



Aeroquest International Limited
Unaudited Interim Consolidated Financial Statements

For the three and six months ended March 31, 2011.

Unaudited Interim Consolidated Balance Sheets

As at	Mar. 31, 11	Sep. 30, 10
Assets		
Current		
Cash and cash equivalents (Note 1)	\$ 1,632,008	\$ 4,757,216
Accounts receivable	5,124,726	4,527,942
Income taxes recoverable	588,137	231,136
Unbilled contracts in progress	2,309,610	1,529,146
Inventory (Note 2)	138,831	699,935
Prepaid expenses and deposits	1,432,442	1,465,629
Total current assets	11,225,754	13,211,004
Long term		
Long term investments	145,307	171,828
Capital assets (Note 3)	10,888,342	9,766,989
Intangible assets (Note 4)	11,577,111	13,277,339
Goodwill (Note 6)	11,826,887	11,821,304
Future income taxes (Note 11)	2,361,231	2,314,545
Total long term assets	36,798,878	37,352,005
Total Assets	\$ 48,024,632	\$ 50,563,009
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 4,668,507	\$ 4,697,656
Deferred revenue	2,735,576	2,240,687
Capital lease obligations (Note 7)	55,192	200,964
Current portion of long term debt (Note 9)	142,650	-
Total current liabilities	7,601,925	7,139,307
Long term		
Capital lease obligations (Note 7)	-	9,264
Long term debt (Note 9)	602,100	-
Future income taxes (Note 11)	3,854,771	4,603,674
Total liabilities	12,058,796	11,752,245
Shareholders' equity		
Share capital (Note 10)	48,928,222	48,527,057
Contributed surplus (Note 10)	2,233,093	2,355,274
Accumulated other comprehensive income (loss)	2,515,918	2,404,764
Deficit	(17,711,397)	(14,476,331)
Total shareholders' equity	35,965,836	38,810,764
Total Liabilities and Shareholders' Equity	\$ 48,024,632	\$ 50,563,009

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

Unaudited Interim Consolidated Statements of Operations

For the Period	Three Months Ended		Six Months Ended	
	Mar. 31, 11	Mar 31, 10	Mar. 31, 11	Mar. 31, 10
Sales	\$ 9,749,915	\$ 5,770,246	\$ 22,102,087	\$ 13,268,112
Cost of sales	7,528,211	4,665,979	16,160,962	10,877,232
Gross profit	2,221,704	1,104,267	5,941,125	2,390,880
Expenses and other items				
General and administrative	3,448,775	2,190,850	6,528,896	4,587,661
Foreign exchange loss	83,501	100,036	298,917	181,123
Stock based compensation expense	184,491	84,920	212,224	169,729
Amortization of intangible assets	838,985	857,487	1,689,390	1,732,055
Depreciation of capital assets	712,029	875,189	1,402,052	1,755,337
Total operating expenses	5,267,781	4,108,482	10,131,479	8,425,905
Operating loss	(3,046,076)	(3,004,215)	(4,190,354)	(6,035,025)
Other income	(135,304)	(146,021)	(135,304)	(264,347)
Interest expense	-	14,838	-	30,061
Loss before income taxes and discontinued operations	(2,910,773)	(2,873,032)	(4,055,050)	(5,800,739)
Income taxes (Note 11)				
Current (recovery)	(386,238)	(602,763)	(74,680)	(1,041,054)
Future (recovery)	(265,664)	(120,635)	(745,304)	(506,360)
Total income tax	(651,882)	(723,398)	(819,984)	(1,547,414)
Net loss before discontinued operations	(2,258,891)	(2,149,634)	(3,235,066)	(4,253,325)
Loss from discontinued operations (Note 18)	-	(118,036)	-	(280,745)
Net loss for the period	\$ (2,258,891)	\$ (2,267,670)	\$ (3,235,066)	\$ (4,534,070)
Loss per share (Note 12)				
Basic	\$ (0.06)	\$ (0.06)	\$ (0.09)	\$ (0.12)
Diluted	\$ (0.06)	\$ (0.06)	\$ (0.09)	\$ (0.12)

