Aeroquest International Limited
Unaudited Consolidated Financial Statements

For the three and six months ended March 31, 2010.

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 March 31, 2010.

Aeroquest International Limited

Consolidated Balance Sheets

As at	Mar. 31, 10	Sep. 30, 09
Assets		
Current		
Cash and cash equivalents (Note 1)	**$ 3,583,061**	$ 6,145,782
Accounts receivable	**4,190,216**	5,870,328
Income taxes recoverable	**3,408,810**	2,196,916
Unbilled contracts in progress	**753,294**	723,008
Inventory	**644,738**	342,012
Prepaid expenses and deposits	**1,334,163**	1,564,357
Total current assets	**13,914,282**	16,842,403
Long term		
Long term investments	**139,102**	99,521
Capital assets (Note 2)	**10,790,547**	12,426,652
Intangible assets (Note 3)	**14,255,349**	16,275,187
Goodwill (Notes 4, 5)	**11,179,243**	11,408,513
Future income taxes (Note 9)	**692,916**	687,907
Total long term assets	**37,057,157**	40,897,780
Total Assets	**50,971,439**	57,740,183
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	**$ 3,573,681**	$ 4,783,426
Deferred revenue	**1,399,370**	910,429
Capital lease obligations (Note 6)	**361,716**	543,874
Total current liabilities	**5,334,767**	6,237,729
Long term		
Capital lease obligations (Note 6)	**53,863**	223,815
Future income taxes (Note 9)	**4,519,598**	5,113,055
Total liabilities	**9,908,228**	11,574,599
Shareholders' equity		
Share capital (Note 8)	**48,527,057**	48,084,479
Contributed surplus (Note 8)	**2,260,876**	2,479,824
Accumulated other comprehensive income (loss)	**698,495**	1,490,428
Retained earnings/(deficit)	**(10,423,217)**	(5,889,147)
Total shareholders' equity	**41,063,211**	46,165,584
Total Liabilities and Shareholders' Equity	**50,971,439**	$ 57,740,183

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

Aeroquest International Limited

Consolidated Statements of Operations

For the Period	Three Months Ending		Six Months Ending	
	Mar. 31, 10	Mar. 31, 09	**Mar. 31, 10**	Mar. 31, 09
Sales	**$6,486,636**	$ 7,963,236	**$ 14,661,172**	$ 19,260,930
Cost of sales	**5,268,667**	4,709,921	**12,048,011**	13,079,855
Gross profit	**1,217,969**	3,253,315	**2,613,161**	6,181,075
Expenses and other items				
General and administrative	**2,422,588**	3,082,872	**5,090,687**	7,433,434
Foreign exchange (gain)/loss	**100,036**	(25,065)	**181,123**	(1,230,651)
Stock based compensation expense	**84,920**	135,269	**169,729**	239,660
Amortization of intangible assets	**857,487**	747,478	**1,732,055**	1,632,528
Depreciation of capital assets	**875,189**	1,010,900	**1,755,337**	1,812,464
Total operating expenses	**4,340,220**	4,951,454	**8,928,931**	9,887,435
Operating profit/(loss)	**(3,122,251)**	(1,698,139)	**(6,315,770)**	(3,706,360)
Other costs (income)	**(146,021)**	-	**(264,347)**	-
Interest Income	**-**	(103,973)	**-**	(174,744)
Interest Expense	**14,838**	18,519	**30,061**	33,105
Income/(loss) before income taxes	**(2,991,068)**	(1,612,685)	**(6,081,484)**	(3,564,721)
Income taxes (Note 9)				
Current	**(602,763)**	(420,252)	**(1,041,054)**	(567,319)
Future (recovery)	**(120,635)**	(239,234)	**(506,360)**	(530,634)
Total income tax	**(723,398)**	(659,486)	**(1,547,414)**	(1,097,953)
Net income/(loss) for the period	**$ (2,267,670)**	$ (953,198)	**$ (4,534,070)**	$ (2,466,768)
Earnings/(loss) per share (Note 10)				
Basic	**$ (0.06)**	$ (0.03)	**$ (0.12)**	$ (0.07)
Diluted	**$ (0.06)**	$ (0.03)	**$ (0.12)**	$ (0.07)

