



## **Aeroquest International Limited Unaudited Interim Consolidated Financial Statements**

For the three and nine months ended June 30, 2011.

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited financial statements for the period ended June 30, 2011.

**Unaudited Interim Consolidated Balance Sheets**

As at	Jun. 30, 11	Sep. 30, 10
<b>Assets</b>		
Current		
Cash and cash equivalents (Note 1)	\$ 2,032,288	\$ 4,757,216
Accounts receivable	3,837,894	4,527,942
Income taxes recoverable	795,970	231,136
Unbilled contracts in progress	1,976,593	1,529,146
Inventory (Note 2)	133,455	699,935
Prepaid expenses and deposits	1,242,155	1,465,629
<b>Total current assets</b>	<b>\$ 10,018,355</b>	<b>13,211,004</b>
Long term		
Long term investments	49,275	171,828
Capital assets (Note 3)	10,572,267	9,766,989
Intangible assets (Note 4)	10,967,343	13,277,339
Goodwill (Note 6)	12,097,214	11,821,304
Future income taxes	2,478,594	2,314,545
<b>Total long term assets</b>	<b>36,164,693</b>	<b>37,352,005</b>
<b>Total Assets</b>	<b>\$ 46,183,048</b>	<b>\$ 50,563,009</b>
<b>Liabilities and Shareholders' Equity</b>		
Current		
Accounts payable and accrued liabilities	\$ 5,993,101	\$ 4,697,656
Deferred revenue	2,374,048	2,240,687
Capital lease obligations (Note 7)	23,974	200,964
Current portion of long term debt (Note 9)	149,072	-
<b>Total current liabilities</b>	<b>8,480,195</b>	<b>7,139,307</b>
Long term		
Capital lease obligations (Note 7)	-	9,264
Long term debt (Note 9)	644,871	-
Future income taxes	3,672,317	4,603,674
<b>Total liabilities</b>	<b>12,797,383</b>	<b>11,752,245</b>
Shareholders' equity		
Share capital (Note 10)	48,940,127	48,527,057
Contributed surplus (Note 10)	2,387,219	2,355,274
Accumulated other comprehensive income	3,437,526	2,404,764
Deficit	(21,379,207)	(14,476,331)
<b>Total shareholders' equity</b>	<b>33,385,665</b>	<b>38,810,764</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 46,183,048</b>	<b>\$ 50,563,009</b>

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

## Unaudited Interim Consolidated Statements of Operations

For the Period	Three Months Ended		Nine Months Ended	
	Jun. 30, 11	Jun. 30, 10	Jun. 30, 11	Jun. 30, 10
<b>Sales</b>	<b>\$ 9,161,703</b>	\$ 8,646,003	<b>\$ 31,263,790</b>	\$ 22,350,983
Cost of sales	<b>7,432,165</b>	6,802,843	<b>23,593,127</b>	18,126,360
<b>Gross profit</b>	<b>1,729,538</b>	1,843,160	<b>7,670,663</b>	4,224,623
<b>Expenses and other items</b>				
General and administrative	<b>3,940,751</b>	2,660,086	<b>10,469,647</b>	7,278,557
Foreign exchange loss	<b>12,395</b>	(121,319)	<b>311,312</b>	59,804
Stock based compensation expense	<b>158,354</b>	84,919	<b>370,578</b>	254,648
Amortization of intangible assets	<b>861,345</b>	828,028	<b>2,550,735</b>	2,560,083
Depreciation of capital assets	<b>1,042,672</b>	871,101	<b>2,444,724</b>	2,626,438
<b>Total operating expenses</b>	<b>6,015,517</b>	4,322,815	<b>16,146,996</b>	12,779,530
<b>Operating loss</b>	<b>(4,285,979)</b>	(2,479,655)	<b>(8,476,333)</b>	(8,554,907)
Other income	<b>(129,955)</b>	(50,530)	<b>(265,259)</b>	(284,816)
Interest expense	-	-	-	-
<b>Loss before income taxes and discontinued operations</b>	<b>(4,156,024)</b>	(2,429,125)	<b>(8,211,074)</b>	(8,270,091)
Income taxes				
Current (recovery)	<b>(181,115)</b>	(511,772)	<b>(255,795)</b>	(1,552,826)
Future (recovery)	<b>(307,099)</b>	(123,050)	<b>(1,052,403)</b>	(629,410)
<b>Total income tax</b>	<b>(488,214)</b>	(634,822)	<b>(1,308,198)</b>	(2,182,236)
<b>Net loss before discontinued operations</b>	<b>(3,667,810)</b>	(1,794,303)	<b>(6,902,876)</b>	(6,087,855)
Loss from discontinued operations (Note 17)	-	-	-	(240,518)
<b>Net loss for the period</b>	<b>\$ (3,667,810)</b>	\$ (1,794,303)	<b>\$ (6,902,876)</b>	\$ (6,328,373)
Loss per share (Note 11)				
Basic	<b>\$ (0.10)</b>	\$ (0.05)	<b>\$ (0.18)</b>	\$ (0.17)
Diluted	<b>\$ (0.10)</b>	\$ (0.05)	<b>\$ (0.18)</b>	\$ (0.17)

