



AEROQUEST INTERNATIONAL LIMITED
AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2011 and 2010



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Independent Auditor's Report

To the Shareholders of Aeroquest International Limited

We have audited the accompanying consolidated financial statements of Aeroquest International Limited, which comprise the balance sheets as at September 30, 2011 and 2010, and the consolidated statements of operations, deficit, comprehensive income, cash flows and shareholders' equity for each of the two years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aeroquest International Limited as at September 30, 2011 and 2010, and its results of operations and its cash flows for each of the two years then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

December 20, 2011
Toronto, Ontario

Consolidated Balance Sheets

	As at	Sep. 30, 11	Sep. 30, 10
Assets			
Current			
Cash and cash equivalents (Note 1)		\$ 669,506	\$ 4,757,216
Accounts receivable		3,866,484	4,527,942
Income taxes recoverable		401,724	231,136
Unbilled contracts in progress		1,815,177	1,529,146
Inventories (Note 2)		185,627	699,935
Prepaid expenses and deposits		649,179	1,465,629
Assets held for sale (Note 18)		3,027,456	-
Total current assets		10,615,153	13,211,004
Long term			
Long term investments		-	171,828
Capital assets (Note 3)		8,407,878	9,766,989
Intangible assets (Note 4)		7,367,571	13,277,339
Goodwill (Notes 6)		5,263,181	11,821,304
Future income taxes (Note 10)		1,500,662	2,314,545
Total long term assets		22,539,292	37,352,005
Total Assets		\$33,154,445	\$ 50,563,009
Liabilities and Shareholders' Equity			
Current			
Accounts payable and accrued liabilities		\$ 4,996,223	\$ 4,697,656
Deferred revenue		2,067,192	2,240,687
Capital lease obligations (Note 7)		9,430	200,964
Liabilities held for sale (Note 18)		1,555,477	-
Total current liabilities		8,628,322	7,139,307
Long term			
Capital lease obligations (Note 7)		-	9,264
Future income taxes (Note 10)		2,254,246	4,603,674
Total liabilities		10,882,568	11,752,245
Shareholders' equity			
Share capital (Note 9)		48,940,127	48,527,057
Contributed surplus (Note 9)		2,392,192	2,355,274
Accumulated other comprehensive income		2,922,879	2,404,764
Deficit		(31,983,321)	(14,476,331)
Total shareholders' equity		22,271,877	38,810,764
Total Liabilities and Shareholders' Equity		\$ 33,154,445	\$ 50,563,009

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, 11	Sep. 30, 10
Sales		\$ 34,826,562	\$ 25,073,107
Cost of sales		26,249,366	19,714,918
Gross profit		8,577,196	5,358,189
Expenses and other items			
General and administrative		10,868,675	8,949,660
Foreign exchange loss		21,703	420,149
Stock based compensation expense		375,551	264,128
Loss/(gain) on disposal of capital assets		214,069	(304,803)
Amortization of intangible assets		3,416,309	3,417,446
Depreciation of capital assets		2,994,737	3,248,265
Impairment of intangible assets (Note 4)		2,703,690	-
Impairment of goodwill (Note 6)		6,772,218	-
Total operating expenses		27,366,952	15,994,845
Operating loss		(18,789,756)	(10,636,656)
Other income		(242,101)	(285,169)
Interest Income		(7,509)	(22,467)
Loss before income taxes and discontinued operations		(18,540,146)	(10,329,020)
Income taxes (Note 10)			
Current (recovery)		90,116	(348,784)
Future (recovery)		(1,509,451)	(2,242,124)
Total income tax		(1,419,335)	(2,590,908)
Net loss before discontinued operations		(17,120,811)	(7,738,112)
Loss from discontinued operations (Notes 16 & 18)		(386,179)	(849,072)
Net loss for the year		\$ (17,506,990)	\$ (8,587,184)
Loss per share (Note 11)			
Basic		(\$0.47)	(\$0.23)
Diluted		(\$0.47)	(\$0.23)

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, 11	Sep. 30, 10
Deficit, beginning of year	\$ (14,476,331)	\$ (5,889,147)
Net Loss	(17,506,990)	(8,587,184)
Deficit, end of year	\$ (31,983,321)	\$ (14,476,331)

