of year	\$ 11,662,115	\$ 8,965,370
Acquisitions	-	3,011,203
Adjustments to purchase price	-	(241,883)
Impairments	(1,194,115)	
Foreign currency translation gain (loss)	940,513	(72,575)
Goodwill, end of year	\$ 11,408,513	\$ 11,662,115

During the year ended September 30, 2009, the Company recorded an impairment charge to goodwill of \$1,194,115 related to the acquisition of Geophex Limited on December 31, 2007. The fair value of this reporting unit declined due to a decline in operating results and lower future profit expectations. Goodwill as of September 30, 2009 is comprised of \$2,057,274 attributable to Geophex (which includes \$19,745 in foreign currency translation gain and an impairment charge of \$1,194,115 recognized in the year), and \$9,350,239 attributable to UTS (which includes \$920,770 in foreign currency translation gains recognized in the year).

Notes To Consolidated Financial Statements September 30, 2009 and 2008

6. Promissory Notes

a) As part of the acquisition of UTS on July 3, 2007, 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 bore 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 were to mature on June 30, 2011 and called for principal payments of \$838,750 on June 30 2008 and each year thereafter until June 30, 2011.

The notes had been discounted at a rate of 10% to \$3,057,354 as of September 30, 2007 which represented the fair value of the notes at the date of acquisition. The company had 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 would 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 that year, interest accretion of \$221,213 was recognized in interest expense.

b) As part of the acquisition of Geophex Ltd. on December 31, 2007, 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 7.60% (2008 – 7.81%).

Commitments in relation to capital leases are payable as follows:

	Sep. 30, 2009	Sep. 30, 2008
Within one year	\$ 582,363	\$ 372,208
Later than one year but not later than five years	228,393	499,777
Minimum lease payments	810,756	871,985
Future finance charges	(43,067)	(80,984)
Recognized as a liability	\$ 767,689	\$ 791,001
Representing Capital Lease Obligations		
Current	543,874	321,426
Long term	223,815	469,575
	\$ 767,689	\$ 791,001

All of the long term capital lease obligation will be fully settled before September 30, 2011.

Notes To Consolidated Financial Statements September 30, 2009 and 2008

8. Operating Lease Commitments

The Company has several operating leases for premises. The lease payments range from \$1,800 per month to \$17,000 per month. Leases expire in October 2009, February and May 2010, January and December 2012, November 2013 and January 2015.

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

2010	\$ 1,062,000
2011	791,000
2012	547,000
2013	319,000
2014	223,000
Thereafter	70,662
	<hr/> \$ 3,013,000 <hr/>

9. Share Capital

a. Authorized

Unlimited number of voting common shares.

b. Issued and Outstanding

	Sep. 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)	2,923,130	1,256,946	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	<hr/> 36,616,440	<hr/> \$ 48,084,479	<hr/> 33,514,974	<hr/> \$ 46,506,445

Notes To Consolidated Financial Statements September 30, 2009 and 2008

9. Share Capital (continued)

A total of 80,001 common shares were issued in the year upon the exercise of employee stock options generating cash proceeds of \$42,095. For the year ended 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. See note 9(d) for further details.

A total of 173,335 common shares were issued in the year ended September 30, 2009 (30,001 common shares for the year ended September 30, 2008) under the restricted stock unit plan. 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.

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.

In the year ended 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 Optimal Geomatics Inc. on September 30, 2009. 2,923,130 common shares were issued at an ascribed value of \$0.43 for a total value of \$1,256,946 based on a reasonable period of time surrounding the announcement date of the transaction. 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 announcement date.

For the year ended September 30, 2009, the Company redeemed 75,000 shares under its Normal Course Issuer bid for cash consideration of \$56,815. A total of \$104,240 is allocated to share capital, \$4,661 to contributed surplus and (\$52,086) to retained earnings. For the year ended 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.

Notes To Consolidated Financial Statements September 30, 2009 and 2008

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 Venture 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.

In the year ended September 30, 2008, 109,650 retail warrants were exercised at a price of \$2.45 yielding \$268,643. 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 remained outstanding. There were no transactions related to these warrants in the year and thus all remaining broker and retail warrants expired on May 29, 2009.