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

## Unaudited Interim Consolidated Statements of Deficit

For the period	Three Months Ended		Nine Months Ended	
	Jun. 30, 11	Jun. 30, 10	Jun. 30, 11	Jun. 30, 10
Deficit, beginning of period	\$ (17,711,397)	\$ (10,423,217)	\$ (14,476,331)	\$ (5,889,147)
Net loss	(3,667,810)	(1,794,303)	(6,902,876)	(6,328,373)
<b>Deficit, end of period</b>	<b>\$ (21,379,207)</b>	<b>\$ (12,217,520)</b>	<b>\$ (21,379,207)</b>	<b>\$ (12,217,520)</b>

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

## Unaudited Interim Consolidated Statements of Comprehensive Income

For the period	Three Months Ended		Nine Months Ended	
	Jun. 30, 11	Jun. 30, 10	Jun. 30, 11	Jun. 30, 10
Net loss for the period	\$ (3,667,810)	\$ (1,794,303)	\$ (6,902,876)	\$ (6,328,373)
Revaluation of long term investments to fair market value	(70,000)	48,071	(73,578)	(2,172)
Unrealized gain(loss) on translation of self-sustaining foreign operations	991,608	(657,904)	1,106,340	(1,399,594)
Total Other Comprehensive Income/(loss)	921,608	(609,833)	1,032,762	(1,401,766)
Total Comprehensive Income/(loss)	\$ (2,746,202)	\$ (2,404,136)	\$ (5,870,114)	\$ (7,730,139)
Accumulated Other Comprehensive Income (loss):				
Revaluation of long term investments to fair market value	\$ (78,765)	\$ 21,943	\$ (78,765)	\$ 21,943
Unrealized gain on translation of self-sustaining foreign operations	3,516,291	66,739	3,516,291	66,739
Total Accumulated Other Comprehensive Income	\$ 3,437,526	\$ 88,662	\$ 3,437,526	\$ 88,662

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

## Unaudited Interim Consolidated Statements of Cash Flow

For the period	Three Months Ended		Nine Months Ended	
	Jun. 30, 11	Jun. 30, 10	Jun. 30, 11	Jun. 30, 10
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net loss for the period	\$ (3,667,810)	\$ (1,794,303)	\$ (6,902,876)	\$ (6,328,373)
Operating items not requiring cash				
Amortization of intangible assets	861,345	828,028	2,550,735	2,560,083
Depreciation of capital assets	1,042,672	871,101	2,444,724	2,626,438
Future income taxes	(307,099)	(123,050)	(1,052,403)	(629,410)
Stock based compensation	158,354	84,919	370,578	254,648
Loss on disposal of capital assets	-	(17,678)	5,955	(376,405)
<b>Operating cash flow before changes in non-cash working capital</b>	<b>(1,912,538)</b>	<b>(150,983)</b>	<b>(2,583,287)</b>	<b>(1,893,019)</b>
Changes in non cash working capital	2,917,828	2,702,915	3,281,865	2,276,962
<b>Total cash flow from operating activities</b>	<b>1,005,290</b>	<b>2,551,932</b>	<b>698,578</b>	<b>383,943</b>
<b>Investing activities</b>				
Capital asset purchases	(581,778)	(368,056)	(1,919,603)	(838,740)
Cash cost of acquisition	-	-	(1,384,210)	-
Proceeds from disposal of capital assets	-	17,679	-	510,290
Long term investments acquired	-	-	-	(90,000)
<b>Total cash flow from investing activities</b>	<b>(581,778)</b>	<b>(350,377)</b>	<b>(3,303,813)</b>	<b>(418,450)</b>
<b>Financing activities</b>				
Capital lease payments	(31,332)	(122,320)	(194,553)	(474,431)
Proceeds: issuance of common shares	8,100	-	74,860	25,450
<b>Total cash flow from financing activities</b>	<b>(23,232)</b>	<b>(122,320)</b>	<b>(119,693)</b>	<b>(448,981)</b>
Net change in cash and cash equivalents for the period	400,280	2,079,235	(2,724,928)	(483,488)
<b>Cash and cash equivalents, beginning of period</b>	<b>1,632,008</b>	<b>3,583,061</b>	<b>4,757,216</b>	<b>6,145,784</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 2,032,288</b>	<b>\$ 5,662,296</b>	<b>\$ 2,032,288</b>	<b>\$ 5,662,296</b>

Supplementary Information (Note 14)

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

**Unaudited Interim Consolidated Statements of Shareholders' Equity**

<b>For the period ending</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Accumulated Other Comp. Income (loss)</b>	<b>Total Shareholders' Equity</b>
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 period	-	-	(6,902,876)	-	(6,902,876)
Stock based compensation expense	-	370,578	-	-	370,578
Unrealized gain (loss) on translation of self sustaining foreign operations	-	-	-	1,106,340	1,106,340
Revaluation of long term investments to fair market value	-	-	-	(73,578)	(73,578)
<b>Balance Jun. 30, 11</b>	<b>\$ 48,940,127</b>	<b>\$ 2,387,219</b>	<b>\$ (21,379,207)</b>	<b>\$ 3,437,526</b>	<b>\$ 33,385,665</b>

