



**AEROQUEST INTERNATIONAL LIMITED  
AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended September 30, 2010 and 2009



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## AUDITORS' REPORT

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To the Shareholders of Aeroquest International Limited

We have audited the consolidated balance sheets of Aeroquest International Limited as at September 30, 2010 and 2009 and the consolidated statements of operations, deficit, comprehensive income, cash flow and shareholders' equity for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) "*BDO Canada LLP*"

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario  
December 15, 2010

## Consolidated Balance Sheets

	As at	Sep. 30, 10	Sep. 30, 09
<b>Assets</b>			
Current			
Cash and cash equivalents (Note 1)		\$ 4,757,216	\$ 6,145,782
Accounts receivable		4,527,942	5,870,328
Income taxes recoverable		231,136	2,196,916
Unbilled contracts in progress		1,529,146	723,008
Inventories (Note 2)		699,935	342,012
Prepaid expenses and deposits		1,465,629	1,564,357
<b>Total current assets</b>		<b>13,211,004</b>	<b>16,842,403</b>
Long term			
Long term investments		171,828	99,521
Capital assets (Note 3)		9,766,989	12,426,652
Intangible assets (Note 4)		13,277,339	16,275,187
Goodwill (Notes 5, 6)		11,821,304	11,408,513
Future income taxes (Note 10)		2,314,545	687,907
<b>Total long term assets</b>		<b>37,352,005</b>	<b>40,897,780</b>
	<b>Total Assets</b>	<b>\$50,563,009</b>	<b>\$ 57,740,183</b>
<b>Liabilities and Shareholders' Equity</b>			
Current			
Accounts payable and accrued liabilities		\$ 4,697,656	\$ 4,783,426
Deferred revenue		2,240,687	910,429
Capital lease obligations (Note 7)		200,964	543,874
<b>Total current liabilities</b>		<b>7,139,307</b>	<b>6,237,729</b>
Long term			
Capital lease obligations (Note 7)		9,264	223,815
Future income taxes (Note 10)		4,603,674	5,113,055
<b>Total liabilities</b>		<b>11,752,245</b>	<b>11,574,599</b>
Shareholders' equity			
Share capital (Note 9)		48,527,057	48,084,479
Contributed surplus (Note 9)		2,355,274	2,479,824
Accumulated other comprehensive income (loss)		2,404,764	1,490,428
Deficit		(14,476,331)	(5,889,147)
<b>Total shareholders' equity</b>		<b>38,810,764</b>	<b>46,165,584</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 50,563,009</b>	<b>\$ 57,740,183</b>

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

**Consolidated Statements of Operations**

For the years ending	Sep. 30, 10	Sep. 30, 09
<b>Sales</b>	<b>\$32,668,712</b>	<b>\$ 28,011,967</b>
Cost of sales	26,056,645	20,338,937
<b>Gross profit</b>	<b>6,612,067</b>	<b>7,673,030</b>
<b>Expenses and other items</b>		
General and administrative	10,141,037	11,844,837
Foreign exchange (gain)/loss	420,149	(231,968)
Stock based compensation expense	264,128	456,437
Amortization of intangible assets	3,417,446	3,492,777
Impairment of goodwill and intangible assets	-	2,879,936
Depreciation of capital assets	3,615,166	3,899,812
<b>Total operating expenses</b>	<b>17,857,926</b>	<b>22,341,831</b>
<b>Operating loss</b>	<b>(11,245,859)</b>	<b>(14,668,801)</b>
Other income	(285,818)	(67,668)
Interest Income	(22,467)	(59,101)
<b>Loss before income taxes and discontinued operations</b>	<b>(10,937,574)</b>	<b>(14,542,032)</b>
Income taxes (Note 10)		
Current	(348,784)	(1,488,221)
Future (recovery)	(2,242,124)	(2,431,507)
<b>Total income tax</b>	<b>(2,590,908)</b>	<b>(3,919,728)</b>
<b>Net loss before discontinued operations</b>	<b>(8,346,666)</b>	<b>-</b>
Loss from discontinued operations (Note 16)	(240,518)	-
<b>Net loss for the year</b>	<b>\$ (8,587,184)</b>	<b>\$ (10,622,304)</b>
Loss per share (Note 11)		
Basic	(\$0.23)	(\$0.32)
Diluted	(\$0.23)	(\$0.31)

