

**Attention business/financial editors and reporters:**

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

- *Revenue of \$8.6 million up \$5.0 million year over year, including acquisitions*
- *Cash improves to \$5.7 million from \$3.6 million in Q2 of 2010*
- *Contract backlog at \$14.8 million, an increase of \$4.3 million (41%) from Q2 of 2010*

**Mississauga, ON** – August 5, 2010 - Aeroquest International Limited today reported financial results for its third quarter of fiscal 2010 (“Q3-F2010”), the three and nine months ended June 30, 2010. The quarterly results reflect significant growth in both the helicopter and fixed wing services in the airborne geophysical survey segment when compared to the third quarter last year as well as the most recent quarter of this fiscal year. As well, the results reflect the third quarter of revenue from the Aeroquest Optimal business acquisition, which closed on September 30, 2009.

“Our third quarter of fiscal 2010 finally started to show some signs of recovery in mineral exploration.” said Roy Graydon, President and CEO of Aeroquest; “Based on our backlog at the end of the last quarter we expected a gradual recovery. In fact, we expected the quarter to reflect even higher revenue, but delays in ramping up our business and mobilizing to sites around the globe deferred some of our expected third quarter revenue to the fourth quarter. ”

Consolidated revenue for Q3-F2010 was \$8.6 million, an increase of \$4.9 million or 137% over the third quarter of fiscal 2009 (“Q3-F2009”). Revenue from airborne geophysical surveys (consisting of Aeroquest Surveys and UTS-Aeroquest) comprised \$5.7 million, an increase of \$2.5 million or 78% from Q3 of last year. Revenue from aerial geomatics (the Aeroquest Optimal business) was \$2.3 million. Contract R&D revenue (the Geophex business now known as Aeroquest Sensortech) contributed \$0.6 million.

Profit margins in the airborne geophysical survey businesses still lag behind historical levels at 18% but are 12% higher than the 6% reported in Q3-F2009 which was the nadir of the recent economic slowdown. Aerial Geomatics profit margins were 18% of revenue which remain below management’s expectations. Much of the Geomatics revenue in the quarter came from work that was subcontracted to third parties. As much of this revenue is with agencies of the United States government, markups are not permitted. Management expects margins to improve in this business segment over the remainder of the year and into fiscal 2011 as management brings more of this work in-house.

Overall profit margin was 21% compared with 12% in Q3-F2009 and up slightly from the 19% reported in the second quarter of fiscal 2010. EBITDA<sup>1</sup> in the quarter was negative \$0.8 million, an improvement of \$1.9 million over the negative \$2.7 million reported in Q3-F2009 and an improvement of \$0.6 million over the EBITDA reported in Q2-F2010.

Net loss in Q3-F2010 was \$1.8 million or \$0.05 per share compared to net loss of \$3.5 million, or \$0.10 per share in Q3-F2009.

Cash flow from operating activities was \$2.6 million, or \$0.07 per share for the period, as compared to negative \$1.9 million, or \$0.06 per share in the Q3-F2009. Most of this improved cash flow is due to changes in non-cash working capital generating \$2.7 million of cash, \$2.4 million of which was from income tax refunds received in Canada and Australia. Capital expenditures totaled \$0.4 million for the quarter, a decline of \$0.2 million from Q3-F2009.

#### *Outlook – Q4 - F2010*

Notwithstanding the recent increase in contract volumes and increase exploration activity therefrom, the Company believes that there is still some degree of uncertainty with respect to the rate at which exploration spending will continue to recover. As announced in our last quarterly release, we signed a significant amount of new fixed wing survey contracts in April and May and the result was improved contract backlog which increased by \$4.3 million from the prior quarter end to sit at \$14.8 million at June 30, 2010. Backlog was composed of \$10.9 million in airborne geophysical survey backlog (\$2.7 million in helicopter and \$8.2 million in fixed wing), \$3.6 million in aerial geomatics backlog, and \$0.3 million in contract R&D backlog. Most or all of this backlog is expected to be converted into revenue in the next six months. This should result in a strong fourth quarter and, should we continue to be successful at signing new contracts, a relatively strong first quarter of fiscal 2011.