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, 11	Sep. 30, 10
Net Loss for the year	\$ (17,506,990)	\$ (8,587,184)
Revaluation of long term investments to fair market value (Net of tax \$Nil, 2010 - \$6,144)	(35,319)	(29,283)
Unrealized gain on translation of self-sustaining foreign operations	553,434	943,619
Total Other Comprehensive Income	\$ 518,115	\$ 914,336
Total Comprehensive Loss	\$ (16,988,875)	\$ (7,672,848)
Accumulated Other Comprehensive Income:		
Revaluation of long term investments to fair market value	(\$40,506)	\$ (5,187)
Unrealized gain on translation of self-sustaining foreign operations	2,963,385	2,409,951
Total Accumulated Other Comprehensive Income	\$ 2,922,879	\$ 2,404,764

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, 11	Sep. 30, 10
Cash provided by (used in)			
Operating activities			
Net loss for the year		\$ (17,506,990)	\$ (8,587,184)
Operating items not requiring cash			
Amortization of intangible assets		3,416,309	3,417,446
Impairment of intangible assets (Note 4)		2,703,690	-
Impairment of goodwill (Note 6)		6,772,218	-
Depreciation of capital assets		3,300,075	3,722,012
Write down of net assets held for sale		50,164	-
Loss/ (gain) on disposal of capital assets		214,069	(304,803)
Future income taxes		(1,509,451)	(2,242,124)
Stock based compensation		375,551	264,128
Operating cash flow before changes in non-cash working capital		(2,184,365)	(3,730,525)
Changes in non-cash working capital		1,729,971	3,571,916
Total cash flow from operating activities		(454,394)	(158,609)
Investing activities			
Capital asset purchases		(2,220,487)	(1,238,340)
Proceeds from disposal of capital assets		-	583,649
Long-term investments sold (acquired)		91,074	(90,000)
Cash cost of acquisitions (Note 5)		(1,384,210)	-
Total cash flow from investing activities		(3,513,623)	(744,691)
Financing activities			
Capital lease obligation payments		(194,553)	(510,716)
Proceeds: issuance of common shares on exercise of employee stock options (note 9b)		74,860	25,450
Total cash flow from financing activities		(119,693)	(485,266)
Net change in cash and cash equivalents for the year		\$ (4,087,710)	\$ (1,388,566)
Cash and cash equivalents, beginning of year		4,757,216	6,145,782
Cash and cash equivalents, end of year		\$ 669,506	\$ 4,757,216

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	(12,143)			25,450
Net loss for the year			(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)
Balance Sep. 30, 10	\$ 48,527,057	\$2,355,274	\$ (14,476,331)	\$ 2,404,764	\$ 38,810,764

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, 10	\$ 48,527,057	\$2,355,274	\$ (14,476,331)	\$ 2,404,764	\$ 38,810,764
Share issuances pursuant to restricted stock unit vesting	300,934	(300,934)			-
Share issuances pursuant to stock options exercised	112,136	(37,699)			74,437
Net loss for the year			(17,506,990)		(17,506,990)
Stock based compensation expense		375,551			375,551
Unrealized gain (loss) on translation of self-sustaining foreign operations				553,434	553,434
Revaluation of long term investments to fair market value				(35,319)	(35,319)
Balance Sep. 30, 11	\$ 48,940,127	\$2,392,192	\$ (31,983,321)	\$ 2,922,879	\$ 22,271,877

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

Summary of Significant Accounting Policies September 30, 2011 and 2010

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 Airborne), Aeroquest (Aust) Pty Ltd. (formerly "UTS"), Geophex Ltd, 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 Fautleroy 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 Ltd. is based on Mercury Street in Raleigh, North Carolina, USA.

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.

On January 31, 2011, the Company acquired 100% of the shares of Mapcon Mapping. Mapcon Mapping consists of two entities: a Canadian sales, operations and project management team located in Burnaby, BC; and a United States sales team located in Salt Lake City, Utah.