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

**Consolidated Statements of Deficit**

For the years ended	Sep. 30, 10	Sep. 30, 09
Retained earnings/(Deficit), beginning of year	\$ (5,889,147)	\$ 4,681,071
Excess of purchase price over cost on redemption of shares (Note 9)	-	52,086
Net Loss	(8,587,184)	(10,622,304)
<b>Deficit, end of year</b>	<b>\$ (14,476,331)</b>	<b>\$ (5,889,147)</b>

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 ended	Sep. 30, 10	Sep. 30, 09
Net Loss for the year	\$ (8,587,184)	\$ (10,622,304)
Revaluation of long term investments to fair market value (Net of tax (\$6,144), 2009 - \$31,727)	(29,283)	15,176
Unrealized gain on translation of self-sustaining foreign operations	943,619	3,270,010
Total Other Comprehensive Income	\$ 914,336	\$ 3,285,186
Total Comprehensive Loss	\$ (7,672,848)	\$ (7,337,118)
Accumulated Other Comprehensive Income:		
Revaluation of long term investments to fair market value	(\$5,187)	\$ 24,096
Unrealized gain on translation of self-sustaining foreign operations	2,409,951	1,466,332
Total Accumulated Other Comprehensive Income	\$ 2,404,764	\$ 1,490,428

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 ended	Sep. 30, 10	Sep. 30, 09
<b>Cash provided by (used in)</b>			
<b>Operating activities</b>			
Net loss for the year		\$ (8,587,184)	\$ (10,622,304)
Operating items not requiring cash			
Amortization of intangible assets		3,417,446	3,492,777
Impairment of goodwill and intangible assets		-	2,879,936
Depreciation of capital assets		3,722,012	3,899,812
Gain on disposal of capital assets		(304,803)	-
Future income taxes		(2,242,124)	(2,431,507)
Stock based compensation		264,128	456,437
<b>Operating cash flow before changes in non-cash working capital</b>		<b>(3,730,525)</b>	<b>(2,324,849)</b>
Changes in non-cash working capital		3,571,916	(2,348,909)
<b>Total cash flow from operating activities</b>		<b>(158,609)</b>	<b>(4,673,758)</b>
<b>Investing activities</b>			
Capital asset purchases		(1,238,340)	(4,149,488)
Proceeds from disposal of capital assets		583,649	-
Long-term investments acquired		(90,000)	(53,844)
Cash cost of acquisitions (Note 5)		-	(65,407)
<b>Total cash flow from investing activities</b>		<b>(744,691)</b>	<b>(4,268,739)</b>
<b>Financing activities</b>			
Capital lease payments		(510,716)	(270,133)
Aeroquest shares redeemed		-	(56,815)
Proceeds: issuance of common shares on exercise of employee stock options (note 9b)		25,450	42,095
<b>Total cash flow from financing activities</b>		<b>(485,266)</b>	<b>(284,853)</b>
Net change in cash and cash equivalents for the period		\$ (1,388,566)	\$ (9,227,350)
<b>Cash and cash equivalents, beginning of year</b>		<b>6,145,782</b>	<b>15,373,132</b>
<b>Cash and cash equivalents, end of year</b>		<b>\$ 4,757,216</b>	<b>\$ 6,145,782</b>

## 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**

<b>For the year ending</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Retained Earnings/ (Deficit)</b>	<b>Accumulated Other Comp. Income (loss)</b>	<b>Total Shareholders' Equity</b>
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
<b>Balance Sep. 30, 09</b>	<b>\$ 48,084,479</b>	<b>\$ 2,479,824</b>	<b>\$ (5,889,147)</b>	<b>\$ 1,490,428</b>	<b>\$ 46,165,584</b>

