

Attention business/financial editors and reporters:

**AEROQUEST INTERNATIONAL LIMITED (TSX:AQL)
Announces financial results for the three and twelve months ended September 30, 2010**

- *Revenue of \$10.3 million, up from \$5.3 million in Q4-2009*
- *Contract backlog at year-end of \$14.7 million*
- *Net loss of \$2.3 million in the quarter, or \$0.06 per share.*

Mississauga, ON – December 16, 2010 - Aeroquest International Limited today reported financial results for its fourth quarter of fiscal 2010 (“Q4-F2010”), the three and twelve months ended September 30, 2010. The quarterly results reflect growth in revenue in both the helicopter and fixed wing services in the airborne geophysical survey segment when compared to the fourth quarter last year as well as the most recent quarter of this fiscal year. As well, the results reflect the fourth quarter of revenue from the Aeroquest Optimal business acquisition, which closed on September 30, 2009.

“Our fourth quarter of fiscal 2010 was largely one of good news for our Company.” said Roy Graydon, President & CEO of Aeroquest. “Revenue is up and contract backlog continues to strengthen following the downturn of 2009. We are, however, experiencing growing pains, especially in our fixed wing operations, as we attempt to restart and ramp up our activities to meet the increased demand for our services. So, while margins have improved, they are still below both historical levels and our expectations for the future.”

Consolidated revenue for the three months ended September 30, 2010 was \$10.3 million, an increase of \$5.2 million or 102% from the fourth quarter last year (“Q4-F2009”). Revenue from Geophysics helicopter operations contributed \$2.9 million in the quarter, an increase of \$2.1 million or 232% from the fourth quarter last year. Revenue from Geophysics fixed wing operations was \$5.4 million, an increase of \$1.3 million or 32% over the fourth quarter of last year. Revenue from our Aerial Geomatics group was \$1.6 million and revenue from our Instruments & Sensors group (formerly our contract R&D segment) was \$0.4 million.

Profit margins in the airborne geophysical survey businesses still lag behind historical levels at 22% but are slightly higher than the 19% reported in Q4-F2009. Helicopter gross profit improved to percent 25% of revenue in Q4-F2010 compared with negative 14% in Q4-F2009. However, fixed wing gross profit in Q4-F2010 was 21% compared to 25% of revenue in F2009. This level is below expectations, given the improved level of fixed wing activity in the period.

Fixed wing margins suffered due to operational inefficiencies in the rapid ramp-up of fixed wing activity in the third and fourth quarters of F2010. These ‘re-growing’ pains were similar to what the Company experienced in 2007 as it ramped up to meet the last growth in the exploration cycle. As well, contract pricing still remains competitive and revenue per line kilometer remains below the levels that we saw in the peak years of 2007 and 2008. We are, however, seeing strengthening in the revenue per line kilometer as global exploration activity increases.

The Aerial Geomatics profit margins were 13%, which remain below management’s expectations. As much of this groups contract work is with agencies of the United States government, any subcontracted work cannot be marked up and the level of subcontract revenue is higher than anticipated.

Overall Company gross profit in Q4-F2010 was \$2.4 million, or 23% of revenue compared to \$1.1 million or 21% of revenue in Q4-F2009.

Selling, general and administrative expenses increased by \$0.6 million or 26% from \$2.4 million in Q4-F2009 to \$3.0 million in Q4-2010. Roughly half of this increase is due to the costs incurred in the aerial geomatics group that was not acquired until the end of our 2009 fiscal year. The other half of the increase is reflective of the fact that the Q4-F2009 represented the low point of the economic cycle and the Company has been gradually increasing operating costs to support increased business volumes that it is now experiencing and is expected to experience into the 2011 fiscal year.

EBITDA¹ in Q4-F2010 was negative \$0.7 million compared with negative EBITDA of \$1.5 million in Q4-F2009. EBITDA continues to improve not only when compared to last year but also to the third quarter of fiscal 2010 where EBITDA was negative \$0.8 million.

Net loss in Q4-F2010 was \$2.3 million, or \$0.06 per share, compared to a net loss of \$4.7 million or \$0.14 per share in Q4-F2009.

Cash flow from operating activities was negative \$0.6 million in Q4-F2010. Cash flow from operating activities before working capital consumed \$1.9 million and net changes in non-cash working capital generated \$1.3 million of cash in the quarter.

Capital expenditures totaled \$0.4 million in the quarter compared with less than \$0.1 million in Q4-2009.

Outlook – Q1 – fiscal 2011

Notwithstanding the recent increase in exploration activity and the resulting increase in contract volumes and revenues therefrom, the Company still believes that there is some degree of uncertainty with respect to the rate at which exploration spending will continue to recover – especially in helicopter based geophysical exploration which tends to lag behind fixed wing exploration. However, contract backlog at year-end totaled \$14.7 million and is comprised of \$10.7 million in airborne geophysical survey backlog (\$2.7 million in helicopter and \$8.0 million in fixed wing), \$3.9 million in aerial geomatics backlog and \$0.1 million in other backlog.