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

Aeroquest International Limited

Consolidated Statements of Retained Earnings/(Deficit)

For the period	Three Months Ended		Six Months Ended	
	Mar. 31, 10	Mar. 31, 09	**Mar. 31, 10**	Mar. 31, 09
Retained earnings (deficit), beginning of period	**$ (8,155,547)**	$ 3,219,587	**$ (5,889,147)**	$ 4,681,071
Excess of purchase price over cost on redemption of shares (Note 8)	**-**	-	**-**	52,087
Net income/(loss)	**(2,267,670)**	(953,198)	**(4,534,070)**	(2,466,768)
Retained earnings, end of period	**(10,423,217)**	$ 2,266,389	**(10,423,217)**	$ 2,266,389

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		Six Months Ended	
	Mar. 31, 10	Mar. 31, 09	**Mar. 31, 10**	Mar. 31, 09
Net Income/(loss) for the period	**$ (2,267,670)**	$ (953,198)	**$ (4,534,070)**	$ (2,466,768)
Revaluation of long term investments to fair market value (Net of tax $26,773, 2008 - $1,360)	**1,929**	30,500	**(50,248)**	27,860
Unrealized gain(loss) on translation of self-sustaining foreign operations	**(626,732)**	1,361,193	**(741,687)**	1,954,057
Total Other Comprehensive Income (loss)	**(624,803)**	1,391,693	**(791,935)**	1,981,917
Total Comprehensive Income (loss)	**$ (2,892,473)**	$ 438,495	**$ (5,326,005)**	$ (484,851)
Accumulated Other Comprehensive Income (loss):				
Revaluation of long term investments to fair market value	**$ (26,152)**	$ 36,780	**$ (26,152)**	$36,780
Unrealized gain(loss) on translation of self-sustaining foreign operations	**724,647**	150,379	**724,647**	150,379
Total Accumulated Other Comprehensive Income (loss)	**$ 698,495**	$ 187,159	**$ 698,495**	$ 187,159

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

Consolidated Statements of Cash Flow

For the period	Three months ended		Six months ended	
	Mar. 31, 10	Mar. 31, 09	**Mar. 31, 10**	Mar. 31, 09
Cash provided by (used in)				
Operating activities				
Net income/(loss) for the period	**$ (2,267,670)**	$ (953,198)	**$ (4,534,070)**	$ (2,466,768)
Operating items not requiring cash				
Amortization of intangible assets	**857,487**	747,478	**1,732,055**	1,632,528
Depreciation of capital assets	**875,189**	1,010,900	**1,755,337**	1,812,464
Loss(gain) on disposal of capital asset	**(358,727)**	-	**(358,727)**	-
Future income taxes	**(120,635)**	(236,458)	**(506,360)**	(527,858)
Stock based compensation	**84,920**	135,269	**169,729**	239,660
Operating cash flow before changes in non-cash working capital	**(929,436)**	703,991	**(1,742,036)**	690,026
Changes in non cash working capital	**175,515**	(2,373,479)	**(425,953)**	(1,262,732)
Total cash flow from operating activities	**(753,921)**	(1,669,488)	**(2,167,989)**	(572,706)
Investing activities				
Capital asset purchases	**(307,261)**	(2,088,204)	**(470,684)**	(4,127,906)
Proceeds from disposal of capital assets	**162,211**	-	**492,611**	-
Long-term investments acquired	**-**	50,042	**(90,000)**	(35,958)
Total cash flow from investing activities	**(145,050)**	(2,038,162)	**(68,073)**	(4,163,864)
Financing activities				
Capital lease payments	**(210,255)**	(57,576)	**(352,111)**	(142,706)
Aeroquest shares redeemed				(56,814)
Proceeds: issuance of common shares	**21,000**	-	**25,450**	-
Total cash flow from financing activities	**(189,255)**	(57,576)	**(326,661)**	(199,520)
Net change in cash and cash equivalents for the period	**$ (1,088,226)**	$ (3,765,227)	**$ (2,562,723)**	$ (4,936,091)
Cash and cash equivalents, beginning of period	**4,671,287**	14,202,268	**6,145,784**	15,373,132
Cash and cash equivalents, end of period	**$ 3,583,061**	$ 10,437,041	**$ 3,583,061**	$ 10,437,041