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	(12,143)			25,450
Net loss for the period			(8,587,184)		(8,587,184)
Stock based compensation expense		264,128			264,128
Unrealized gain (loss) on translation of self-sustaining foreign operations				943,619	943,619
Revaluation of long term investments to fair market value				(29,283)	(29,283)
<b>Balance Sep. 30, 10</b>	<b>\$ 48,527,057</b>	<b>\$2,355,274</b>	<b>\$ (14,476,331)</b>	<b>\$ 2,404,764</b>	<b>\$ 38,810,764</b>

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

## Summary of Significant Accounting Policies September 30, 2010 and 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 (now known as Aeroquest Surveys), UTS Geophysics Pty Ltd. – now known as UTS/Aeroquest ("UTS"), Geophex Ltd (now known as Aeroquest Sensortech), 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. The Company also acquired 100% of the voting shares of Geophex Ltd on December 31, 2007. Geophex manufactures and sells primarily ground based geophysical instruments, and also supplies institutions and private entities with specialized survey equipment. Geophex is based on Mercury Street in Raleigh, NC.

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 Ltd., 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 September 30, 2010 and 2009

**GEOMATICS REVENUE** - Revenues from contracts are recognized using the percentage of completion method. The degree of completion is determined based on costs incurred, excluding costs that are not representative of progress to complete, as a percentage of total costs anticipated for each contract. Provision is made for losses on contracts in progress when such losses first become known. Revisions in cost and profit estimates are reflected in the accounting period in which the relevant facts become known. Revenue from technical support services is deferred and recognized ratably over the period of the obligation. Revenue from consulting and other geomatics services is recorded as the services are performed.

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 progress represent the difference between revenue recognized on a percentage completion basis for contracts in progress 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 initial maturities 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 de-recognized 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. Capital assets are tested annually for any impairment or more frequently if changes in circumstances indicate that the carrying amount of an asset may not be reasonable.

## Summary of Significant Accounting Policies September 30, 2010 and 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 and liabilities 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 recognized when there is reasonable assurance that the credits will be realized and are offset against the related expenses.

### 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 awards 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, 2010 and 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 initially measured on the balance sheet at fair value. 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 de-recognized from the balance sheets; and

**DERIVATIVE FINANCIAL INSTRUMENTS** - are classified as held-for-trading financial instruments and measured at fair value, with gains and losses recognized 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 payable and accruals as other financial liabilities and its 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.

## 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 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.

**Summary of Significant Accounting Policies  
September 30, 2010 and 2009**

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, 2010 and 2009**
**1. Cash and Cash Equivalents**

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

	Sep. 30, 2010	Sep. 30, 2009
Canadian Dollars	\$ 1,719,274	\$ 5,356,746
United States Dollars	2,881,754	1,043,337
Australian Dollars	184,565	(349,851)
Kazakhstan Tenge	21,129	21,129

**2. Inventories**

Inventories comprise the following:

	Sep. 30, 2010	Sep. 30, 2009
Work in progress	\$ 572,919	\$ 177,669
Finished goods	123,728	157,072
Supplies	3,288	7,271
Totals	\$ 699,935	\$ 342,012

Total inventory expensed through cost of sales was \$92,890 and \$31,456 for the years ended September 30, 2010 and 2009 respectively.

**3. Capital Assets**

	Sep. 30, 2010			Sep. 30, 2009
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Airborne and geophysical equipment	\$ 19,181,475	\$ 11,690,900	\$ 7,490,575	\$ 10,313,615
Automotive equipment	635,265	489,465	145,800	206,783
Data processing equipment	853,740	540,904	312,836	310,441
Leasehold improvements	357,778	225,676	132,102	192,541
Office equipment	1,025,503	482,520	542,983	552,681
Data libraries	336,228	189,129	147,099	336,228
Equipment in process	995,594	-	995,594	514,363
	\$ 23,585,583	\$ 13,618,594	\$ 9,766,989	\$ 12,426,652

**Notes To Consolidated Financial Statements  
September 30, 2010 and 2009**

**3. Capital Assets (cont'd)**

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:

	Sep. 30, 2010			Sep. 30, 2009
	Cost	Accum. Depreciation	Net Book Value	Net Book Value
Airborne and geophysical equipment	\$ 1,729,385	\$ 1,130,754	\$ 598,631	\$ 732,378
Office equipment	338,009	191,006	147,003	377,190
	<b>\$ 2,067,394</b>	<b>\$ 1,321,760</b>	<b>\$ 745,634</b>	<b>\$ 1,109,568</b>

Depreciation for assets under capital lease was \$238,785 and \$194,109 for the years ended September 30, 2010 and 2009 respectively.