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., Mapcon Mapping 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 and intangible assets, the fair value of stock-based compensation and other stock based payments, and provisions for inventory and accounts receivable. Specific to the assessment of potential impairments of intangibles, goodwill and capital assets, management must prepare financial projections, cash flows and forecasts to make these assessments. Actual results will differ from the estimates used to prepare this financial information and these differences could be material.

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.

Summary of Significant Accounting Policies September 30, 2011 and 2010

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.

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 the Statement of Operations in the current period.

The asset and liability 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 Hudson River Minerals Ltd, a publicly traded company.

Capital Assets

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

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

Summary of Significant Accounting Policies September 30, 2011 and 2010

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. The amortization method and estimated useful lives of capital assets are reviewed on a regular basis. Capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Intangible 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 subject to amortization 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	5 or 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 the Statement of Operations in the period in which impairment occurs. The Company 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.

Summary of Significant Accounting Policies September 30, 2011 and 2010

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.

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 Statement of Operations;

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 Statement of Operations;

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 Statement of Operations.

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 long term debt 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 the Statement of Operations.

**Summary of Significant Accounting Policies
September 30, 2011 and 2010**

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.

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. The Company has chosen to adopt this standard early beginning with the September 30, 2011 fiscal year regarding its acquisition of Mapcon Mapping. (See Note 5 to the Financial Statements.)

Notes To Consolidated Financial Statements
September 30, 2011 and 2010
1. Cash and Cash Equivalents

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

	Sep. 30, 2011	Sep. 30, 2010
Canadian Dollars	\$ 81,015	\$ 1,719,274
United States Dollars	419,953	2,881,754
Australian Dollars	267	184,565
New Zealand Dollar	2,228	-
Kazakhstan Tenge	21,129	21,129

2. Inventories

Inventories comprise the following:

	Sep. 30, 2011	Sep. 30, 2010
Work in progress	\$ -	\$ 572,919
Finished goods	183,633	123,728
Supplies	1,994	3,288
Totals	\$ 185,627	\$ 699,935

Total inventory expensed through cost of sales was \$804,254 and \$92,890 for the years ended September 30, 2011 and 2010 respectively.

3. Capital Assets

	Sep. 30, 2011			Sep. 30, 2010
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Airborne and geophysical equipment	\$ 20,467,123	\$ 13,431,941	\$ 7,035,182	\$ 7,490,575
Automotive equipment	612,448	511,195	101,253	145,800
Data processing equipment	1,907,942	1,583,821	324,121	312,836
Leasehold improvements	384,351	309,019	75,332	132,102
Office equipment	1,660,366	1,072,162	588,204	542,983
Data libraries	-	-	-	147,099
Equipment in process	283,786	-	283,786	995,594
	25,316,016	\$ 16,908,138	\$ 8,407,878	\$ 9,766,989

Notes To Consolidated Financial Statements
September 30, 2011 and 2010
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, 2011			Sep. 30, 2010
	Cost	Accum. Depreciation	Net Book Value	Net Book Value
Airborne and geophysical equipment	\$ 79,244	\$ 60,856	\$ 18,388	\$ 598,631
Office equipment	-	-	-	147,003
	<u>\$ 79,244</u>	<u>\$ 60,856</u>	<u>\$ 18,388</u>	<u>\$ 745,634</u>

Depreciation for assets under capital lease was \$6,686 and \$238,785 for the years ended September 30, 2011 and 2010 respectively.

4. Intangible Assets

UTS		Sep. 30, 2011				Sep. 30, 2010
Intangible Asset	Amort. Period (Years)	Cost	Accumulated Amortization	Impairment Charge	Net Book Value	Net Book Value
Customer relationships	7	\$ 14,115,357	\$ 8,570,058	\$ 366,405	\$ 5,178,894	\$7,428,104
Technology	5	6,627,143	4,023,623	2,337,285	266,235	3,487,478
Trade name	-	1,983,893	1,983,893	-	-	-
		<u>\$ 22,726,393</u>	<u>\$ 14,577,574</u>	<u>\$ 2,703,690</u>	<u>\$ 5,455,129</u>	<u>\$ 10,915,582</u>