Supplementary Information (Note 13)

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	Deficit	Accumulated Other Comp. Income (loss)	Total Shareholders' Equity
Balance Sep. 30, 09	$ 48,084,479	$ 2,479,824	$ (5,889,147)	$ 1,490,428	$ 46,165,584
Issuance of common shares on acquisition	28,450				28,450
Share issuances pursuant to restricted stock unit vesting	376,535	(376,535)			-
Share issuances pursuant to stock options exercised	37,593	(12,142)			25,451
Net loss for the period			(4,534,070)		(4,534,070)
Stock based compensation expense		169,729			169,729
Unrealized gain (loss) on translation of self sustaining foreign operations				(741,685)	(741,685)
Revaluation of long term investments to fair market value				(50,248)	(50,248)
Balance Mar. 31, 10	**$ 48,527,057**	**$ 2,260,876**	**$ (10,423,217)**	**$ 698,495**	**$ 41,063,211**

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

Summary of Significant Accounting Policies
March 31, 2010 and September 30, 2009

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 Pty Ltd. ("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 on July 3, 2007. UTS is incorporated in Australia and has been in operation since 1992. Its principal office is located on Fauntleroy Ave, Perth, Western Australia.

On December 31, 2007, the Company acquired 100% of the voting shares of Geophex Ltd. ("Geophex"). 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. Geophex is incorporated in North Carolina and is located at 605 Mercury Street, Raleigh, NC. In 2010 Geophex adopted the trade name, and now operates as, Aeroquest Sensor Technologies.

On September 30, 2009, the Company acquired 100% of the voting shares of Optimal Geomatics Inc.("Optimal"), 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. In March, 2010 Aeroquest sold the Vancouver operation to an industry participant. The remaining business adopted the trade name Aeroquest Optimal in 2010 and is located at 4975 Bradford Drive, Huntsville, AL

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, Aeroquest (UK) Limited, Geophex, 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% 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.

Summary of Significant Accounting Policies
March 31, 2010 and September 30, 2009

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 yearend 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
March 31, 2010 and September 30, 2009

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
March 31, 2010 and September 30, 2009

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

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
March 31, 2010 and September 30, 2009

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.

<u>Initial impact assessment and scoping phase – status</u>: 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.

<u>Key elements phase – status</u>: 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
March 31, 2010 and September 30, 2009

1. Cash and Cash Equivalents

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

	Mar. 31, 2010	Sep. 30, 2009
Canadian Dollars	$1,560,000	$ 5,356,746
United States Dollars	2,258,086	1,043,337
Australian Dollars	(288,260)	(349,851)
Kazakhstan Tenge	21,129	21,129

2. Capital Assets

	Mar. 31, 2010 Cost	Mar. 31, 2010 Accumulated Depreciation	Mar. 31, 2010 Net Book Value	Sep. 30, 2009 Net Book Value
Airborne and geophysical equipment	$18,171,639	$9,806,920	$8,364,719	$ 10,313,615
Automotive equipment	630,463	455,279	175,184	206,783
Data processing equipment	837,329	480,763	356,566	310,441
Leasehold improvements	343,002	184,800	158,202	192,541
Office equipment	1,058,784	405,480	653,304	552,681
Data libraries	336,228	-	336,228	336,228
Equipment in process	746,344	-	746,344	514,363
	22,123,789	11,333,242	10,790,547	$ 12,426,652