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

**Unaudited Interim Consolidated Statements of Shareholders' Equity**

<b>For the period ending</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Accumulated Other Comp. Income (loss)</b>	<b>Total Shareholders' Equity</b>
Balance Sep. 30, 09	\$ 48,084,479	\$ 2,479,824	\$ (5,889,147)	\$ 1,490,428	\$ 46,165,584
Issuance of common shares on acquisition	28,450	-	-	-	28,450
Share issuances pursuant to restricted stock unit vesting	376,535	(376,535)	-	-	-
Share issuances pursuant to stock options exercised	37,593	(12,142)	-	-	25,451
Net loss for the period	-	-	(6,328,373)	-	(6,328,373)
Stock based compensation expense	-	254,650	-	-	254,629
Unrealized gain (loss) on translation of self sustaining foreign operations	-	-	-	(1,399,594)	(1,399,594)
Revaluation of long term investments to fair market value	-	-	-	(2,172)	(2,172)
<b>Balance Jun. 30, 10</b>	<b>\$ 48,527,057</b>	<b>\$ 2,345,797</b>	<b>\$ (12,217,520)</b>	<b>\$ 88,662</b>	<b>\$ 38,743,996</b>

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

## Summary of Significant Accounting Policies June 30, 2011 and September 30, 2010 (Unaudited)

### Basis of Presentation

The accompanying unaudited interim consolidated financial statements are prepared under Generally Accepted Accounting Principles in Canada ("GAAP") and do not include all of the annual financial statement disclosures as required under GAAP. However the unaudited interim consolidated financial statements follow the accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements unless otherwise noted. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended September 30, 2010. The unaudited interim consolidated financial statements, in the opinion of management, contain all adjustments necessary to present fairly the financial information for such unaudited periods. Operating results for the three and nine months ended June 30, 2011 are not necessarily indicative of the results expected for the fiscal year ending September 30, 2011

### 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, Aeroquest (Aust) Pty Ltd. (formerly UTS Geophysics Pty Ltd.) – (both companies now known as Aeroquest Airborne), and Geophex Ltd (doing business as Aeroquest Sensortech), 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 in 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 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 had operations in 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.

On January 31, 2011, the Company acquired 100% of the voting shares of Mapcon Mapping Limited ("Mapcon") from a third party. Mapcon provides airborne survey operations using LiDAR and orthophotogrammetry technologies. Mapcon is based in Burnaby, British Columbia and has a wholly owned subsidiary 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. Both subsidiaries are dormant.

### Principles of Consolidation

The interim 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 Limited 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.

## Summary of Significant Accounting Policies June 30, 2011 and September 30, 2010 (Unaudited)

### 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.

**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 period end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in income in the current period.

The assets and liabilities 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.

## Summary of Significant Accounting Policies June 30, 2011 and September 30, 2010 (Unaudited)

### 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.

### 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.

## Summary of Significant Accounting Policies June 30, 2011 and September 30, 2010 (Unaudited)

### 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 useful 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.

### 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, long term debt, 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.

## Summary of Significant Accounting Policies June 30, 2011 and September 30, 2010 (Unaudited)

### FUTURE ACCOUNTING PRONOUNCEMENTS

#### International Financial Reporting Standards

##### Background, project structure and project progress

In March 2006, the CICA released its plan to adopt International Financial Reporting Standards (“IFRS”). After a five year transitional period, at the end of 2011, Canadian GAAP will cease as a separate basis of financial reporting for public companies.

The Company will issue consolidated financial statements in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) for the year ended September 30, 2012, with comparative information.

##### Preliminary Impact Assessment

The Company has completed a diagnostic study of the conversion of its consolidated financial statements to IFRS, with the assistance of external consultants. The study identified the principal differences between the Company’s records using existing Canadian GAAP and IFRS standards, and evaluated the impact on the business processes information systems, developing an implementation program to determine the full impact on the business.

The results of this assessment identified:

- Preliminary analysis of all Canadian GAAP to IFRS differences and IFRS 1 *First time adoption* elections and resulting prioritization of high, medium and low impact areas of focus for the Company based on potential impact;
- Preliminary resource requirements;
- Preliminary training requirements; and
- A preliminary IFRS Transition Plan (details outlined below).

##### IFRS Transition Plan

The Company has formalized the IFRS Transition Plan. The following are elements of the plan that are currently in place:

- An established project structure and governance practices;
- Detailed timetable with milestones and deliverables;
- Identification and allocation of resources (combination of internal and external);
- Development and execution of a training program;
- Detailed analysis of all Canadian GAAP to IFRS differences;
- Detailed analysis and selection of all IFRS 1 elections; and
- Assessment of impact on data systems, internal controls over financial reporting, and business activities, such as financing and compensation arrangements.

The Company has completed the detailed assessment phase for all standards that affect the transition to IFRS. The Company is currently in the implementation phase on many of the IFRS issues including construction of full financial statements.

##### Potential accounting changes as a result of transition to IFRS

The Company has implemented a detailed review of the potential impact of International Financial Reporting Standards, IFRS, on our accounting policies, knowledge of staff and computerized system requirements. Outlined below is a very brief summary of select IFRS that may impact our company, its differences from Canadian Generally Accepted Accounting Principles (“GAAP”) and their potential impact. The list is not comprehensive and does not include all of the differences from GAAP for the standards noted. Also, the list does not include all the

## Summary of Significant Accounting Policies June 30, 2011 and September 30, 2010 (Unaudited)

### Potential accounting changes as a result of transition to IFRS (Continued)

standards that may require changes for the transition to IFRS. Some of the standards not presented in the table could have a significant impact on our consolidated financial statements.