**4. 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.

Intangible Asset	Amort. Period (Years)	Sep. 30, 2010			Sep. 30, 2009	
		Cost	Accumulated Amortization	Impairment Charge	Net Book Value	
Customer relationships	7	\$ 13,865,794	\$ 6,437,690	\$ -	\$ 7,428,104	\$8,937,728
Technology	7	6,509,958	3,022,480	-	3,487,478	4,196,243
Trade name	1.17	1,948,813	552,057	1,396,756	-	190,000
		<b>\$ 22,324,565</b>	<b>\$ 10,012,227</b>	<b>\$ 1,396,756</b>	<b>\$ 10,915,582</b>	<b>\$ 13,323,972</b>

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 was amortized to income and was fully expensed by September 30, 2010.

Certain intangible assets were acquired as part of the acquisition of Geophex on December 31, 2007. 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 also Note 5). The result of this analysis was impairment to the trade name of \$227,807 which was charged to earnings in the year ended September 30, 2009. The balance of the trade name remains with an indefinite life.

**Notes To Consolidated Financial Statements**  
**September 30, 2010 and 2009**

Geophex Intangible Asset	Amort. Period (Years)	Sep. 30, 2010				Sep. 30, 2009
		Cost	Accumulated Amortization	Impairment Charge	Net Book Value	Net Book Value
Customer relationships	7	\$ 2,387,471	\$ 937,935	\$ -	\$ 1,449,536	\$ 1,863,157
Technology	7	934,228	367,018	-	\$567,210	729,065
Trade name	indefinite	622,818	-	277,807	345,011	358,993
		<b>\$3,944,517</b>	<b>\$ 1,304,953</b>	<b>\$ 277,807</b>	<b>\$ 2,361,757</b>	<b>\$ 2,951,215</b>

Consolidated intangible assets are comprised of the following:

Consolidated Intangible Asset	Amort. Period (Years)	Sep. 30, 2010				Sep. 30, 2009
		Cost	Accumulated Amortization	Impairment Charge	Net Book Value	Net Book Value
Customer relationships	7	\$ 16,253,265	\$ 7,375,625	\$ -	\$ 8,877,640	\$ 10,800,895
Technology	7	7,444,186	3,389,498	-	4,054,688	4,925,308
Trade name	varies	2,571,631	552,057	1,674,563	345,011	548,994
		<b>\$ 26,269,082</b>	<b>\$ 11,317,180</b>	<b>\$ 1,674,563</b>	<b>\$ 13,277,339</b>	<b>\$16,275,187</b>

**5. Business Acquisitions**

On September 30, 2009, the Company acquired 100% of the outstanding share capital of Optimal Geomatics Inc. for a total consideration of \$1,350,803 which includes direct costs related to the acquisition of \$594,847. The total consideration paid is made up of the following:

Acquisition costs	<b>\$ 594,847</b>
Less: Cash acquired	<b>(529,440)</b>
Cash cost of acquisition	<b>65,407</b>
Shares of Aeroquest International (2,989,293 shares @ \$0.43)	<b>1,285,396</b>
<b>Total Purchase Price</b>	<b>\$ 1,350,803</b>

**Notes To Consolidated Financial Statements  
September 30, 2010 and 2009**

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:

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	428,749
Other assets	254,043
Accounts payable and accrued liabilities	(1,483,578)
Capital lease obligations	(246,821)
Deferred revenue	(192,294)
<b>Total net assets acquired, net of cash</b>	<b>\$ 1,350,803</b>