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

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

	Mar. 31, 2010 Cost	Mar. 31, 2010 Accum. Depreciation	Mar. 31, 2010 Net Book Value	Sep. 30, 2009 Net Book Value
Airborne and geophysical equipment	$ 1,364,657	$ 979,507	$ 385,150	$ 732,378
Office equipment	161,935	31,165	130,770	377,190
	$ 1,526,592	$ 1,010,672	$ 515,920	$ 1,109,568

Depreciation for assets under capital lease was $69,371 and $67,815 for the three months ended March 31, 2010 and 2009 respectively.

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		Mar. 31, 2010				Sep. 30, 2009
Intangible Asset	**Amort. Period (Years)**	**Cost**	**Accumulated Amortization**	**Impairment Charge**	**Net Book Value**	Net Book Value
Customer relationships	7	**$ 12,997,090**	**$ 5,106,000**	**-**	**$ 7,891,090**	$8,937,728
Technology	7	**6,102,104**	**2,397,255**	**-**	**3,704,849**	4,196,243
Sales backlog	1	**942,686**	**942,686**	**-**	**-**	-
Trade name	1.17	**1,826,718**	**336,219**	**1,396,756**	**93,743**	190,000
		21,850,599	**8,764,160**	**1,396,756**	**11,689,683**	$ 13,323,972

On August 5, 2009, the Company decided to phase out the UTS trade name. 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 ended September 30, 2009, an assessment of the fair value of the goodwill and intangible assets was performed (see Note 5). The result of this analysis was impairment to the trade name of $283,747 which has been charged to earnings in the year ended September 30, 2009. The balance of the trade name remains with an indefinite life.

Geophex		Mar. 31, 2010				Sep. 30, 2009
Intangible Asset	**Amort. Period (Years)**	**Cost**	**Accumulated Amortization**	**Impairment Charge**	**Net Book Value**	Net Book Value
Customer relationships	7	**$ 2,356,845**	**$ 757,557**	**-**	**$ 1,589,287**	$ 1,863,157
Technology	7	**922,244**	**296,436**	**-**	**625,808**	729,065
Sales backlog	1	**512,358**	**512,358**	**-**	**-**	-
Trade name	indefinite	**614,829**	**-**	**274,244**	**340,585**	358,993
		$ 4,406,275	**$ 1,566,350**	**$ 274,244**	**2,565,681**	$ 2,951,215

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3. Intangible Assets (Continued)

Consolidated intangible assets are comprised of the following:

Consolidated		Mar. 31, 2010				Sep. 30, 2009
Intangible Asset	Amort. Period (Years)	Cost	Accumulated Amortization	Impairment Charge	Net Book Value	Net Book Value
Customer relationships	7	$ 15,353,935	$ 5,863,557	-	$ 9,490,378	$ 10,800,895
Technology	7	$ 7,024,348	$ 2,693,690	-	$ 4,330,657	4,925,308
Sales backlog	1	$ 1,437,044	$ 1,437,044	-	-	-
Trade name	varies	$ 2,441,547	$ 336,219	$ 1,671,000	$ 434,328	548,994
		$ 26,256,873	$ 10,330,510	$ 1,671,000	$ 14,255,363	$16,275,187

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 (2,989,293 shares @ $0.43)	1,285,396
Total Purchase Price	$ 1,350,803

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

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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**
Prepaids	**266,847**
Capital assets	**428,749**
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	**$ 1,350,803**

5. Goodwill

	Mar. 31, 2010	Sep. 30, 2009
Goodwill, beginning of period	**$ 11,408,513**	$ 11,662,115
Acquisitions	**-**	-
Impairments	**-**	(1,194,115)
Foreign currency translation gain (loss)	**(229,271)**	940,513
Goodwill, end of period	**$ 11,179,244**	$ 11,408,513

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 March 31, 2010 is comprised of $1,952,738 attributable to Geophex (which includes $67,667 in foreign currency translation loss recognized in the three months ended March 31, 2010), and $9,226,506 attributable to UTS (which includes $118,783 in foreign currency translation loss recognized in the three months ended March 31, 2010).