The Company believes that exploration spending levels will continue to improve into calendar 2011.

Corporate Presentation

An updated Corporate Presentation is available on the Investor Relations area of the Aeroquest website (www.aeroquest.ca). This presentation provides additional insights into our quarterly results

¹ EBITDA stands for earnings before interest, taxes, depreciation and amortization. It is a financial metric used to analyze operating results. The Company defines EBITDA as revenue less cost of sales, cash operating costs (general and administrative expenses as well as foreign currency gains/losses) and stock-based compensation expense. It is not a standard measure under Generally Accepted Accounting Principles and as such EBITDA as calculated may not be comparable to similarly titled amounts reported by other companies.

Aeroquest International Limited



About Aeroquest International

Aeroquest International is a global information and technology services company and a leader in the development and operation of airborne geophysics and geomatics survey platforms for the mineral and petroleum exploration, and environmental and infrastructure industries. Through its subsidiary companies Aeroquest Surveys, UTS/Aeroquest, Geophex and Optimal Geomatics, Aeroquest International fields a fleet of 30 helicopter and fixed wing survey systems and is active around the world. More information about Aeroquest International can be found at www.aeroquest.ca.

For Investors

This news release may include statements about expected future events and/or financial results that are forward-looking in nature and subject to risks and uncertainties. The Company cautions that actual performance will be affected by a number of factors, many of which are beyond its control. Future events and results may vary substantially from what the Company currently foresees. Discussion of the various factors that may affect future results is contained in the Company's recent filings, available on SEDAR.

For further information, please contact Roy Graydon, President & Chief Executive Officer (rgraydon@aeroquest.ca), 416-214-1500

**AEROQUEST INTERNATIONAL LIMITED
CONSOLIDATED BALANCE SHEET**

	Sep. 30, 10	Sep. 30, 2009
Assets		
Current		
Cash and cash equivalents	\$ 4,757,216	\$ 6,145,782
Accounts receivable	4,527,942	5,870,328
Income tax recoverable	231,136	2,196,916
Unbilled contracts in progress	699,935	723,008
Inventory	1,529,146	342,012
Prepaid expenses and deposits	1,465,629	1,564,357
Total current assets	<u>\$ 13,211,004</u>	<u>\$ 16,842,403</u>
Long term		
Long term investments	\$ 171,828	\$ 99,521
Capital assets	9,766,989	12,426,652
Intangible assets	13,277,339	16,275,187
Goodwill	11,821,304	11,408,513
Future income taxes	2,314,545	687,907
Total long term assets	<u>\$ 37,352,005</u>	<u>\$ 40,897,780</u>
Total Assets	<u><u>\$ 50,563,009</u></u>	<u><u>\$ 57,740,183</u></u>
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 4,697,656	\$ 4,783,426
Deferred revenue	2,240,687	910,429
Capital lease obligations	200,964	543,874
Total current liabilities	<u>\$ 7,139,307</u>	<u>\$ 6,237,729</u>
Long term		
Capital lease obligations	9,264	223,815
Future income taxes	4,603,674	5,113,055
Total Liabilities	<u>\$ 11,752,245</u>	<u>\$ 11,574,599</u>
Shareholders' equity		
Share capital	\$ 48,527,057	\$ 48,084,479
Contributed surplus	2,355,274	2,479,824
Accumulated other comprehensive income	2,404,764	1,490,428
Retained earnings	(14,476,331)	(5,889,147)
Total shareholders' equity	<u>38,810,764</u>	<u>46,165,584</u>
Total Liabilities and Shareholders' Equity	<u><u>\$ 50,563,009</u></u>	<u><u>\$ 57,740,183</u></u>

AEROQUEST INTERNATIONAL LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended		Year ended	
	Sep. 30, 10	Sep. 30, 09	Sep. 30, 10	Sep. 30, 09
Sales	\$ 10,317,729	\$ 5,099,804	\$ 32,668,712	\$ 28,011,967
Cost of sales	7,930,285	4,041,637	26,056,645	20,338,937
Gross profit	\$ 2,387,444	\$ 1,058,167	\$ 6,612,067	\$ 7,673,030
Expenses and other items				
General and administrative	\$ 2,693,680	\$ 2,116,494	\$ 10,141,037	\$ 11,844,837
Foreign exchange (gain)/loss	350,702	308,137	420,149	(231,968)
Stock based compensation expense	9,480	108,371	264,128	456,437
Amortization of intangible assets	857,363	1,074,987	3,417,446	3,492,777
Impairment of goodwill and intangible assets	-	2,879,936	-	2,879,936
Depreciation of capital assets	1,095,574	931,964	3,615,166	3,899,812
Total operating expenses	\$ 5,006,799	\$ 7,419,889	\$ 17,857,926	\$ 22,341,831
Operating profit	\$ (2,619,355)	\$ (6,361,722)	\$ (11,245,859)	\$ (14,668,801)
Other costs (income)	(20,670)	(67,668)	(285,818)	(67,668)
Interest Income	(2,804)	139,050	(22,467)	(59,101)
Interest Expense	-	(51,973)	-	-
Loss before income taxes and discontinued operations	\$ (2,595,881)	\$ (6,381,131)	\$ (10,937,574)	\$ (14,542,032)
Loss from discontinued operations	(71,602)		(240,518)	
Loss before income taxes	\$ (2,667,483)	\$ (6,381,131)	\$ (11,178,092)	\$ (14,542,032)
Income taxes				
Current	\$ 1,204,042	\$ (68,122)	\$ (348,784)	\$ (1,488,221)
Future	(1,612,714)	(1,656,420)	(2,242,124)	(2,431,507)
Total Income taxes	\$ (408,672)	\$ (1,724,542)	\$ (2,590,908)	\$ (3,919,728)
Net income for the period	\$ (2,258,811)	\$ (4,656,589)	\$ (8,587,184)	\$ (10,622,304)
Earnings per share				
Basic	-\$0.06	-\$0.14	-\$0.23	-\$0.32
Diluted	-\$0.06	-\$0.14	-\$0.23	-\$0.32