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

Unaudited Interim Consolidated Statements of Deficit

For the period	Three Months Ended		Six Months Ended	
	Mar. 31, 11	Mar. 31, 10	Mar. 31, 11	Mar. 31, 10
Deficit, beginning of period	\$ (15,452,506)	\$ (8,155,547)	\$ (14,476,331)	\$ (5,889,147)
Net loss	(2,258,891)	(2,267,670)	(3,235,066)	(4,534,070)
Deficit, end of period	\$ (17,711,397)	\$ (10,423,217)	\$ (17,711,397)	\$ (10,423,217)

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

Unaudited Interim Consolidated Statements of Comprehensive Income

For the period	Three Months Ended		Six Months Ended	
	Mar. 31, 11	Mar. 31, 10	Mar. 31, 11	Mar. 31, 10
Net loss for the period	\$ (2,258,891)	\$ (2,267,670)	\$ (3,235,066)	\$ (4,534,070)
Revaluation of long term investments to fair market value (Net of tax of \$1,137; 2010-\$26,773))	(6,118)	1,929	(3,578)	(50,248)
Unrealized gain(loss) on translation of self-sustaining foreign operations	(338,469)	(626,732)	114,732	(741,687)
Total Other Comprehensive Income/(loss)	(344,587)	(624,803)	111,154	(791,935)
Total Comprehensive Income/(loss)	\$ (2,603,448)	\$ (2,892,473)	\$ (3,123,912)	\$ (5,326,005)
Accumulated Other Comprehensive Income (loss):				
Revaluation of long term investments to fair market value	\$ (8,765)	\$ (26,152)	\$ (8,765)	\$ (26,152)
Unrealized gain(loss) on translation of self-sustaining foreign operations	\$ 2,524,683	724,647	\$ 2,524,683	724,647
Total Accumulated Other Comprehensive Income	\$2,515,918	\$ 698,495	\$ 2,515,918	\$ 698,495

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

Unaudited Interim Consolidated Statements of Cash Flow

For the period	Three Months Ended		Six Months Ended	
	Mar. 31, 11	Mar. 31,10	Mar. 31,11	Mar. 31, 10
Cash provided by (used in)				
Operating activities				
Net loss for the period	\$ (2,258,891)	\$ (2,267,670)	\$ (3,235,066)	\$ (4,534,070)
Operating items not requiring cash				
Amortization of intangible assets	838,985	857,487	1,689,390	1,732,055
Depreciation of capital assets	712,029	875,189	1,402,052	1,755,337
Future income taxes	(265,644)	(120,635)	(745,304)	(506,360)
Stock based compensation	184,491	84,920	212,224	169,729
Loss on disposal of capital assets	-	(358,727)	5,955	(358,727)
Operating cash flow before changes in non-cash working capital	(789,030)	(929,436)	(670,749)	(1,742,036)
Changes in non cash working capital	(1,193,276)	175,515	364,037	(425,953)
Total cash flow from operating activities	(1,982,306)	(753,921)	(306,712)	(2,167,989)
Investing activities				
Capital asset purchases	(950,804)	(307,261)	(1,337,825)	(470,684)
Cash cost of acquisition	(1,384,210)	-	(1,384,210)	-
Proceeds from disposal of capital assets	-	162,211	-	492,611
Long term investments acquired	-	-	-	(90,000)
Total cash flow from investing activities	(2,335,014)	(145,050)	(2,722,035)	(68,073)
Financing activities				
Capital lease payments	(110,746)	(210,255)	(163,221)	(352,111)
Proceeds: issuance of common shares	65,500	21,000	66,760	25,450
Total cash flow from financing activities	(45,246)	(189,255)	(96,461)	(326,661)
Net change in cash and cash equivalents for the period	(4,362,566)	(1,088,226)	(3,125,208)	(2,562,723)
Cash and cash equivalents, beginning of period	5,994,574	4,671,287	4,757,216	6,145,784
Cash and cash equivalents, end of period	\$ 1,632,008	\$ 3,583,061	\$ 1,632,008	\$ 3,583,061