**Property Plant & Equipment ('PP&E')** – IAS 16 *Property Plant and Equipment* requires that each part of PP&E that has a cost significant in relation to the overall cost of the item should be depreciated separately. The Company has reviewed componentization of PP&E and does not expect any material adjustments upon transition to IFRS.

**Share Based Payments** – Under IFRS 2 *Share-based payments*, stock options with graded vesting must be accounted for as separate awards. In addition, forfeitures must be estimated when the stock options are issued. The Company has decided to apply the IFRS 1 election available, meaning only equity instruments in respect of share-based payment transactions that are outstanding at transition date will be accounted for under IFRS 2. The Company has conducted a review of its share-based payment transactions outstanding at the transition date and has determined that there will be no significant impact on transition date. The Company currently accounts for awards with graded vesting features as separate awards and there is no material difference anticipated by applying a forfeiture rate to share based payment transactions. The Company expects to reassess this conclusion for any fiscal 2011 transactions.

**Foreign Exchange Translation** - The Company sells products to customers in foreign currencies and purchases services and raw materials from suppliers invoiced in foreign currencies. An analysis was undertaken to determine what the functional currency is under IFRS for each subsidiary. This analysis has determined that there will be no change to the functional currency for any of the Company's subsidiaries under IFRS. The Company has also elected to apply the IFRS 1 election to allow it to not calculate the translation difference in relation to certain exchange gains and losses recognized in other comprehensive income. As a result of the election, the cumulative translation balance for all the foreign operations is set at zero at the date of transition. The Company will continue to monitor this conclusion to ensure that no adjustment is required.

**Revenue** - IFRS 1 does not contain any special exemptions for revenue for first-time adoption. All accounting policies related to revenue were assessed against the appropriate standard including IAS 18, *Revenue* for compliance.

The results indicated that there will be no significant change to the recognition or classification policy for revenue under IFRS.

**Business Combinations** – the Company has elected not to restate business combinations prior to the transition date, as permitted under IFRS 1. Any business combinations that occur prior to October 1, 2011 will be accounted for under Canadian Institute Chartered Accountants ("CICA") Accounting Handbook Section 1582 Business Combinations, which mirrors IFRS 3 Business Combinations.

**Presentation & Disclosure** - IFRS requires significantly more disclosure than GAAP for certain standards. In some cases, IFRS also requires different presentation on the balance sheet and income statement. After review of the standards noted above and other differences from GAAP, the Company does not expect any significant impact of IFRS on its financial statements. However, it continues to reassess its evaluations and accounting policy choices and has the ability to adjust or modify conclusions up to the release of its first IFRS statements.

The Company has completed its analysis of IFRS issues including evaluation of any IFRS 1 exemptions. The project is now in the process of documenting accounting policies under IFRS, creating additional note disclosures and developing a full set of IFRS statements. Note that consistent with many other entities transitioning to IFRS, the Company will revisit its evaluations and accounting policy choices up to and including the date of the release of its first IFRS statements.

## Summary of Significant Accounting Policies June 30, 2011 and September 30, 2010 (Unaudited)

### Potential accounting changes as a result of transition to IFRS (Continued)

The IASB has several projects slated for completion in 2011. The Company anticipates that these may significantly impact the transition to IFRS and its financial statements. The Company has monitored release of new standards and has opted against early adoption, therefore there will be no impact for the first IFRS financial statements. The Company continued to monitor the IASB's progress on future projects and their impact on ongoing IFRS reporting.

### Impact on Information Systems and Technology

It is anticipated that the adoption of IFRS will have some impact on information systems requirements. The Company is assessing, through discussion with external consultants, the need for systems upgrades or modifications to ensure an efficient conversion to IFRS. The main drivers for systems changes include:

- Additional information required as a result of enhanced note disclosures;
- Tracking of IFRS to GAAP differences during the transition; and
- Tracking sufficient level of details within the accounting records to allow management to maintain adherence with IFRS going forward.

As the conversion to IFRS progresses, additional information will need to be maintained. The impact on systems and existing processes is still being evaluated. These changes are expected to be manageable and will be prioritized as part of the project.

### Impact on Reporting and Internal Controls

In accordance with the Company's approach to certification of internal controls required under Canadian Securities Administrators' National Instrument 52-109, all entity-level, information technology, disclosure and business process controls will require updating and testing to reflect changes arising from the conversion to IFRS. Where material changes are identified, these changes will be mapped and tested to ensure that no material control deficiencies exist as a result of the Corporation's conversion to IFRS. Adjustments to internal controls in response to the conversion to IFRS have been scheduled. The additional controls are not expected to be significant but will continue to be evaluated as the conversion continues.

### Training

The Company has begun training for finance personnel with respect to IFRS. In addition, training has commenced for senior management and audit committee members. The Company will continue to monitor and evaluate the need for training as a result of the IFRS conversion.

### Impact on Business

The Company has reviewed the impact IFRS will have on business practices. Given the Company's expectation that there will be no material differences, the Company does not expect there to be a significant impact of contractual or business relationships. However, the company will monitor new accounting standards issued by the IASB to determine any future impact on the business.

### Business Combinations

In January 2009, the CICA issued Section 1582 "Business Combinations", Section 1601 "Consolidated Financial Statements and Section 1602 "Non-controlling Interests" to replace Section 1581 "Business Combinations" and Section 1600 "Consolidated Financial Statements". Prospective application of these standards are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. This new Section 1582 effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new Section 1582 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. New Section 1601 together with Section 1602 establish standards for the preparation of consolidated financial statements.