	Sep. 30, 2009	Sep. 30, 2008
	Qty	Qty
Broker Warrants, Opening Balance	75,832	450,000
Exercised	-	(374,168)
Expired	(75,832)	-
Broker Warrants, ending balance	-	75,832
Retail Warrants, Opening Balance	2,140,350	2,250,000
Exercised	-	(109,650)
Expired	(2,140,350)	-
Retail Warrants, ending balance	-	2,140,350

Notes To Consolidated Financial Statements September 30, 2009 and 2008

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. The strike price of these options will not be less than the market price of the common shares at the time of the grant. The options generally 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 for the twelve month periods ending September 30, 2009 and 2008. A total of 1,228,168 stock options remain available in the pool at September 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	1,185,000	0.43
Options exercised	(80,001)	0.53
Options expired	(223,666)	1.22
Total outstanding Sep. 30, 2009	2,030,833	\$ 0.68
Total exercisable Sep. 30, 2009	1,008,500	\$ 0.80

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

Stock price at grant date	\$0.38 - \$3.15
Exercise price	\$0.38 - \$3.15
Expected life of options	3 years
Expected stock price volatility	70%
Expected dividend yield	-
Risk free interest rate	4%

The weighted average grant date fair value of options granted in the year was \$0.24.

Notes To Consolidated Financial Statements September 30, 2009 and 2008

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 for the twelve month period ending September 30, 2009 and 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	0.41
Vested	(173,335)	2.26
Expired	(8,333)	2.34
Total Outstanding, Sep. 30, 2009	539,999	\$ 1.47

f. Contributed Surplus

	Sep. 30, 2009	Sep. 30, 2008
Contributed surplus, beginning of year	\$ 2,411,281	\$ 1,320,461
Stock option expense	122,880	303,792
Restricted stock unit expense	333,557	656,000
Redemption of shares	(4,661)	(93,285)
Exercise of stock options and RSU's	(383,233)	(66,085)
Grant of compensation options (400,000 @ \$1.322)(i)	-	528,800
Exercise of broker warrants (374,168 @ \$0.60)	-	(238,402)
Contributed surplus, end of year	\$ 2,479,824	\$ 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
September 30, 2009 and 2008**

10. Income Taxes

	Sep. 30, 2009	Sep. 30, 2008
Income/(loss) before income taxes	\$ (14,542,032)	\$ 4,646,724
Statutory income tax rate	33.13%	34.16%
Computed income tax payable	\$ (4,817,775)	1,587,321
Non-deductible/non-taxable items	604,727	594,485
Other	144,652	19,190
Loss carry forward utilized	-	(65,042)
Prior year ITC's	-	(40,157)
Lower tax rate in foreign jurisdiction	148,667	(292,178)
Income taxes	\$ (3,919,728)	\$ 1,803,619

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

Future Taxes	Sep. 30, 2009	Sep.30, 2008
Capital Assets	\$ 14,759	\$ (473,134)
Financing Fees	-	7,814
Other Comprehensive Income	(11,423)	(3,605)
CMT	101,625	23,905
Acquisition Portion	(5,134,888)	(6,283,149)
Tax loss recognition	356,179	-
Accruals	331,709	152,584
Other	(83,109)	87,942
	\$ (4,425,148)	\$ (6,487,643)

Not included in the balances noted above are tax losses arising from Optimal Geomatics. Canadian tax loss carry-forwards totalling \$3,590,000 are available and expire as follows: \$787,000 on September 30, 2010; \$637,000 on September 30, 2013; \$1,584,000 on September 30, 2027; \$127,000 on September 30, 2028 and \$455,000 on September 30, 2029. United States tax losses totalling \$1,051,000 are available and expire September 30, 2029.

Notes To Consolidated Financial Statements September 30, 2009 and 2008

11. Earnings/(loss) per Share

Basic earnings/(loss) per share has been calculated by dividing net income by the weighted average number of shares outstanding during the period. 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.

	Sep. 30, 2009	Sep.30, 2008
Numerator		
Net income/(loss) for the period	\$ (10,622,304)	\$ 2,843,105
Denominator		
Average common shares outstanding	33,640,665	32,150,758
Diluted common shares outstanding	34,185,820	33,397,528
Basic earnings/(loss) per share	\$ (0.32)	\$ 0.09
Diluted/(loss) earnings per share	\$ (0.31)	\$ 0.09

12. Segmented Information

For the year ended September 30, 2009 two customers each represented approximately 10% of 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 from the airborne services. Selective information from the Research and Development and Airborne Services Groups are presented below:

Year ended September 30, 2009	Research & Development	Airborne Services	Total Consolidated
Revenue	\$ 2,352,643	\$25,659,324	\$28,011,967
Cost of Sales	947,619	19,391,318	20,338,937
Gross Margin	1,405,024	6,268,006	7,673,030
Operating Expenses	3,226,238	19,115,593	22,341,831
Income Taxes	(388,885)	(3,530,843)	(3,919,728)
Net Income	(1,432,429)	(9,189,875)	(10,622,304)
Total Capital Expenditures	3,534	4,145,954	4,149,488
Total Assets	\$ 4,440,044	\$ 53,300,139	\$ 57,740,183