Supplementary Information (Note 15)

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

Unaudited Interim Consolidated Statements of Shareholders' Equity

For the period 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	100,231	(33,471)			66,760
Net loss for the period			(3,235,066)		(3,235,066)
Stock based compensation expense		212,224			212,224
Unrealized gain (loss) on translation of self sustaining foreign operations				114,732	114,732
Revaluation of long term investments to fair market value				(3,578)	(3,578)
Balance Mar. 31, 11	\$ 48,928,222	\$ 2,233,093	\$ (17,711,397)	\$ 2,515,918	\$ 35,965,836

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

Unaudited Interim Consolidated Statements of Shareholders' Equity

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

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

Summary of Significant Accounting Policies March 31, 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 six months ended March 31, 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 March 31, 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 March 31, 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 March 31, 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 March 31, 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 to exist 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 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 is in the process of formalising its IFRS Transition Plan. The following are elements of the plan that are under construction or 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 is scheduled to complete the detailed assessment phase for all standards that affect the transition in the next two quarters. The Company expects to enter the solutions development and the implementation phase on many of the IFRS issues for the third and fourth quarter 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 the Company, their 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

Summary of Significant Accounting Policies March 31, 2011 and September 30, 2010 (Unaudited)

not include all the 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 the Company's 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 continues to review componentization of PP&E but 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 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. An exercise is currently in progress to determine the ongoing reporting requirements under IFRS 3 *Business Combinations (Revised)*.

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 will shift focus in the last two quarters to documenting accounting policies under IFRS, creation of additional note disclosures and development of 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.

The IASB has several projects slated for completion in 2011 that may significantly impact the transition to IFRS and the financial statements of the Company. The Company continues to monitor the IASB's progress on these projects and their impact on the Company's transition to IFRS.

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:

Summary of Significant Accounting Policies March 31, 2011 and September 30, 2010 (Unaudited)

- 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 is scheduled for senior management and audit committee members over the next 2 quarters. The Company will continue to monitor and evaluate the need for training as a result of the IFRS conversion.

Impact on Business

The Company anticipates the transition to IFRS to have an impact on business practices. A project is scheduled for Q3 2011 to determine the contractual implications of IFRS on any financing relationships and other arrangements.

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 March 31, 2011 and September 30, 2010

1. Cash and Cash Equivalents

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

	Mar. 31, 2011	Sep. 30, 2010
Canadian Dollars	\$ 692,929	\$1,719,274
United States Dollars	721,216	2,881,754
Australian Dollars	231,366	184,565
Kazakhstan Tenge	21,129	21,129

2. Inventories

Inventories comprise the following:

	Mar. 31, 2011	Sep. 30, 2010
Work in progress	\$ -	\$ 572,919
Finished goods	136,826	123,728
Supplies	2,005	3,288
Totals	\$ 138,831	\$ 699,935

3. Capital Assets

	Cost	Mar. 31, 2011 Accumulated Depreciation	Net Book Value	Sep. 30, 2010 Net Book Value
Airborne and geophysical equipment	\$21,078,269	\$13,098,032	\$7,980,237	\$7,490,575
Automotive equipment	690,061	512,398	177,663	145,800
Data processing equipment	1,727,027	987,583	739,444	312,836
Leasehold improvements	358,903	265,666	93,237	132,102
Office equipment	1,755,203	1,085,308	669,895	542,983
Data libraries	336,228	231,157	105,071	147,099
Equipment in process	1,122,795	-	1,122,795	995,594
	\$27,068,486	\$16,180,144	\$10,888,342	\$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
March 31, 2011 and September 30, 2010