**Notes To Unaudited Interim Consolidated Financial Statements  
June 30, 2011 and September 30, 2010**

**1. Cash and Cash Equivalents**

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

	Jun. 30, 2011	Sep. 30, 2010
Canadian Dollars	\$ 538,510	\$ 1,719,274
United States Dollars	959,993	2,881,754
Australian Dollars	546,234	184,565
New Zealand Dollars	6,784	-
Kazakhstan Tenge	21,129	21,129

**2. Inventories**

Inventories comprise the following:

	Jun. 30, 2011	Sep. 30, 2010
Work in progress	\$ -	\$ 572,919
Finished goods	129,963	123,728
Supplies	3,492	3,288
Totals	\$ 133,455	\$ 699,935

**3. Capital Assets**

	Cost	Jun. 30, 2011 Accumulated Depreciation	Net Book Value	Sep. 30, 2010 Net Book Value
Airborne and geophysical equipment	\$ 21,673,038	\$ 13,569,497	\$ 8,103,541	\$7,490,575
Automotive equipment	689,970	530,775	159,195	145,800
Data processing equipment	1,914,736	1,447,730	467,006	312,836
Leasehold improvements	374,071	286,480	87,591	132,102
Office equipment	1,770,634	1,293,755	476,879	542,983
Data libraries	336,228	252,171	84,057	147,099
Equipment in process	1,193,998	-	1,193,998	995,594
	\$ 27,952,675	\$ 17,380,408	\$ 10,572,267	\$9,766,989

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

**Notes To Unaudited Interim Consolidated Financial Statements  
June 30, 2011 and September 30, 2010**

**3. Capital Assets (Continued)**

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

	Jun. 30, 2011			Sep. 30, 2010
	Cost	Accum. Depreciation	Net Book Value	Net Book Value
Airborne and geophysical equipment	\$ 1,805,955	\$ 1,296,325	\$ 509,630	\$ 598,631
Office equipment	319,335	230,966	88,369	147,003
	<b>\$ 2,125,290</b>	<b>\$ 1,527,291</b>	<b>\$ 597,999</b>	<b>\$ 745,634</b>

Depreciation for assets under capital lease was \$67,198 and \$63,125 for the three months ended June 30, 2011 and 2010 respectively (\$201,767 and \$201,867 for the nine months ended June 30, 2011 and 2010 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.

UTS Intangible Asset	Amort. Period (Years)	Jun. 30, 2011				Sep. 30, 2010
		Cost	Accumulated Amortization	Impairment Charge	Net Book Value	Net Book Value
Customer relationships	7	\$ 14,429,127	\$ 8,245,254	\$ -	\$ 6,183,873	\$ 7,428,104
Technology	7	6,774,442	3,871,110	-	2,903,332	3,487,478
Trade name	-	2,027,989	2,027,989	-	-	-
		<b>\$ 23,231,558</b>	<b>\$14,144,353</b>	<b>\$ -</b>	<b>\$ 9,087,205</b>	<b>\$ 10,915,582</b>

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.

Geophex Intangible Asset	Amort. Period (Years)	Jun. 30, 2011				Sep. 30, 2010
		Cost	Accumulated Amortization	Impairment Charge	Net Book Value	Net Book Value
Customer relationships	7	\$ 2,237,819	\$ 1,118,899	\$ -	\$ 1,118,920	\$ 1,449,536
Technology	7	875,668	437,835	-	437,833	567,210
Trade name	indefinite	583,779	32,587	227,807	323,385	345,011
		<b>\$ 3,697,266</b>	<b>\$ 1,589,321</b>	<b>\$ 227,807</b>	<b>\$ 1,880,138</b>	<b>\$ 2,361,757</b>

**Notes To Unaudited Interim Consolidated Financial Statements  
June 30, 2011 and September 30, 2010**

**4. Intangible Assets (Continued)**

Consolidated intangible assets are comprised of the following:

Consolidated Intangible Asset	Amort. Period (Years)	Jun. 30, 2011			Sep. 30, 2010	
		Cost	Accumulated Amortization	Impairment Charge	Net Book Value	
Customer relationships	7	\$ 16,666,946	\$ 9,364,153	\$ -	\$ 7,302,793	\$ 8,877,640
Technology	7	7,650,110	4,308,945	-	3,341,165	4,054,688
Trade name	varies	2,611,768	2,060,576	227,807	323,385	345,011
		<b>\$ 26,928,824</b>	<b>\$ 15,733,674</b>	<b>\$ 227,807</b>	<b>\$ 10,967,343</b>	<b>\$ 13,277,339</b>

**5. Business Acquisitions**

On January 31, 2011, the Company acquired 100% of the shares of Mapcon. Mapcon 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 June 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	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)
<b>Total net assets acquired, net of cash</b>	<b>\$ 1,384,210</b>

In the period since acquisition, Mapcon has generated revenue of \$1,063,850 and a net loss of \$149,317.