Geophex		Sep. 30, 2011				Sep. 30, 2010
Intangible Asset	Amort. Period (Years)	Cost	Accumulated Amortization	Impairment Charge	Net Book Value	Net Book Value
Customer relationships	7	\$ 2,432,019	\$ 1,302,867	\$ -	\$ 1,129,152	\$ 1,449,536
Technology	7	951,659	509,818	-	\$441,841	567,210
Trade name	indefinite	634,440	282,991	-	351,449	345,011
		<u>\$4,018,118</u>	<u>\$ 2,095,676</u>	<u>\$ -</u>	<u>\$ 1,922,442</u>	<u>\$ 2,361,757</u>

Notes To Consolidated Financial Statements
September 30, 2011 and 2010
4. Intangible Assets (cont'd)

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.

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 Aeroquest (Aust) Pty Ltd. (formerly UTS) on June 30, 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, 2011, an assessment of the fair value of the goodwill and intangible assets was performed (see also Note 6). The result of this analysis was impairment to the intangible assets Technology and Customer relationships of \$2,337,285 and \$366,405 respectively both of which were charged to earnings in the year ended September 30, 2011. In addition, the expected useful life of the Technology was reduced from 7 years to 5 years as a result of the decision by management to replace the Company's proprietary system with third party systems.

Consolidated intangible assets are comprised of the following:

Consolidated Intangible Asset	Amort. Period (Years)	Sep. 30, 2011			Sep. 30, 2010	
		Cost	Accumulated Amortization	Impairment Charge	Net Book Value	Net Book Value
Customer relationships	7	\$ 16,547,376	\$ 9,872,925	\$ 366,405	\$ 6,308,046	\$ 8,877,640
Technology	5,7	7,578,802	4,533,441	2,337,285	708,076	4,054,688
Trade name	-	2,618,333	2,266,884	-	351,449	345,011
		\$ 26,744,511	\$ 16,673,250	\$ 2,703,690	\$ 7,367,571	\$13,277,339

5. Business Acquisitions

On January 31, 2011, the Company acquired 100% of the shares of Mapcon Mapping. Mapcon Mapping consists of two entities: a Canadian sales, operations and project management team located in Burnaby, BC; and a United States sales team located in Salt Lake City, Utah.

The total purchase price net of cash acquired was \$1,384,210. The acquisition has been accounted for under the purchase method of accounting and has been included in the balance sheet of the Company on September 30, 2011. The details of the consideration given and the fair value of net assets acquired are as follows:

Net Assets Acquired at Fair Values:

Cash	\$ 18,484
Accounts receivable, net of allowance for doubtful accounts of \$851	862,961
Work in progress	1,191,152
Prepaid expenses	11,458
Capital assets	270,000
Accounts payable and accrued liabilities	(947,853)
Deferred revenue	(3,508)
Total net assets acquired, net of cash	\$ 1,384,210

Notes To Consolidated Financial Statements
September 30, 2011 and 2010
5. Business Acquisitions (cont'd)

In the period since acquisition, Mapcon has generated revenue of \$1,669,458 and a net loss of \$156,512. Proforma revenue and net loss, as if the acquisition had occurred on October 1, 2010, would not differ significantly from the reported revenue and loss.

6. Goodwill

	Sep. 30, 2011	Sep. 30, 2010
Goodwill, beginning of year	\$ 11,821,304	\$ 11,408,513
Impairments	(6,772,218)	-
Foreign currency translation gain	214,095	412,791
Goodwill, end of year	\$ 5,263,181	\$ 11,821,304

During the year ended September 30, 2011, the Company recorded an impairment charge to goodwill of \$6,772,218 of which \$293,498 related to the acquisition of Geophex Limited on December 31, 2007 and \$6,478,720 related to the acquisition of Aeroquest (Aust) Pty Ltd. (formerly "UTS") on June 30, 2007. The fair value of both of these reporting units declined due to a decline in operating results and lower future profit expectations. Goodwill as of September 30, 2011 is comprised of \$1,721,526 attributable to Geophex (which includes \$36,909 in foreign currency translation gains recognized in the year ended September 30, 2011), and \$3,541,655 attributable to UTS (which includes \$177,186 in foreign currency translation gains recognized in the year ended September 30, 2011).