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

	Mar. 31, 2011			Sep. 30, 2010
	Cost	Accum. Depreciation	Net Book Value	Net Book Value
Airborne and geophysical equipment	\$ 1,726,983	\$ 1,228,611	\$ 498,372	\$ 598,631
Office equipment	321,587	215,262	106,325	147,003
	\$ 2,048,570	\$ 1,443,873	\$ 604,697	\$ 745,634

Depreciation for assets under capital lease was \$64,145 and \$69,371 for the three months ended March 31, 2011 and 2010 respectively (\$134,569 and \$138,742 for the six months ended March 31, 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)	Mar. 31, 2011				Sep. 30, 2010
		Cost	Accumulated Amortization	Impairment Charge	Net Book Value	Net Book Value
Customer relationships	7	\$14,034,515	\$7,518,490	\$ -	\$6,516,025	\$7,428,104
Technology	7	6,589,173	3,529,914	-	3,059,259	3,487,478
Trade name	-	1,972,527	1,972,527	-	-	-
		\$22,596,215	\$13,020,931	\$ -	\$9,575,284	\$10,915,582

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)	Mar. 31, 2011				Sep. 30, 2010
		Cost	Accumulated Amortization	Impairment Charge	Net Book Value	Net Book Value
Customer relationships	7	\$2,249,652	\$1,044,508	\$ -	\$1,205,144	\$1,449,536
Technology	7	880,299	408,711	-	\$471,588	567,210
Trade name	indefinite	586,866	33,964	227,807	325,095	345,011
		\$3,716,817	\$1,487,183	\$227,807	\$2,001,827	\$2,361,757

**Notes To Unaudited Interim Consolidated Financial Statements
March 31, 2011 and September 30, 2010**

4. Intangible Assets (Continued)

Consolidated intangible assets are comprised of the following:

Consolidated Intangible Asset	Amort. Period (Years)	Mar. 31, 2011			Sep. 30, 2010	
		Cost	Accumulated Amortization	Impairment Charge	Net Book Value	
Customer relationships	7	\$16,284,167	\$8,562,998	-	\$7,721,169	\$8,877,640
Technology	7	7,469,472	3,938,625	-	3,530,847	4,054,688
Trade name	varies	2,559,393	2,006,491	227,807	325,095	345,011
		\$26,313,032	\$14,508,114	\$227,807	\$11,577,111	\$13,277,339

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 March 31, 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)
Total net assets acquired, net of cash	\$ 1,384,210

In the period since acquisition, Mapcon has generated revenue of \$254,605 and a net loss of \$113,296.

6. Goodwill

	Six months ended Mar. 31, 2011	Year ended Sep. 30, 2010
Goodwill, beginning of period	\$11,821,304	\$11,408,513
Foreign currency translation gain (loss)	5,583	412,791
Goodwill, end of period	\$11,826,887	\$11,821,304

**Notes To Unaudited Interim Consolidated Financial Statements
March 31, 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 7.93% (September 30, 2010 – 7.77%).

Commitments in relation to capital leases are payable as follows:

	Mar. 31, 2011	Sep. 30, 2010
Within one year	\$ 57,089	\$208,849
Later than one year but not later than five years	-	9,443
Minimum lease payments	57,089	218,292
Future finance charges	(1,897)	(6,064)
Recognized as a liability	\$55,192	\$212,228
Representing Capital Lease Obligations		
Current	\$55,192	\$200,964
Long term	-	9,264
	\$55,192	\$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	\$439,330
2012	693,771
2013	474,804
2014	384,027
2015	222,692
Thereafter	\$33,355
	\$2,247,979

Notes To Unaudited Interim Consolidated Financial Statements March 31, 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:

	Mar. 31, 2011	Sep. 30, 2010
Within one year	\$163,926	-
Later than one year but not later than five years	683,652	-
Minimum debt payments	847,578	-
Future finance charges	(102,828)	-
Recognized as a liability	\$744,750	-
Representing Long Term Debt		
Current	\$142,650	-
Long term	602,100	-
	\$744,750	-