**6. Goodwill**

	Nine months ended Jun. 30, 2011	Year ended Sep. 30, 2010
Goodwill, beginning of period	\$ 11,821,304	\$ 11,408,513
Foreign currency translation gain (loss)	275,910	412,791
<b>Goodwill, end of period</b>	<b>\$ 12,097,214</b>	<b>\$ 11,821,304</b>

**Notes To Unaudited Interim Consolidated Financial Statements  
June 30, 2011 and September 30, 2010**

**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 7.63% (September 30, 2010 – 7.77%).

Commitments in relation to capital leases are payable as follows:

	<b>Jun. 30, 2011</b>	Sep. 30, 2010
Within one year	<b>\$ 25,228</b>	\$ 206,849
Later than one year but not later than five years	-	9,443
Minimum lease payments	<b>25,228</b>	216,292
Future finance charges	<b>(1,254)</b>	(6,064)
Recognized as a liability	<b>\$ 23,974</b>	\$ 210,228
<b>Representing Capital Lease Obligations</b>		
Current	<b>\$ 23,974</b>	\$ 200,964
Long term	-	9,264
	<b>\$ 23,974</b>	\$ 210,228

**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 and thereafter are as follows:

2011	<b>\$ 853,628</b>
2012	<b>671,225</b>
2013	<b>459,708</b>
2014	<b>371,257</b>
2015	<b>218,435</b>
Thereafter	<b>33,355</b>
	<b>\$ 2,607,608</b>

**Notes To Unaudited Interim Consolidated Financial Statements  
June 30, 2011 and September 30, 2010**

**9. Long term debt**

During the quarter ended March 31, 2011, the Company entered into an agreement with a vendor to purchase a digital mapping camera for use in its Aerial Geomatics business. The purchase price was USD\$1,002,410 of which USD\$748,107 was financed through the vendor. The interest cost is at US Wall Street Journal prime rate plus 2% (currently 5.25%) and the facility is unsecured. Future commitments related to the facility are as follows:

	Jun. 30, 2011	Sep. 30, 2010
Within one year	\$ 156,526	-
Later than one year but not later than five years	734,611	-
Minimum debt payments	891,137	-
Future finance charges	(97,194)	-
Recognized as a liability	\$ 793,943	-
<b>Representing Long Term Debt</b>		
Current	149,072	-
Long term	644,871	-
	\$ 793,943	-

**10. Share Capital**

**a. Authorized**

Unlimited number of voting common shares.

**b. Issued and Outstanding**

	Nine months ended		Year ended	
	Jun. 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 nine months ended June 30, 2011 upon the exercise of employee stock options generating cash proceeds of \$74,437. 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 10(c) for further details.

## Notes To Unaudited Interim Consolidated Financial Statements June 30, 2011 and September 30, 2010

A total of 180,001 common shares were issued in the nine months ended June 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 10(d) for further details.

Common shares were issued in connection with the acquisition of Optimal Geomatics Inc. on September 30, 2009. 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 had an ascribed value of \$0.43 per share for a total value of \$28,450.

### 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 nine months ended June 30, 2011 and the year ended September 30, 2010. A total of 1,566,428 stock options remain available in the pool at June 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
<b>Total outstanding Sep. 30, 2010</b>	<b>2,291,166</b>	<b>\$0.62</b>
Options granted	260,000	0.70
Options exercised	(160,001)	0.50
Options expired	(224,999)	1.02
<b>Total outstanding Jun. 30, 2011</b>	<b>2,166,166</b>	<b>\$ 0.58</b>
<b>Total exercisable Jun. 30, 2011</b>	<b>1,680,166</b>	<b>\$ 0.59</b>

The fair value of stock options granted in the nine months ended June 30, 2011 and the year ended September 30, 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	\$0.55 - \$0.92
Exercise price	\$0.55 - \$0.92
Expected life of options	3 years
Expected stock price volatility – for options granted prior to January 1, 2011	70%
Expected stock price volatility – for options granted after December 31, 2010	95%
Expected dividend yield	-
Risk free interest rate	4%

**Notes To Unaudited Interim Consolidated Financial Statements  
June 30, 2011 and September 30, 2010**

The weighted average grant date fair value of options granted in the nine months ended June 30, 2011 and the year ended September 30, 2010 was \$0.39 and \$0.30 respectively. The average remaining contractual life is three years.

In the three months ended March 31, 2011, the shareholders of the Company approved the extension of 622,500 options scheduled to expire in calendar 2011. The modification extended the expiry of these options to 2016. This extension created a new fair value calculation which resulted in an incremental stock option expense of \$156,758

**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 nine months period ended June 30, 2011 and the year ended September 30, 2010.

	<b>Number of Units</b>	<b>Weighted Avg. Exercise Price</b>
Outstanding, Sep 30, 2009	539,999	\$1.47
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>
Granted	-	
Vested	(180,001)	2.17
Expired	(11,666)	0.38
<b>Total Outstanding Jun. 30, 2011</b>	<b>51,665</b>	<b>\$ 0.42</b>

**e. Contributed Surplus**

	<b>Nine Months Ended Jun. 30, 2011</b>	<b>Year Ended Sep. 30, 2010</b>
Contributed surplus, beginning of period	<b>\$2,355,274</b>	\$2,479,824
Stock option expense	<b>360,925</b>	192,413
Restricted stock unit expense	<b>9,653</b>	71,715
Exercise of stock options and RSU's	<b>(338,633)</b>	(388,678)
<b>Contributed surplus, end of period</b>	<b>\$ 2,387,219</b>	\$2,355,274

**Notes To Unaudited Interim Consolidated Financial Statements  
June 30, 2011 and September 30, 2010**

**11. Loss per Share**

Basic loss per share has been calculated by dividing net income by the weighted average number of shares outstanding during the period. Diluted loss per share is similar to basic loss per share, except the denominator is increased to include the number of additional common shares that would have been outstanding if dilutive potential common shares had been issued.