**6. Goodwill**

	Sep. 30, 2010	Sep. 30, 2009
Goodwill, beginning of period	\$ 11,408,513	\$ 11,662,115
Acquisitions	-	-
Impairments	-	(1,194,115)
Foreign currency translation gain (loss)	412,791	940,513
<b>Goodwill, end of period</b>	<b>\$ 11,821,304</b>	<b>\$ 11,408,513</b>

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, 2010 is comprised of \$1,978,113 attributable to Geophex (which includes \$80,163 in foreign currency translation losses recognized in the year ended September 30, 2010), and \$9,843,191 attributable to UTS (which includes \$492,951 in foreign currency translation gains recognized in the year ended September 30, 2010).

**Notes To Consolidated Financial Statements  
September 30, 2010 and 2009**

**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 7.77% (2009 – 7.60%).

Commitments in relation to capital leases are payable as follows:

	Sep. 30, 2010	Sep. 30, 2009
Within one year	\$ 206,849	\$ 582,363
Later than one year but not later than five years	9,443	228,393
Minimum lease payments	216,292	810,756
Future finance charges	(6,064)	(43,067)
Recognized as a liability	<b>\$ 210,228</b>	<b>\$ 767,689</b>
<b>Representing Capital Lease Obligations</b>		
Current	\$ 200,964	\$ 543,874
Long term	9,264	223,815
	<b>\$ 210,228</b>	<b>\$ 767,689</b>

**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 January and December 2012, November 2013, January and August 2015.

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

2011	\$ 863,623
2012	632,459
2013	411,284
2014	317,318
2015	155,982
Thereafter	-
	<b>\$ 2,380,306</b>

**Notes To Consolidated Financial Statements**  
**September 30, 2010 and 2009**
**9. Share Capital**
**a. Authorized**

Unlimited number of voting common shares.

**b. Issued and Outstanding**

	Sep. 30, 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 year ended September 30, 2010 upon the exercise of employee stock options generating cash proceeds of \$25,450. 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 9(c) for further details.

A total of 244,168 common shares were issued in the year ended September 30, 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 9(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 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 was 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 up to a maximum of 10% of the issued and outstanding shares in 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 issued and outstanding options have a five year life.

The following table reflects the continuity of employee stock options granted under the stock option plan for the years ended September 30, 2010 and 2009. A total of 1,003,429 stock options remain available in the pool at September 30, 2010.

**Notes To Consolidated Financial Statements  
September 30, 2010 and 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
<b>Total outstanding Sep. 30, 2009</b>	<b>2,030,833</b>	<b>\$ 0.68</b>
Options granted	680,000	0.61
Options exercised	(59,167)	0.43
Options expired	(360,500)	1.69
<b>Total outstanding Sep. 30, 2010</b>	<b>2,291,166</b>	<b>\$0.62</b>
<b>Total exercisable Sep. 30, 2010</b>	<b>1,401,833</b>	<b>\$0.68</b>

The fair value of stock options granted in the years ended September 30, 2010 and 2009 were 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	<b>\$0.38 - \$0.63</b>
Exercise price	<b>\$0.38 - \$0.63</b>
Expected life of options	<b>3 years</b>
Expected stock price volatility	<b>70%</b>
Expected dividend yield	<b>-</b>
Risk free interest rate	<b>4%</b>

The weighted average grant date fair value of options granted in the year ended September 30, 2010 and 2009 was \$0.30 and \$0.24 respectively. The average remaining contractual life is three years.

**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.

**Notes To Consolidated Financial Statements  
September 30, 2010 and 2009**

The following table reflects the continuity of restricted stock units granted under the RSU plan that remain unvested for the years ended September 30, 2010 and 2009.