10. Share Capital

a. Authorized

Unlimited number of voting common shares.

b. Issued and Outstanding

	Six months ended		Year ended	
	Mar. 31, 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	145,001	100,231	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	37,310,940	\$ 48,928,222	36,985,938	\$ 48,527,057

A total of 145,001 common shares were issued in the six months ended March 31, 2011 upon the exercise of employee stock options generating cash proceeds of \$66,761. 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 March 31, 2011 and September 30, 2010

A total of 180,001 common shares were issued in the six months ended March 31, 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 six months ended March 31, 2011 and the year ended September 30, 2010. A total of 1,621,928 stock options remain available in the pool at March 31, 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	80,000	0.88
Options exercised	(145,001)	0.49
Options expired	(116,999)	1.25
Total outstanding Mar. 31, 2011	2,109,166	\$ 0.63
Total exercisable Mar. 31, 2011	1,433,833	\$ 0.66

The fair value of stock options granted in the six months ended March 31, 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 March 31, 2011 and September 30, 2010

The weighted average grant date fair value of options granted in the six months ended March 31, 2011 was \$0.43 (\$0.30 for the year ended September 30, 2010).

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 and remain not vested for the six months period ended March 31, 2011 and the year ended September 30, 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 Mar. 31, 2011	51,665	\$ 0.42

e. Contributed Surplus

	Six Months Ended Mar. 31, 2011	Year Ended Sep. 30, 2010
Contributed surplus, beginning of period	\$2,355,274	\$2,479,824
Stock option expense	205,790	192,413
Restricted stock unit expense	6,434	71,715
Exercise of stock options and RSU's	(334,405)	(388,678)
Contributed surplus, end of period	\$2,233,093	\$2,355,274

Notes To Unaudited Interim Consolidated Financial Statements March 31, 2011 and September 30, 2010

11. Income Taxes

	Three Months Ended Mar. 31, 2011	Three Months Ended Mar. 31, 2010
Income/(loss) before income taxes	\$ (2,910,773)	\$ (2,991,068)
Statutory income tax rate	28.75%	31.33%
Computed income tax recoverable	(836,847)	(937,102)
Valuation allowance on loss-carryforwards	183,538	-
Non-deductible/non-taxable items	32,102	53,663
Rate differences in future taxes	6,215	-
Other	(27,532)	23,704
Lower/(higher) tax rate in foreign jurisdiction	(9,358)	136,337
Income taxes	\$ (651,882)	\$ (723,398)

The tax effects of temporary differences that give rise to significant portion of the future tax assets at March 31, 2011 and September 30, 2010 are presented below:

Future Taxes	Mar. 31, 2011	Sep.30, 2010
Capital Assets	\$ (418,140)	\$ (367,630)
Long term investments	(7,420)	(9,424)
Corporate minimum tax	84,122	84,122
Intangible assets	(3,644,297)	(4,185,130)
Tax loss recognition	2,370,586	2,082,465
Accruals	125,634	110,131
Other	(4,025)	(3,663)
	\$ (1,493,540)	\$(2,289,129)

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

Notes To Unaudited Interim Consolidated Financial Statements
March 31, 2011 and September 30, 2010

12. 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	Mar. 31, 2011	Mar. 31, 2010
Numerator		
Net loss for the period	\$ (2,258,891)	\$ (2,267,670)
Denominator		
Average common shares outstanding	37,254,607	36,944,549
Diluted common shares outstanding	38,227,100	37,454,658
Basic loss per share	\$ (0.06)	\$ (0.06)
Diluted loss per share	\$ (0.06)	\$ (0.06)

13. Segmented Information

For the three months ended March 31, 2011 one customer represented 15% of revenue. For the three months ended March 31, 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 (Aeroquest Sensortech) and Corporate expenses. Selective information from each segment is presented below:

Three months ended March 31, 2011	Airborne Geophysics	Aerial Geomatics	Instruments & Sensors	Corporate	Total Consolidated
Revenue	\$7,550,822	\$1,817,167	\$381,926	\$-	\$9,749,915
Cost of Sales	5,926,940	1,408,465	192,806	-	7,528,211
Gross Margin	1,623,882	408,702	189,120	-	2,221,704
Operating Expenses	3,601,435	515,148	246,722	904,475	5,267,780
Income Taxes	(625,644)	-	(26,237)	-	(651,901)
Net Income/(Loss)	(1,126,859)	(130,417)	(97,140)	(904,475)	(2,258,891)
Total Capital Expenditures	430,659	515,736	-	4,409	950,804
Total Assets	\$37,946,003	\$4,324,459	\$4,828,434	\$925,736	\$48,024,632

Notes To Unaudited Interim Consolidated Financial Statements March 31, 2011 and September 30, 2010

Three months ended March 31, 2010	Airborne Geophysics	Aerial Geomatics	Instruments & Sensors	Corporate	Total Consolidated
Revenue	\$3,678,419	\$1,708,417	\$383,410	\$ -	\$5,770,246
Cost of Sales	3,322,442	1,200,970	142,567	-	4,665,979
Gross Margin	355,977	507,447	240,843	-	1,104,267
Operating Expenses	2,636,078	296,267	283,966	892,171	4,108,482
Income Taxes	(735,795)	-	12,397	-	(723,398)
Net Income/(Loss)	(1,626,510)	(20,558)	271,569	(892,171)	(2,267,670)
Total Capital Expenditures	241,787	\$65,474	0	-	307,261
Total Assets	\$49,108,736	\$3,138,957	\$5,359,107	\$1,862,703	\$59,469,503

Six months ended March 31, 2011	Airborne Geophysics	Aerial Geomatics	Instruments & Sensors	Corporate	Total Consolidated
Revenue	\$17,863,703	\$3,390,169	\$848,215	\$-	\$22,102,087
Cost of Sales	12,923,829	2,869,350	367,783	-	16,160,962
Gross Margin	4,939,874	520,819	480,432	-	5,941,125
Operating Expenses	6,733,871	1,010,926	578,330	1,808,352	10,131,479
Income Taxes	(706,961)	-	(8,948)	(104,075)	(819,984)
Net Income/(Loss)	(862,851)	(514,078)	(154,724)	(1,703,413)	(3,235,066)
Total Capital Expenditures	794,960	520,500	-	22,365	1,337,825

Six months ended March 31, 2010	Airborne Geophysics	Aerial Geomatics	Instruments & Sensors	Corporate	Total Consolidated
Revenue	\$9,417,743	\$3,248,544	\$601,825	\$0	\$13,268,112
Cost of Sales	8,128,529	2,529,080	219,623	-	10,877,232
Gross Margin	1,289,214	719,464	382,202	-	2,390,880
Operating Expenses	5,912,564	726,963	547,943	1,238,435	8,425,905
Income Taxes	(1,530,562)	-	(16,852)	-	(1,547,414)
Net Income/(Loss)	(3,071,392)	(402,592)	178,349	(1,238,435)	(4,534,070)
Total Capital Expenditures	396,896	73,788	-	-	470,684

Included in the instruments & sensors segment are intercompany charges of \$228,802 and \$194,292 for the three months ended March 31, 2011 and 2010 respectively (\$414,758 and \$413,972 for the six months ended March 31, 2011 and 2010 respectively). These charges were eliminated on consolidation.