**AEROQUEST INTERNATIONAL LIMITED
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**

	Three months ended		Year ended	
	Sep. 30, 10	Sep. 30, 09	Sep. 30, 10	Sep. 30, 09
Retained earnings (deficit), beginning of period	\$ (12,217,520)	\$ (1,232,558)	\$ (5,889,147)	\$ 4,681,071
Excess of purchase price over cost on redemption of shares		-	-	52,086
Net income	(2,258,811)	(4,656,589)	(8,587,184)	(10,622,304)
Retained earnings, end of period	\$ (14,476,331)	\$ (5,889,147)	\$ (14,476,331)	\$ (5,889,147)

**AEROQUEST INTERNATIONAL LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Three months ended		Year ended	
	Sep. 30, 10	Sep. 30, 09	Sep. 30, 10	Sep. 30, 09
Net income for the period	\$ (2,258,811)	\$ (4,656,589)	\$ (8,587,184)	\$ (10,622,304)
Revaluation of long term investments to fair market value	(27,111)	(53,461)	(29,283)	15,176
Unrealized gain/(loss) on translation of self-sustaining foreign operations	2,343,213	247,707	943,619	3,270,010
Total Other Comprehensive Income (loss)	\$ 2,316,102	\$ 194,246	\$ 914,336	\$ 3,285,186
Total comprehensive income, for the period	\$ 57,291	\$ (4,462,343)	\$ (7,672,848)	\$ (7,337,118)

AEROQUEST INTERNATIONAL LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOW

	Three months ended		Year ended	
	Sep. 30, 10	Sep. 30, 09	Sep. 30, 10	Sep. 30, 09
Cash provided by (used in)				
Operating activities				
Net income for the period	\$ (2,258,811)	\$ (4,656,589)	\$ (8,587,184)	\$ (10,622,304)
Operating items not requiring cash				
Depreciation of capital assets	1,161,929	1,074,987	3,722,012	3,492,777
Amortization of intangible assets	791,008	931,964	3,417,446	3,899,812
Impairment of goodwill and intangible assets	-	2,879,936	-	2,879,936
Future income taxes	(1,612,714)	(1,656,420)	(2,242,124)	(2,431,507)
Stock based compensation	9,479	108,371	264,128	456,437
Loss on disposal of capital assets	71,602	-	(304,803)	-
Operating cash flow before changes in non-cash working capital	\$ (1,837,507)	\$ (1,317,751)	\$ (3,730,525)	\$ (2,324,849)
Changes in non-cash working capital	1,294,954	(360,272)	3,571,916	(2,348,909)
Total cash flow from operating activities	\$ (542,553)	\$ (1,678,023)	\$ (158,609)	\$ (4,673,758)
Investing activities				
Capital asset purchases	\$ (399,600)	\$ (8,824)	\$ (1,238,340)	\$ (4,149,488)
Proceeds from sale of equipment	73,359	-	583,649	-
Long term investments acquired	-	(17,946)	(90,000)	(53,844)
Cash cost of acquisition	-	(65,407)	-	(65,407)
Total cash flow from investing activities	\$ (326,241)	\$ (92,116)	\$ (744,691)	\$ (4,268,739)
Financing activities				
Capital lease payments	\$ (36,284)	\$ (85,092)	\$ (510,716)	\$ (270,133)
Aeroquest shares redeemed	-	(1)	-	(56,815)
Proceeds from issuance of common shares	-	(5)	25,450	42,095
Total cash flow from financing activities	\$ (36,284)	\$ (85,098)	\$ (485,266)	\$ (284,853)
Net change in cash / cash equivalents for the period	\$ (905,080)	\$ (1,855,237)	\$ (1,388,566)	\$ (9,227,350)
Cash and cash equivalents, beginning of period	5,662,296	8,001,019	6,145,782	15,373,132
Cash and cash equivalents, end of period	\$ 4,757,216	\$ 6,145,782	\$ 4,757,216	\$ 6,145,782