	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
<b>Total Outstanding Sep. 30, 2009</b>	<b>539,999</b>	<b>\$ 1.47</b>
Granted	-	-
Vested	(244,168)	2.12
Expired	(52,499)	1.49
<b>Total Outstanding, Sep. 30, 2010</b>	<b>243,332</b>	<b>\$ 1.34</b>

**e. Contributed Surplus**

	Sep. 30, 2010	Sep. 30, 2009
Contributed surplus, beginning of year	\$ 2,479,824	\$ 2,411,281
Stock option expense	192,413	122,880
Restricted stock unit expense	71,715	333,557
Redemption of shares	-	(4,661)
Exercise of stock options and RSU's	(388,678)	(383,233)
<b>Contributed surplus, end of year</b>	<b>\$ 2,355,274</b>	<b>\$ 2,479,824</b>

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 9d.

**Notes To Consolidated Financial Statements  
September 30, 2010 and 2009**

**10. Income Taxes**

	Sep. 30, 2010	Sep. 30, 2009
Income/(loss) before income taxes	\$ (11,178,092)	\$ (14,542,032)
Statutory income tax rate	31.75%	33.13%
Computed income tax recoverable	\$ (3,549,044)	\$ (4,817,775)
Valuation allowance on loss carry-forwards	539,764	-
Non-deductible/non-taxable items	100,371	604,727
Rate differences in future taxes	364,012	-
Other	(72,216)	144,652
Lower/(higher) tax rate in foreign jurisdiction	26,205	148,667
<b>Income taxes</b>	<b>\$ (2,590,908)</b>	<b>\$ (3,919,728)</b>

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

<b>Future Taxes</b>	Sep. 30, 2010	Sep. 30, 2009
Capital Assets	\$ (367,630)	\$ 14,759
Long term investments	(9,424)	(11,423)
Corporate minimum tax	84,123	101,625
Intangible assets	(4,185,130)	(5,134,888)
Tax loss recognition	2,082,465	356,179
Accruals	110,131	331,709
Other	(3,663)	(83,109)
	<b>\$ (2,289,129)</b>	<b>\$ (4,425,148)</b>

Not included in the balances noted above are tax losses arising from the former Optimal Geomatics. Canadian tax loss carry-forwards totalling \$4,161,000 are available and expire as follows: \$637,000 on September 30, 2013; \$1,584,000 on September 30, 2027; \$127,000 on September 30, 2028; \$455,000 on September 30, 2029 and \$1,358,000 on September 30, 2030. United States tax losses totalling \$1,432,000 are available and expire as follows: \$1,051,000 on September 30, 2029 and \$381,000 on September 30, 2030.

**Notes To Consolidated Financial Statements  
September 30, 2010 and 2009**

**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.

<b>Years Ended</b>	<b>Sep. 30, 2010</b>	<b>Sep. 30, 2009</b>
Numerator		
Net loss for the year	\$ (8,587,184)	\$ (10,622,304)
Denominator		
Average common shares outstanding	36,923,126	33,640,665
Diluted common shares outstanding	37,373,052	34,185,820
Basic loss per share	\$ (0.23)	\$ (0.32)
Diluted loss per share	\$ (0.23)	\$ (0.31)

**12. Segmented Information**

For the year ended September 30, 2010 one customer represented 10% of revenue. For the year ended September 30, 2009, two customers each represented approximately 10% of revenue.

The operations of the Company are split into three separate segments: Airborne Geophysics (the Aeroquest Surveys and UTS/Aeroquest operations), Aerial Geomatics (the Aeroquest Optimal operations), instruments & sensors (Aeroquest Sensortech) and Corporate expenses. Selective information from each segment is presented below:

<b>Year ended September 30, 2010</b>	<b>Airborne Geophysics</b>	<b>Aerial Geomatics</b>	<b>Instruments &amp; Sensors</b>	<b>Corporate</b>	<b>Total Consolidated</b>
Revenue	\$22,725,602	\$7,585,562	\$ 2,357,547	-	\$ 32,668,712
Cost of Sales	18,869,588	6,341,728	845,330	-	26,056,645
Gross Margin	3,856,015	1,243,835	1,512,217	-	6,612,067
Operating Expenses	12,766,065	1,848,810	1,317,913	1,930,586	17,857,926
Income Taxes	(2,565,280)	-	(37,536)	11,908	(2,590,908)
Net Income/(Loss)	(5,961,234)	(844,844)	154,673	(1,935,779)	(8,587,184)
Total Capital Expenditures	1,061,000	146,249	3,939	27,152	1,238,340
Total Assets	\$ 40,890,317	\$ 2,553,671	\$ 4,948,737	\$ 2,170,283	\$ 50,563,009