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 present value of the minimum lease payments. The weighted average interest rate implicit in the leases is 6.16% (2010 – 7.77%).

Commitments in relation to capital leases are payable as follows:

	Sep. 30, 2011	Sep. 30, 2010
Within one year	\$ 9,612	\$ 206,849
Later than one year but not later than five years	-	9,443
Minimum lease payments	9,612	216,292
Future finance charges	(182)	(6,064)
Recognized as a liability	\$ 9,430	\$ 210,228
Representing Capital Lease Obligations		
Current	\$ 9,430	\$ 200,964
Long term	-	9,264
	\$ 9,430	\$ 210,228

Notes To Consolidated Financial Statements
September 30, 2011 and 2010
8. Operating Lease Commitments

The Company has several operating leases for premises. The lease payments range from \$5,400 per month to \$17,000 per month. Leases expire in October 2011, January, February and December 2012, August 2015 and April 2016.

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

2012	\$ 438,973
2013	205,475
2014	166,190
2015	158,375
2016	39,428
	\$ 1,008,441

9. Share Capital
a. Authorized

Unlimited number of voting common shares.

b. Issued and Outstanding

	Sep. 30, 2011		Sep. 30, 2010	
	Qty	Amount	Qty	Amount
Share capital, opening	36,985,938	\$ 48,527,057	36,616,440	\$ 48,084,479
Shares issued on exercise of stock options	160,001	112,136	59,167	37,593
Shares issued on vesting of RSU's	180,001	300,934	244,168	376,535
Issuance of common shares on acquisition	-	-	66,163	28,450
Share capital, closing	37,325,940	\$ 48,940,127	36,985,938	\$ 48,527,057

A total of 160,001 common shares were issued in the year ended September 30, 2011 upon the exercise of employee stock options generating cash proceeds of \$74,860. For the year ended September 30, 2010 a total of 59,167 common shares were issued upon the exercise of employee stock options generating cash proceeds of \$25,450. See note 9(c) for further details.

A total of 180,001 common shares were issued in the year ended September 30, 2011 (244,168 common shares for the year ended September 30, 2010) 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.

Notes To Consolidated Financial Statements
September 30, 2011 and 2010
9. Share Capital (cont'd)
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 two 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, 2011 and 2010. A total of 1,636,428 stock options remain available in the pool at September 30, 2011.

	Number of Options	Weighted Avg. Exercise Price
Outstanding Sep. 30, 2009	2,030,833	\$ 0.68
Options granted	680,000	0.61
Options exercised	(59,167)	0.43
Options expired	(360,500)	1.69
Total outstanding Sep. 30, 2010	2,291,166	\$ 0.62
Options granted	260,000	0.72
Options exercised	(160,001)	0.50
Options expired	(294,999)	0.96
Total outstanding Sep. 30, 2011	2,096,166	\$0.58
Total exercisable Sep. 30, 2011	1,764,833	\$0.58

The fair value of stock options granted in the years ended September 30, 2011 and 2010 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	\$0.42 - \$0.92
Exercise price	\$0.42 - \$0.92
Expected life of options	3 years
Expected stock price volatility, After May 31, 2011	95%
Expected stock price volatility, Prior to May 31, 2011	70%
Expected dividend yield	-
Risk free interest rate	4%

In addition to the options granted, a total of 622,500 options, scheduled to expire in 2011, were extended by 5 years at similar terms with an exercise price ranging from \$0.50 to \$0.75 per share. The weighted average grant date fair value of options granted in the year ended September 30, 2011 and 2010 was \$0.45 and \$0.30 respectively. The average remaining contractual life is three years.

Notes To Consolidated Financial Statements
September 30, 2011 and 2010
9. Share Capital (cont'd)
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 that remain unvested for the years ended September 30, 2011 and 2010.