Notes To Consolidated Financial Statements
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6. 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 7.82% (2009 – 7.81%).

Commitments in relation to capital leases are payable as follows:

	Mar. 31, 2010	Sep. 30, 2009
Within one year	387,720	$ 582,363
Later than one year but not later than five years	58,193	228,393
Minimum lease payments	445,913	810,756
Future finance charges	(30,334)	(43,067)
Recognized as a liability	$415,579	$ 767,689
Representing Capital Lease Obligations		
Current	$361,716	$ 543,874
Long term	53,863	223,815
	$415,579	$ 767,689

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

7. 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 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	$ 812,491
2011	683,912
2012	381,621
2013	246,610
2014	167,597
Thereafter	-
	$ 2,292,231

Notes To Consolidated Financial Statements
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8. Share Capital

a. Authorized

Unlimited number of voting common shares.

b. Issued and Outstanding

	Mar. 31, 2010		Sep. 30, 2009	
	Qty	**Amount**	Qty	Amount
Share capital, opening	**36,616,440**	**$ 48,084,479**	33,514,974	$ 46,506,445
Shares issued on exercise of stock options	**59,167**	**37,593**	80,001	56,825
Shares issued on vesting of RSU's	**244,168**	**376,535**	173,335	368,503
Issuance of common shares on acquisition (Note 4)	**66,163**	**28,450**	2,923,130	1,256,946
Shares redeemed	**-**	**-**	(75,000)	(104,240)
Share capital, closing	**36,985,938**	**$ 48,527,057**	36,616,440	$ 48,084,479

A total of 59,167 common shares were issued in the six months ended March 31, 2010 upon the exercise of employee stock options generating cash proceeds of $25,451. For the year ended September 30, 2009 a total of 80,001 common shares were issued upon the exercise of employee stock options generating cash proceeds of $42,095. See note 8(d) for further details.

A total of 244,168 common shares were issued in the six months ended March 31, 2010 (173,335 common shares for the year ended September 30, 2009) 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 8(d) for further details.

Common shares were issued in connection with the acquisition of Optimal Geomatics Inc. on September 30, 2009. 2,923,130 common shares were issued on September 30, 2009 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. An additional 66,163 shares were issued in the quarter ended December 31, 2009 to a third party as compensation for due diligence services related to the acquisition. These shares also had an ascribed value of $0.43 per share for a total value of $28,450.

In the quarter ended December 31, 2008, 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.

c. 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 three month period ended December 31, 2009 and the twelve month period ended September 30, 2009. A total of 287,335 stock options remain available in the pool at September 30, 2009.

	Number of Options	Weighted Avg. Exercise Price
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**
Options granted	**140,000**	**0.55**
Options exercised	**(59,167)**	**0.43**
Options expired	**(220,000)**	**1.86**
Total outstanding Mar. 31, 2010	**1,891,666**	**$0.62**
Total exercisable Mar. 31, 2010	**1,115,666**	**$0.74**

The fair value of stock options granted in fiscal 2010 and 2009 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 - $0.55**
Exercise price	**$0.38 - $0.55**
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 six months ended March 31, 2010 was $0.27($0.24 for the year ended September 30, 2009).

d. 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, 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**
Granted	**-**	**-**
Vested	**(244,168)**	**2.12**
Expired	**(52,499)**	**1.49**
Total Outstanding, Mar. 31, 2010	**243,332**	**$ 1.34**

e. Contributed Surplus

	Mar. 31, 2010	Sep. 30, 2009
Contributed surplus, beginning of year	**$ 2,479,824**	$ 2,411,281
Stock option expense	**82,863**	122,880
Restricted stock unit expense	**86,861**	333,557
Redemption of shares	**-**	(4,661)
Exercise of stock options and RSU's	**(388,677)**	(383,233)
Contributed surplus, end of year	**$ 2,260,876**	$ 2,479,824

Included in contributed surplus is $528,800 related to a grant of 400,000 compensation options that occurred in the year ended September 30, 2008. 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 $1.322 per option and 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 expired on January 19, 2010 and are not included in the continuity schedule in note 8d.