**Notes To Consolidated Financial Statements  
September 30, 2010 and 2009**

<b>Year ended September 30, 2009</b>	<b>Airborne Geophysics</b>	<b>Aerial Geomatics</b>	<b>Instruments &amp; Sensors</b>	<b>Corporate</b>	<b>Total Consolidated</b>
Revenue	\$25,659,324	-	\$ 2,352,643	-	\$28,011,967
Cost of Sales	19,391,318	-	947,619	-	20,338,937
Gross Margin	6,268,006	-	1,405,024	-	7,673,030
Operating Expenses	17,363,204	-	3,080,689	1,897,938	22,341,831
Income Taxes	(3,530,843)	-	(388,885)	-	(3,919,728)
Net Income/(Loss)	(7,503,063)	-	(1,286,880)	(1,832,361)	(10,622,304)
Total Capital Expenditures	4,145,954	-	3,534	-	4,149,488
<b>Total Assets</b>	<b>\$ 44,267,023</b>	<b>\$ 3,774,486</b>	<b>\$ 4,440,044</b>	<b>\$ 5,258,630</b>	<b>\$ 57,740,183</b>

Included in the instruments & sensors segment are intercompany charges of \$802,666 and \$721,631 for the years ended September 30, 2010 and 2009 respectively. These charges were eliminated on consolidation.

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, 2010 and 2009:

	<b>Sep. 30, 2010</b>	<b>Sep. 30, 2009</b>
Revenue		
Canada	<b>\$ 8,846,039</b>	\$ 4,274,572
Australia	<b>5,902,480</b>	4,748,635
United States	<b>9,030,308</b>	3,935,621
International	<b>8,889,885</b>	15,053,140
<b>Total Revenue</b>	<b>\$ 32,668,712</b>	<b>\$ 28,011,967</b>

Goodwill is attributable 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, 2010 amount to \$5.8 million, Australia \$3.9 million and USA \$0.4 million (September 30, 2009, Canada \$7.1 million, Australia \$5.0 million, United States \$0.5 million).

**Notes To Consolidated Financial Statements  
September 30, 2010 and 2009**
**13. Supplementary Cash Flow Information**

	Sep. 30, 2010	Sep. 30, 2009
(a) Interest Paid	\$ 20,552	\$ 63,972
(b) Interest Received	41,403	48,154
(c) Income taxes paid (Refunded)	(2,095,525)	1,228,911
(d) Non cash transactions - Issuance of share capital on acquisition (Note 5)	28,450	1,256,946

**14. Credit Facilities**

The Company has had 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. As at September 30, 2010, \$113,772 was drawn on this facility and was repaid in early October of 2010. As of September 30, 2009, no amounts have been drawn on this facility. In Australia, an operating facility existed up until January, 2010 for UTS/Aeroquest 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 September 30, 2010, the top five customers accounted for 30% of the Company's total accounts receivable and as of September 30, 2009, the top five customers accounted for 35% of the total accounts receivable.

**Notes To Consolidated Financial Statements  
September 30, 2010 and 2009**

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, 2010		Sep. 30, 2009	
	\$	%	\$	%
Not Past Due	3,301,144	72.8%	3,850,818	65.6%
Past Due 0-30	569,880	12.6%	472,704	8.1%
Past Due 31-90	147,950	3.3%	76,662	1.3%
More than 90 days	582,497	12.9%	1,626,348	27.7%
<b>Total trade receivables</b>	<b>4,601,471</b>	<b>101.6%</b>	<b>6,026,532</b>	<b>102.7%</b>
Accrued receivables	250,759	5.5%	653,933	11.1%
Allowance for doubtful accounts	(324,288)	-7.1%	(810,137)	-13.8%
<b>Total accounts receivable</b>	<b>4,527,942</b>	<b>100.0%</b>	<b>5,870,328</b>	<b>100.0%</b>