	Number of Units	Weighted Avg. Exercise Price
Outstanding, Sep. 30, 2009	539,999	\$ 1.47
Granted	-	-
Vested	(244,168)	2.12
Expired	(52,499)	1.49
Total Outstanding Sep. 30, 2010	243,332	\$ 1.34
Granted	-	-
Vested	(180,001)	2.17
Expired	(11,666)	0.38
Total Outstanding, Sep. 30, 2011	51,665	\$ 0.42

e. Contributed Surplus

	Sep. 30, 2011	Sep. 30, 2010
Contributed surplus, beginning of year	\$ 2,355,274	\$ 2,479,824
Stock option expense	363,935	192,413
Restricted stock unit expense	11,616	71,715
Exercise of stock options and RSU's	(338,633)	(388,678)
Contributed surplus, end of year	\$ 2,392,192	\$ 2,355,274

Notes To Consolidated Financial Statements
September 30, 2011 and 2010
10. Income Taxes

	Sep. 30, 2011	Sep. 30, 2010
Income/(loss) before income taxes	\$ (18,540,146)	\$ (11,178,092)
Statutory income tax rate	28.75%	31.75%
Computed income tax recoverable	\$ (5,330,292)	\$ (3,549,044)
Valuation allowance on loss carry-forwards	1,149,414	539,764
Non-deductible/non-taxable items	2,276,309	100,371
Reversal of previously recognized loss carry forwards	1,147,832	-
Previously unrecognized losses used to reduce taxes	(520,724)	-
Rate differences in future taxes	-	364,012
Other	25,560	(72,216)
Lower/(higher) tax rate in foreign jurisdiction	(167,434)	26,205
Income taxes	\$ (1,419,335)	\$ (2,590,908)

The tax effects of temporary differences that give rise to a significant portion of the future tax assets (liabilities) at September 30, 2011 and 2010 are presented below:

Future Taxes	Sep. 30, 2011	Sep.30, 2010
Capital Assets	\$ (120,497)	\$ (367,630)
Long term investments	-	(9,424)
Corporate minimum tax	-	84,122
Intangible assets	(2,374,661)	(4,185,130)
Tax loss recognition	1,618,367	2,082,465
Accruals	113,169	110,131
Other	10,038	(3,663)
	\$ (753,584)	\$ (2,289,129)

Notes To Consolidated Financial Statements
September 30, 2011 and 2010
10. Income Taxes (cont'd)

Not included in the balances noted above are tax losses arising from the following entities:

Year of Expiry	Aeroquest International Limited	Aeroquest Limited	Mapcon Mapping	Totals
2014		\$ 1,424,000		\$ 1,424,000
2026			677,000	677,000
2027		1,584,000	380,000	1,964,000
2028		126,000	273,000	399,000
2029		1,093,000		1,093,000
2030	15,000	4,558,000	69,000	4,642,000
2031	1,155,000	1,311,000		2,466,000
	\$ 1,170,000	\$ 10,096,000	\$ 1,399,000	\$ 12,665,000

Tax losses related to Aeroquest (Aust) Pty Ltd. in the amount of \$5.4 million have no expiry date.

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.

Years Ended	Sep. 30, 2011	Sep. 30, 2010
Numerator		
Net loss for the year	\$ (17,506,990)	\$ (8,587,184)
Denominator		
Average common shares outstanding	37,244,801	36,923,126
Diluted common shares outstanding	37,377,605	37,373,052
Basic loss per share	\$ (0.47)	\$ (0.23)
Diluted loss per share	\$ (0.47)	\$ (0.23)

Notes To Consolidated Financial Statements
September 30, 2011 and 2010
12. Segmented Information

For the year ended September 30, 2011, two customers represented 9% of revenue. For the year ended September 30, 2010, one customer 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:

Year ended September 30, 2011	Airborne Geophysics	Aerial Geomatics	Instruments & Sensors	Corporate	Total Consolidated
Revenue	\$31,512,972	\$1,669,458	\$ 1,644,132	-	\$ 34,826,562
Cost of Sales	24,394,936	1,445,312	409,118	-	26,249,366
Gross Margin	7,118,036	224,146	1,235,014	-	8,577,196
Impairment of intangible assets	2,703,690	-	-	-	2,703,690
Impairment of goodwill	6,478,720	-	293,498	-	6,772,218
Operating Expenses	21,155,538	621,320	1,592,856	3,997,238	27,366,952
Income Taxes	(1,247,295)	-	(160,132)	(11,908)	(1,419,335)
Net Loss before discontinued operations	(14,718,292)	(156,512)	(953,073)	(1,292,934)	(17,120,811)
Total Capital Expenditures	1,467,310	727,127	-	26,050	2,220,487
Total Assets	\$ 26,057,819	\$ 2,890,924	\$ 3,792,543	\$ 413,159	\$ 33,154,445