Three Months Ended	Jun. 30, 2011	Jun. 30, 2010
Numerator		
Net loss for the period	\$ (3,667,810)	\$ (1,794,303)
Denominator		
Average common shares outstanding	37,325,940	36,985,938
Diluted common shares outstanding	37,632,125	37,386,902
Basic loss per share	\$ (0.10)	\$ (0.05)
Diluted loss per share	\$ (0.10)	\$ (0.05)

**12. Segmented Information**

For the three months ended June 30, 2011 two customers represented 9% of revenue. For the three months ended June 30, 2010, no one customer represents greater than 10% of revenue.

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

Three months ended June 30, 2011	Airborne Geophysics	Aerial Geomatics	Instruments & Sensors	Corporate	Total Consolidated
Revenue	\$ 6,655,771	\$ 2,291,962	\$ 213,970	\$ -	\$ 9,161,703
Cost of Sales	5,532,761	1,750,602	148,802	-	7,432,165
Gross Margin	1,012,473	527,809	189,256	-	1,729,538
Operating Expenses	3,084,402	787,708	384,454	1,758,953	6,015,517
Income Taxes	(407,879)	-	(80,335)	-	(488,214)
Net Income/(Loss)	(1,488,337)	(340,781)	(79,739)	(1,758,953)	(3,667,810)
Total Capital Expenditures	384,789	193,304	-	3,685	581,778
Total Assets	\$ 37,921,645	\$ 3,518,520	\$ 4,602,127	\$ 140,756	\$ 46,183,048

**Notes To Unaudited Interim Consolidated Financial Statements  
June 30, 2011 and September 30, 2010**

<b>Three months ended June 30, 2010</b>	<b>Airborne Geophysics</b>	<b>Aerial Geomatics</b>	<b>Instruments &amp; Sensors</b>	<b>Corporate</b>	<b>Total Consolidated</b>
Revenue	\$ 5,585,863	\$ 2,316,294	\$ 743,846	\$ -	\$ 8,646,003
Cost of Sales	4,597,532	1,894,892	310,419	-	6,802,843
Gross Margin	988,331	421,402	433,427	-	1,843,160
Operating Expenses	3,564,627	477,106	281,082	543,145	4,322,815
Income Taxes	(641,683)	-	6,861	-	(634,822)
Net Income/(Loss)	(1,654,297)	(150,944)	10,938	(543,145)	(1,794,303)
Total Capital Expenditures	291,656	72,461	3,939	-	368,056
Total Assets	\$ 40,266,850	\$ 3,302,176	\$ 5,741,385	\$ 1,862,703	\$ 51,173,114

<b>Nine months ended June 30, 2011</b>	<b>Airborne Geophysics</b>	<b>Aerial Geomatics</b>	<b>Instruments &amp; Sensors</b>	<b>Corporate</b>	<b>Total Consolidated</b>
Revenue	\$24,519,474	\$ 5,682,131	\$ 1,062,185	\$ -	\$ 31,263,790
Cost of Sales	18,456,590	4,619,952	516,585	-	23,593,127
Gross Margin	5,952,347	1,048,628	669,688	-	7,670,663
Operating Expenses	9,818,273	1,798,634	962,784	3,567,305	16,146,996
Income Taxes	(1,114,840)	-	(89,283)	(104,075)	(1,308,198)
Net Income/(Loss)	(2,351,188)	(854,859)	(234,463)	(3,462,367)	(6,902,876)
Total Capital Expenditures	\$ 1,179,749	\$ 713,804	\$ -	\$ 26,050	\$ 1,919,603

<b>Nine months ended June 30, 2010</b>	<b>Airborne Geophysics</b>	<b>Aerial Geomatics</b>	<b>Instruments &amp; Sensors</b>	<b>Corporate</b>	<b>Total Consolidated</b>
Revenue	\$15,003,606	\$ 6,001,706	\$ 1,345,671	\$ -	\$ 22,350,983
Cost of Sales	12,726,061	4,870,257	530,042	-	18,126,360
Gross Margin	2,277,545	1,131,449	815,629	-	4,224,623
Operating Expenses	8,934,046	1,234,879	829,025	1,781,580	12,779,530
Income Taxes	(2,172,245)	-	(9,991)	-	(2,182,236)
Net Income/(Loss)	(4,182,544)	(553,536)	189,287	(1,781,580)	(6,328,373)
Total Capital Expenditures	\$ 688,552	\$ 146,249	\$ 3,939	\$ -	\$ 838,740

Included in the instruments & sensors segment are intercompany charges of \$124,315 and \$153,363 for the three months ended June 30, 2011 and 2010 respectively (\$539,073 and \$567,335 for the nine months ended June 30, 2011 and 2010 respectively). These charges were eliminated on consolidation.