(b) Interest Rate Risk: While the Company does have credit facilities in which it can draw upon (see Note 14) if required, the Company only drew on it once for several days at the end of September of 2010 totalling \$113,772. The facility was repaid in early October, 2010 through the sale of United States dollars to cover the Canadian dollar shortfall. The company did not draw on the facility at any time in the year-ended September 30, 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:

	Sep 30, 2010		Sep. 30, 2009	
	USD	AUD	USD	AUD
Cash and cash equivalents	\$ 2,853,690	\$ 332,412	\$ 1,043,000	\$ (349,900)
Accounts receivable	3,194,063	695,109	5,130,000	416,000
Accounts payable and accrued liabilities	(1,766,520)	(1,064,910)	(1,969,000)	(1,058,000)
Income taxes recoverable/(payable)	(146,220)	592,125	(163,000)	657,000
Capital lease obligations (current)	(26,086)	(175,102)	-	333,000
Capital lease obligations (long term)	-	(9,316)	-	185,000
<b>Totals</b>	<b>\$ 4,108,927</b>	<b>\$ 370,318</b>	<b>\$ 4,041,000</b>	<b>\$ 183,100</b>

The translation impact to the Company of a one cent increase in the Canadian dollar versus the Australian dollar would have decreased the net profit by \$3,626, whereas the impact versus the US dollar would have decreased the net profit by \$43,064 for the year ended September 30, 2010. Conversely, a one cent decrease in the Canadian dollar versus the Australian dollar would have increased the net profit by \$3,699, whereas the impact versus the US dollar would have increased the net profit by \$43,959 for the year ended September 30, 2010.

**Notes To Consolidated Financial Statements**  
**September 30, 2010 and 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, 2010 the Company had a cash balance of \$4.8 million, \$4.5 million in accounts receivable, \$0.2 million in income taxes recoverable and \$1.9 million in unused committed bank credit facilities to settle current liabilities of \$4.9 million (excluding deferred revenue of \$2.2 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.

(e) **Fair Value Risk:** Fair Value Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The carrying value of the Company's financial instruments consisting of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, approximates fair value due to their immediate or short-term maturity. The Company uses the following hierarchy for determining the fair value of financial instruments: Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets; Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instruments. Level 3 – inputs to the valuation methodology are observable and significant to the fair value method.

**16. Discontinued Operations**

On March 31, 2010, the Company sold the Vancouver operations of its Optimal Geomatics business segment that was acquired on September 30, 2009 (see Note 5). A summary of the carrying value of the assets and liabilities for discontinued operations is as follows:

	Sep. 30, 2010	Sep. 30, 2009
<b>Assets</b>		
Current		
Accounts receivable	-	\$ 736,613
Unbilled contracts in progress	-	47,562
Prepaid expenses	-	63,706
	-	847,881
Long term		
Capital Assets	-	89,703
<b>Total Assets</b>	-	<b>\$ 937,584</b>
<b>Liabilities</b>		
Current		
Accounts payable	-	\$ 618,466
Deferred Revenue	-	62,008
Capital lease obligations	-	83,418
	-	763,892
Long term		
Capital lease obligations	-	21,684
<b>Total Liabilities</b>	-	<b>\$ 785,576</b>

**Notes To Consolidated Financial Statements  
September 30, 2010 and 2009**

**16. Discontinued Operations (cont'd)**

The earnings from discontinued operations for the years ended September 30, 2010 and 2009 is as follows:

	Sep. 30, 2010	Sep. 30, 2009
<b>Revenue</b>	<b>\$ 956,192</b>	-
<b>Net Loss from operations</b>	<b>416,165</b>	-
<b>Gain on disposition of component</b>	<b>175,647</b>	-
<b>Net Loss</b>	<b>240,518</b>	-

**17. 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, contributed surplus, accumulated other comprehensive income and retained deficit 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).