9. Income Taxes

	Mar. 31, 2010	Mar. 31, 2009
Income/(loss) before income taxes	**$ (2,991,068)**	$ (1,612,685)
Statutory income tax rate	**31.33%**	33.16%
Computed income tax payable	**(949,664)**	(534,766)
Non-deductible/non-taxable items	**53,663**	49,755
Other	**36,266**	(132,488)
Lower/(higher) tax rate in foreign jurisdiction	**136,337**	(41,987)
Income taxes	**$ (723,398)**	$ (659,486)

The tax effects of temporary differences that give rise to significant portion of the future tax assets at March 31, 2010 and September 30, 2009 are presented below:

Future Taxes	Mar. 31, 2010	Sep.30, 2009
Capital Assets	**$ 18,214**	$ 14,759
Other Comprehensive Income	**(44,065)**	(11,423)
CMT	**101,625**	101,625
Acquisition Portion	**(4,495,972)**	(5,134,888)
Tax loss recognition	**355,167**	356,179
Accruals	**332,337**	331,709
Other	**(93,988)**	(83,109)
	$ (3,826,682)	$ (4,425,148)

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.

10. 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.

Three Months Ended	Mar. 31, 2010	Mar. 31, 2009
Numerator		
Net income/(loss) for the period	$ (2,267,670)	$ (953,198)
Denominator		
Average common shares outstanding	36,944,549	33,613,319
Diluted common shares outstanding	37,454,658	34,161,651
Basic earnings/(loss) per share	$ (0.06)	$ (0.03)
Diluted earnings/(loss) per share	$ (0.06)	$ (0.03)

11. Segmented Information

For the three months ended March 31, 2010 and 2009, no one customer represented more than 10% of revenue.

The operations of the Company are split into three separate segments: Airborne Geophysics (the Aeroquest and UTS Geophysics operations), Aerial Geomatics (the Optimal Geomatics operations) and contract research and development (Geophex Limited). Selective information from each segment is presented below:

Three months ended March 31, 2010	Airborne Geophysics	Aerial Geomatics	Contract R&D	Total Consolidated
Revenue	$ 3,678,419	$ 2,424,807	$ 383,410	$ 6,486,636
Cost of Sales	3,222,442	1,903,658	142,567	5,268,667
Gross Margin	455,977	521,149	240,843	1,217,969
Operating Expenses	3,528,249	528,005	283,966	4,340,220
Income Taxes	(735,795)	-	12,397	(723,398)
Net Income/(Loss)	(3,067,244)	528,005	271,569	(2,267,670)
Total Capital Expenditures	241,787	65,474	-	307,261
Total Assets	50,971,439	3,138,957	5,359,107	59,469,503

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Three months ended March 31, 2009	Airborne Geophysics	Aerial Geomatics	Contract R&D	Total Consolidated
Revenue	$ 7,378,379	-	$ 584,857	$ 7,963,236
Cost of Sales	4,455,766	-	254,155	4,709,921
Gross Margin	2,922,633	-	330,682	3,253,315
Operating Expenses	4,743,583	-	270,871	4,951,454
Income Taxes	(638,923)	-	(20,563)	(659,486)
Net Income	(920,417)	-	(32,781)	(953,198)
Total Capital Expenditures	1,688,901	-	-	1,688,901
Total Assets	$57,217,872	-	$ 7,406,863	$ 64,624,735