Notes To Unaudited Interim Consolidated Financial Statements March 31, 2011 and September 30, 2010

14. 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 six months ended March 31, 2011 and 2010:

For the period	Three Months Ended		Six Months Ended	
	Mar. 31, 2011	Mar. 31, 2010	Mar. 31, 2011	Mar. 31, 2010
Revenue				
Canada	\$3,382,117	\$1,353,843	\$4,713,550	\$2,475,215
Australia	2,230,314	682,884	5,546,680	2,304,179
United States	1,844,990	2,979,548	3,952,003	5,472,234
International	2,292,494	753,971	7,889,854	3,016,484
Total Revenue	\$9,749,915	\$5,770,246	\$22,102,087	\$13,268,112

Goodwill is located in Australia and USA. All capital assets originate in Canada, Australia and the United States and are mobilized to the job sites around the world. Capital assets in Canada at March 31, 2011 amount to \$6.0 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).

15. Supplementary Cash Flow Information

For the six months ended	Mar. 31, 2011	Mar. 31, 2010
(a) Interest Paid	\$ 1,360	\$ 14,851
(b) Interest Received	5,218	98
(c) Income taxes paid (Refunded)	(6,189)	-
(d) Non cash transactions		
- Issuance of share capital on acquisition	-	28,450
- Long term debt financing on capital assets (Note 9)	744,750	-

16. 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 March 31, 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,

Notes To Unaudited Interim Consolidated Financial Statements March 31, 2011 and September 30, 2010

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.

17. Financial Instruments Risk Exposure and Management

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these 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 March 31, 2011, the top five customers accounted for 40% of the Company's total accounts receivable and as of September 30, 2010, the top five customers accounted for 35% of the total accounts receivable.

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

	Mar. 31, 2011		Sep. 30, 2010	
	\$	%	\$	%
Not Past Due	3,153,772	61.5%	3,301,144	72.8%
Past Due 0-30	1,632,682	31.9%	569,880	12.6%
Past Due 31-90	335,125	6.5%	147,950	3.3%
More than 90 days	310,391	6.1%	582,497	12.9%
Total trade receivables	5,431,970	106.0%	4,601,471	101.6%
Accrued receivables	46,577	0.9%	250,759	5.5%
Allowance for doubtful accounts	(353,821)	-6.9%	(324,288)	-7.2%
Total accounts receivable	5,124,726	100.0%	4,527,942	100.0%

Notes To Unaudited Interim Consolidated Financial Statements March 31, 2011 and September 30, 2010

Included in March 31, 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:

	Mar. 31, 2011		Sep. 30, 2010	
	USD	AUD	USD	AUD
Cash and cash equivalents	\$ 857,181	\$ 359,994	\$ 2,853,690	\$ 332,412
Accounts receivable	1,781,425	535,860	3,194,063	695,109
Accounts payable and accrued liabilities	(2,541,931)	(834,681)	(1,766,520)	(1,064,910)
Income taxes recoverable/(payable)	49,594	295,973	(146,220)	592,125
Current portion of long term debt	142,010	-	-	-
Long term debt	599,398	-	-	-
Capital lease obligations (current)	(29,017)	(71,274)	(26,086)	(175,102)
Capital lease obligations (long term)	-	-	-	(9,316)

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 \$2,760, whereas the impact versus the US dollar would have decreased the net profit by \$1,092 for the three months ended March 31, 2011. Conversely, a one cent decrease in the Canadian dollar versus the Australian dollar would have increased the net profit by \$2,816, whereas the impact versus the US dollar would have increased the net profit by \$1,113 for the three months ended March 31, 2010.

(d) Liquidity Risk: Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. As at March 31, 2011 the Company had a cash balance of \$1.6 million, \$5.1 million in accounts receivable, \$0.6 million in income taxes recoverable and \$2.0 million in unused committed bank credit facilities to settle current liabilities of \$4.9 million (excluding deferred revenue of \$2.7 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 March 31, 2011 and September 30, 2010

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.

18. 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 six months ended March 31, 2010 was as follows:

	Mar. 31, 2010
Revenue	\$ 1,393,060
Cost of sales	1,170,779
Gross margin	222,281
Selling, general and administrative expenses	503,026
Net loss	\$ (280,745)

19. 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.