## Notes To Unaudited Interim Consolidated Financial Statements June 30, 2011 and September 30, 2010

### 13. Geographic Segments

The Company has operations in Canada, Australia and the United States. The Company conducts surveys around the world. Its operations in all markets have similar products, services and customer types as well as similar economic characteristics. Revenues from external customers are generated around the world and are attributed to one of three geographic segments. The following table outlines revenue by geographic segment for the three and nine months ended June 30, 2011 and 2010:

For the period	Three Months Ended		Nine Months Ended	
	Jun. 30, 2011	Jun. 30, 2010	Jun. 30, 2011	Jun. 30, 2010
Revenue				
Canada	\$ 1,891,576	\$ 2,210,214	\$ 6,605,126	\$ 6,078,490
Australia	2,756,622	1,631,814	8,303,342	3,935,993
United States	1,421,501	2,650,694	5,373,504	8,122,928
International	3,091,965	2,153,281	10,981,818	5,169,764
<b>Total Revenue</b>	<b>\$ 9,161,703</b>	<b>\$ 8,646,003</b>	<b>\$31,263,790</b>	<b>\$ 23,307,175</b>

Goodwill is located in Australia and USA. All capital assets originate in Canada, Australia and the United States and are mobilized to the job sites around the world. Capital assets in Canada at June 30, 2011 amount to \$5.8 million, Australia \$3.6 million and USA \$1.2 million (September 30, 2010, Canada \$5.8 million, Australia \$3.9 million, United States \$0.4 million).

### 14. Supplementary Cash Flow Information

For the nine months ended	Jun. 30, 2011	Jun. 30, 2010
(a) Interest Paid	\$ 466	\$ 63
(b) Interest Received	2,846	52,336
(c) Income taxes paid (Refunded)	(7,028)	(2,317,630)
(d) Non cash transactions		
- Issuance of share capital on acquisition	-	28,450
- Long term debt financing on capital assets (Note 9)	\$ 744,750	\$ -

### 15. 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 June 30, 2011, no amounts have been drawn on this facility. As of September 30, 2010, \$113,772 was drawn on this facility and was repaid in early October of 2010. 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.

## Notes To Unaudited Interim Consolidated Financial Statements June 30, 2011 and September 30, 2010

### 16. 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 consolidated 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

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

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

As at June 30, 2011, the top five customers accounted for 44% 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:

	Jun. 30, 2011		Sep. 30, 2010	
	\$	%	\$	%
Not Past Due	2,298,624	59.9%	3,301,144	72.8%
Past Due 0-30	348,228	9.1%	569,880	12.6%
Past Due 31-90	291,434	7.6%	147,950	3.3%
More than 90 days	1,229,424	32.0%	582,497	12.9%
Total trade receivables	4,167,710	108.6%	4,601,471	101.6%
Accrued receivables	55,273	1.4%	250,759	5.5%
Allowance for doubtful accounts	(385,089)	-10.0%	(324,288)	-7.1%
Total accounts receivable	3,837,894	100.0%	4,527,942	100.0%

## Notes To Unaudited Interim Consolidated Financial Statements June 30, 2011 and September 30, 2010

Included in June 30, 2011 accounts receivable is an amount of approximately \$800,000 from a customer resident in Libya. Approximately \$128,000 of this balance is being held at a United Kingdom bank and release of this amount is expected in the very near term. While some uncertainty exists regarding the general political unrest in Libya, the Company is in ongoing contact with the customer and continues to work with them to arrange for collection of the balance. As a result, management has determined that no allowance for doubtful accounts is necessary at this time.

(b) Interest Rate Risk: While the Company does have credit facilities in which it can draw upon (see Note 16) 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. 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:

	USD	AUD	USD	AUD
Cash and cash equivalents	\$ 960,353	\$ 551,838	\$ 2,853,690	\$ 332,412
Accounts receivable	2,878,659	527,577	3,194,063	695,109
Accounts payable and accrued liabilities	(2,843,365)	(1,212,170)	(1,766,520)	(1,064,910)
Income taxes recoverable/(payable)	13,703	295,973	(146,220)	592,125
Current portion of long term debt	149,072	-	-	-
Long term debt	644,871	-	-	-
Capital lease obligations (current)	-	22,935	(26,086)	(175,102)
Capital lease obligations (long term)	-	-	-	(9,316)
<b>Totals</b>	<b>\$ 1,803,293</b>	<b>\$ 186,153</b>	<b>\$ 4,108,927</b>	<b>\$ 370,318</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 \$848, whereas the impact versus the US dollar would have decreased the net profit by \$10,430 for the three months ended June 30, 2011. Conversely, a one cent decrease in the Canadian dollar versus the Australian dollar would have increased the net profit by \$864, whereas the impact versus the US dollar would have increased the net profit by \$10,649 for the three months ended June 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 June 30, 2011 the Company had a cash balance of \$2.0 million, \$3.8 million in accounts receivable, \$0.8 million in income taxes recoverable and \$2.0 million in unused committed bank credit facilities to settle current liabilities of \$6.1 million (excluding deferred revenue of \$2.4 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

## Notes To Unaudited Interim Consolidated Financial Statements June 30, 2011 and September 30, 2010

### 16. Financial Instruments Risk Exposure and Management (Continued)

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.

### 17. 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 nine months ended June 30, 2010 was as follows:

	<b>Jun. 30, 2010</b>
Revenue	\$ 956,192
Cost of sales	<u>724,414</u>
Gross margin	231,778
Selling, general and administrative expenses	<u>647,943</u>
Net loss from operations	(416,165)
Gain on disposition of component	<u>175,647</u>
Net Loss	\$ (240,518)

### 18. Capital Management

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

In the management of capital, the Company includes share capital, 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) except in cases where the debt is for financing of capital expenditures.

### 19. Comparative Figures

Certain prior period comparative figures have been reclassified to conform with current presentation.