Notes To Consolidated Financial Statements September 30, 2009 and 2008

Year ended September 30, 2008	Research & Development	Airborne Services	Total Consolidated
Revenue	\$ 1,981,268	\$ 53,064,307	\$ 55,045,575
Cost of Sales	779,885	33,570,912	34,350,797
Gross Margin	1,201,383	19,493,395	20,694,778
Operating Expenses	704,280	15,567,840	16,272,120
Income Taxes	170,840	1,632,779	1,803,619
Net Income	(408,539)	3,251,644	2,843,105
Total Capital Expenditures	\$ 4,000	7,069,194	7,073,194
Total Assets	\$ 6,751,061	\$ 62,788,995	\$ 69,540,056

Included in Research & Development segment revenue is intercompany R&D charges of \$721,631 and \$710,124 for the years ended September 30, 2009 and 2008 respectively. These charges were eliminated on consolidation.

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 years ended September 30, 2009 and 2008:

	Sep. 30, 2009	Sep. 30, 2008
Revenue		
Canada	\$ 4,274,572	\$ 21,028,000
Australia	4,748,635	10,325,000
International	18,988,760	23,692,575
Total Revenue	\$ 28,011,967	\$ 55,045,575

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 September 30, 2009 amount to \$7.1 million, Australia \$5.0 million and USA \$0.5 million (September 30, 2008, Canada \$6.3 million, Australia \$4.4 million, United States \$0.2 million).

14. Related Party Transactions

In the years ended September 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 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 full in the year ended September 30, 2008.

Notes To Consolidated Financial Statements September 30, 2009 and 2008

15. Supplementary Cash Flow Information

	Sep. 30, 2009	Sep. 30, 2008
(a) Interest Paid	\$ 63,972	\$ 312,809
(b) Interest Received	48,154	413,209
(d) Income taxes paid (Refunded)	1,228,911	3,265,694
(e) Non cash transactions		
- Issuance of share capital and promissory notes on acquisition (Note 4)	1,256,946	3,945,308

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 September 30, 2009 and 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 September 30, 2009 and 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 arise 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:

Notes To Consolidated Financial Statements September 30, 2009 and 2008

- (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 September 30, 2009, the top five customers accounted for 35% of the Company's total accounts receivable and as of September 30, 2008, the top five customers accounted for 33% of the 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:

	Sep 30, 2009		Sep 30, 2008	
	\$	%	\$	%
Not Past Due	3,850,818	65.6%	3,583,730	41.5%
Past Due 0-30	472,704	8.1%	2,053,936	23.8%
Past Due 31-90	76,662	1.3%	2,497,559	28.9%
More than 90 days	1,626,348	27.7%	269,635	3.1%
Total trade receivables	6,026,532	102.7%	8,404,860	97.3%
Accrued receivables	653,933	11.1%	389,420	4.5%
Allowance for doubtful accounts	(810,137)	-13.8%	(153,987)	-1.8%
Total accounts receivable	5,870,328	100.0%	8,640,293	100.0%

- (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 years ended September 30, 2009 or 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:

	Sep 30, 2009		Sep 30, 2008	
	USD	AUD	USD	AUD
Cash and cash equivalents	\$ 1,043,000	\$ (349,900)	\$ 2,432,000	\$ 1,713,000
Accounts receivable	5,130,000	416,000	5,671,000	1,418,000
Accounts payable and accrued liabilities	(1,969,000)	(1,058,000)	(1,567,000)	(1,966,000)
Income taxes recoverable/(payable)	(163,000)	657,000	(169,000)	(2,268,000)
Capital lease obligations (current)		333,000		(437,000)
Capital lease obligations (long term)		185,000		(587,000)
Totals	\$ 4,041,000	\$ 183,100	\$ 6,367,000	\$ (2,127,000)

Notes To Consolidated Financial Statements September 30, 2009 and 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 \$4,800, whereas the impact versus the US dollar would have decreased the net profit by \$28,000 for the year ended September 30, 2009. Conversely, a 1 cent decrease in the Canadian dollar versus the Australian dollar would have decreased the net profit by \$11,000, whereas the impact versus the US dollar would have increased the net profit by \$66,000 for the year ended September 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 September 30, 2009 the Company had a cash balance of \$6.1 million, \$5.9 million in accounts receivable and \$2.4 million in unused committed bank credit facilities to settle current liabilities of \$3.2 million (excluding deferred revenue of \$0.9 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.