Year ended September 30, 2010	Airborne Geophysics	Aerial Geomatics	Instruments & Sensors	Corporate	Total Consolidated
Revenue	\$22,725,602	-	\$ 2,347,505	-	\$ 25,073,107
Cost of Sales	18,869,588	-	845,330	-	19,714,918
Gross Margin	3,856,015	-	1,502,174	-	5,358,189
Operating Expenses	12,766,065	-	1,303,642	1,925,138	15,994,845
Income Taxes	(2,565,280)	-	(37,536)	11,908	(2,590,908)
Net Income (Loss) before discontinued operations	(5,961,234)	-	154,673	(1,931,551)	(7,738,112)
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	\$ 2,170,284	\$ 50,563,009

Included in the instruments & sensors segment are intercompany charges of \$578,445 and \$802,666 for the years ended September 30, 2011 and 2010 respectively. These charges were eliminated on consolidation.

Notes To Consolidated Financial Statements
September 30, 2011 and 2010
12. Segmented Information (cont'd)

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, 2011 and 2010:

	Sep. 30, 2011	Sep. 30, 2010
Revenue		
Canada	\$ 9,670,472	\$ 8,846,039
Australia	10,710,344	5,902,480
United States	1,466,796	1,434,703
International	12,978,950	8,889,885
Total Revenue	\$ 34,826,562	\$ 25,073,107

Goodwill is attributable in Australia and the United States. 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, 2011 amount to \$4.9 million, Australia \$3.3 million and the United States \$0.2 million (September 30, 2010, Canada \$5.8 million, Australia \$3.9 million, United States \$0.4 million).

13. Supplementary Cash Flow Information

	Sep. 30, 2011	Sep. 30, 2010
(a) Interest Paid	\$ 6,180	\$ 20,552
(b) Interest Received	14,003	41,403
(c) Income taxes paid (Refunded)	101,762	(2,095,525)
(d) Non cash transactions		
- Issuance of share capital on acquisition (Note 5)	-	28,450

14. Credit Facilities

The Company has an operating facility in place for Aeroquest Limited of up to \$2,000,000 bearing interest at prime plus 0.75%, and secured by accounts receivable and a general security agreement. The operating facility also has an evidence borrowing limit computed as 75% of current accounts receivable. This evidence limit determines the effective borrowing limit. As at September 30, 2011, approximately \$700,000 was available but no amounts have been drawn on this facility. As at September 30, 2010, \$113,772 was drawn on this facility and was repaid in early October of 2010.

Notes To Consolidated Financial Statements
September 30, 2011 and 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
- Long term debt and capital lease obligations

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, 2011, the top five customers accounted for 19% of the Company's total accounts receivable and as of September 30, 2010, the top five customers accounted for 30% of the total accounts receivable.

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

	Sep. 30, 2011		Sep. 30, 2010	
	\$	%	\$	%
Not Past Due	2,335,813	60.3%	3,301,144	72.9%
Past Due 0-30	483,623	12.5%	569,880	12.6%
Past Due 31-90	62,236	1.6%	147,950	3.3%
More than 90 days	982,375	25.4%	582,497	12.9%
Total trade receivables	3,864,047	99.9%	4,601,471	101.6%
Accrued receivables	142,586	3.7%	250,759	5.5%
Allowance for doubtful accounts	(140,149)	-3.5%	(324,288)	-7.2%
Total accounts receivable	3,866,484	100.0%	4,527,942	100.0%

(b) Interest Rate Risk: The Company has a credit facility upon which it can draw funds as required (see Note 14). The Company drew on it 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. No amount was borrowed against the facility as at September 30, 2011. Any remaining interest bearing debt relates to obligation under capital leases, which is at a fixed interest rate.