12. 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 months ended December 31, 2009 and 2008:

For the period	Three Months Ended		Six Months Ended	
	Mar. 31, 2010	Mar. 31, 2009	**Mar. 31, 2010**	Mar. 31, 2009
Revenue				
Canada	**$ 2,070,233**	$ 1,144,413	**$ 3,868,276**	$ 2,798,918
Australia	**682,884**	541,284	**2,304,179**	2,472,647
United States	**2,979,548**	1,744,548	**5,472,234**	2,765,825
International	**753,971**	4,532,992	**3,016,484**	11,223,540
Total Revenue	**$ 6,486,636**	$ 7,963,237	**$ 14,661,172**	$ 19,260,930

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 March 31, 2010 amount to $6.1 million, Australia $4.3 million and USA $0.4 million (September 30, 2009, Canada $7.1 million, Australia $5.0 million, United States $0.5 million).

13. Supplementary Cash Flow Information

	Mar. 31, 2010	Dec. 31, 2009
(a) Interest Paid	**$ 14,851**	$ 15,010
(b) Interest Received	**98**	64,204
(c) Income taxes paid (Refunded)	-	1,348,762

14. 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 March 31 and September 30, 2009, no amounts have been drawn on this facility. In Australia, an operating facility existed up until January, 2010 for UTS of A$400,000 and no amounts have been drawn on this facility during this period. This facility was cancelled in January, 2010.

15. 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:

(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 March 31, 2010, the top five customers accounted for 35% of the Company's total accounts receivable and as of March 31, 2009, 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:

	Mar. 31, 2010		Sep. 30, 2009	
	$	%	$	%
Not Past Due	1,740,620	41.5%	3,850,818	65.6%
Past Due 0-30	1,231,153	29.4%	472,704	8.1%
Past Due 31-90	165,791	4.0%	76,662	1.3%
More than 90 days	603,123	14.4%	1,626,348	27.7%
Total trade receivables	3,740,687	89.3%	6,026,532	102.7%
Accrued receivables	627,024	15.0%	653,933	11.1%
Allowance for doubtful accounts	(177,495)	-4.2%	(810,137)	-13.8%
Total accounts receivable	4,190,216	100.0%	5,870,328	100.0%

(b) Interest Rate Risk: While the company does have credit facilities in which it can draw upon (see Note 14) if required, the Company did not draw upon them at any time in the periods ended March 31, 2010 or March 31, 2009. 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:

	Mar. 31, 2010		Sep. 30, 2009	
	USD	AUD	USD	AUD
Cash and cash equivalents	$ 2,258,000	$ (288,000)	$ 1,043,000	$ (349,900)
Accounts receivable	3,168,000	391,000	5,130,000	416,000
Accounts payable and accrued liabilities	(1,407,000)	(705,000)	(1,969,000)	(1,058,000)
Income taxes recoverable/(payable)	(70,000)	967,000	(163,000)	657,000
Capital lease obligations (current)	(77,000)	(310,000)	-	333,000
Capital lease obligations (long term)	-	(52,000)	-	185,000
Totals	$ 3,872,000	$ 3,000	$ 4,041,000	$ 183,100

The translation impact to the Company of a 1 cent increase in the Canadian dollar versus the Australian dollar would not have changed the net profit, whereas the impact versus the US dollar would have decreased the net profit by $39,600 for the three months ended March 31, 2010. Conversely, a 1 cent decrease in the Canadian dollar versus the Australian dollar would not have changed the net profit, whereas the impact versus the US dollar would have increased the net profit by $40,400 for the three months ended March 31, 2010.

(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 March 31, 2010 the Company had a cash balance of $3.6 million, $4.2 million in accounts receivable, $3.4 million in income taxes recoverable and $2.0 million in unused committed bank credit facilities to settle current liabilities of $3.9 million (excluding deferred revenue of $1.9 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.

16. 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).