Notes To Consolidated Financial Statements
September 30, 2011 and 2010
15. Financial Instruments Risk Exposure and Management (cont'd)

(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, stated in Canadian dollar equivalents, are as follows:

	Sep 30, 2011		Sep. 30, 2010	
	USD	AUD	USD	AUD
Cash and cash equivalents	\$ 440,194	\$ 280	\$ 2,853,690	\$ 332,412
Accounts receivable	1,677,092	500,280	3,194,063	695,109
Accounts payable and accrued liabilities	(2,057,367)	(1,470,725)	(1,766,520)	(1,064,910)
Income taxes recoverable/(payable)	95,103	688,550	(146,220)	592,125
Capital lease obligations (current)	-	(9,954)	(26,086)	(175,102)
Capital lease obligations (long term)	-	(189)	-	(9,316)
Totals	\$ 155,022	\$ (291,758)	\$ 4,108,927	\$ 370,318

The translation impact to the Company of a one cent increase in the Canadian dollar versus the Australian dollar would have increased the net profit by \$2,690, whereas the impact versus the US dollar would have increased the net profit by \$929 for the year ended September 30, 2011. Conversely, a one cent decrease in the Canadian dollar versus the Australian dollar would have decreased the net profit by \$2,743, whereas the impact versus the US dollar would have decreased the net profit by \$947 for the year ended September 30, 2011.

(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, 2011 the Company had a cash balance of \$0.7 million, \$3.9 million in accounts receivable, \$0.4 million in income taxes recoverable and \$2.0 million in unused committed bank credit facilities (of which approximately \$0.7 million was available subject to an evidence limit per Note 14) to settle current liabilities of \$5.0 million (excluding deferred revenue of \$2.1 million). In addition, subsequent to year end, the Company sold Aeroquest Optimal Inc. for proceeds of US\$1.2M (Note 18). These proceeds were made available for operations. 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, the 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.

Notes To Consolidated Financial Statements
September 30, 2011 and 2010
16. Discontinued Operations

On March 31, 2010, the Company sold the Vancouver operations of its aerial geomatics business segment. The earnings from discontinued operations for the year ended September 30, 2010 was as follows:

	Sep. 30, 2011	Sep. 30, 2010
Revenue	-	\$ 956,192
Cost of sales	-	724,414
Gross margin	-	231,778
Selling, general & administrative expenses	-	647,943
Net loss from operations	-	(416,165)
Gain on disposition of component	-	175,647
Net loss	-	(240,518)

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).

18. Subsequent Event

Prior to the year end, the Company received an offer to purchase Optimal Geomatics Inc., a wholly-owned subsidiary. The offer was amended and subsequently accepted on October 21, 2011 and the subsidiary was sold on November 30, 2011 for proceeds of US\$1,234,780. Pursuant to CICA Handbook Section 3475 "Disposal of Long-Lived Assets and Discontinued Operations", the assets, liabilities and loss from discontinued operations of Optimal Geomatics Inc., were presented in the financial statements as of September 30, 2011 as follows:

Assets:	Sep. 30, 2011
Cash	\$ 190,070
Accounts receivable	792,948
Unbilled contracts in process	239,199
Prepaid expenses	277,423
Capital assets	1,527,816
Assets held for sale	\$3,027,456

Notes To Consolidated Financial Statements
September 30, 2011 and 2010
18. Subsequent Events (continued)
Liabilities:

	Sep. 30, 2011
Accounts payable and accrued liabilities	\$ 693,553
Long term debt & capital lease obligations	861,924
Liabilities held for sale	\$ 1,555,477

Earnings for the Optimal discontinued operations for the years ended September 30, 2011 and 2010 were as follows:

	Sep. 30, 2011	Sep. 30, 2010
Revenue	\$ 6,016,125	\$ 7,595,605
Cost of sales	4,725,348	6,341,727
Gross margin	1,290,777	1,253,878
Selling, general & administrative expenses	1,321,454	1,495,531
Depreciation	305,338	366,901
Net loss from operations	(336,015)	(608,554)
Write down on assets held for sale	50,164	-
Net loss	\$(386,179)	\$ (608,554)