The Company believes that the worst of the negative impact of the financial slowdown on its target markets is ending and exploration spending will continue to improve in calendar 2011.

#### *Corporate Presentation*

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

#### *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, Aeroquest Sensortech and Aeroquest Optimal, Aeroquest International fields a fleet of 26 helicopter and fixed wing survey systems

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<sup>1</sup> 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

and is active around the world. More information about Aeroquest International can be found at [www.aeroquest.ca](http://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](mailto:rgraydon@aeroquest.ca)), 905-672-9129

**AEROQUEST INTERNATIONAL LIMITED**

**Unaudited Consolidated Balance Sheets**

<b>As at</b>	<b>Jun. 30, 10</b>	<b>Sep. 30, 09</b>
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 5,662,296	\$ 6,145,782
Accounts receivable	3,669,988	5,870,328
Income taxes recoverable	1,568,868	2,196,916
Unbilled contracts in progress	1,066,705	723,008
Inventory	656,846	342,012
Prepaid expenses and deposits	1,522,505	1,564,357
<b>Total current assets</b>	<b>14,147,208</b>	<b>16,842,403</b>
Long term		
Long term investments	190,556	99,521
Capital assets	10,162,656	12,426,652
Intangible assets	13,101,201	16,275,187
Goodwill	10,914,724	11,408,513
Future income taxes	524,066	687,907
<b>Total long term assets</b>	<b>34,893,203</b>	<b>40,897,780</b>
<b>Total Assets</b>	<b>49,040,411</b>	<b>\$ 57,740,183</b>
<b>Liabilities and Shareholders' Equity</b>		
Current		
Accounts payable and accrued liabilities	\$ 3,996,232	\$ 4,783,426
Deferred revenue	1,839,282	910,429
Capital lease obligations	274,174	543,874
<b>Total current liabilities</b>	<b>6,109,688</b>	<b>6,237,729</b>
Long term		
Capital lease obligations	19,083	223,815
Future income taxes	4,167,644	5,113,055
<b>Total liabilities</b>	<b>10,296,415</b>	<b>11,574,599</b>
Shareholders' equity		
Share capital	48,527,057	48,084,479
Contributed surplus	2,345,797	2,479,824
Accumulated other comprehensive income (loss)	88,662	1,490,428
Deficit	(12,217,520)	(5,889,147)
<b>Total shareholders' equity</b>	<b>38,743,996</b>	<b>46,165,584</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 49,040,411</b>	<b>\$ 57,740,183</b>

**AEROQUEST INTERNATIONAL LIMITED**

**Unaudited Consolidated Statements of Operations**

For the Period	Three Months Ending		Nine Months Ending	
	Jun. 30, 10	Jun. 30, 09	Jun. 30, 10	Jun. 30, 09
<b>Sales</b>	<b>\$ 8,646,003</b>	\$ 3,651,233	<b>\$ 23,307,175</b>	\$ 22,912,163
Cost of sales	<b>6,802,843</b>	3,217,445	<b>18,850,854</b>	16,297,300
<b>Gross profit</b>	<b>1,843,160</b>	433,788	<b>4,456,321</b>	6,614,863
Expenses and other items				
General and administrative	<b>2,660,086</b>	2,294,909	<b>7,750,773</b>	9,728,343
Foreign exchange (gain)/loss	<b>(121,319)</b>	690,546	<b>59,804</b>	(540,105)
Stock based compensation expense	<b>84,919</b>	108,406	<b>254,648</b>	348,066
Amortization of intangible assets	<b>828,028</b>	785,262	<b>2,560,083</b>	2,417,790
Depreciation of capital assets	<b>871,101</b>	1,155,384	<b>2,626,438</b>	2,967,848
<b>Total operating expenses</b>	<b>4,322,815</b>	5,034,507	<b>13,251,746</b>	14,921,942
<b>Operating profit/(loss)</b>	<b>(2,479,655)</b>	(4,600,719)	<b>(8,795,425)</b>	(8,307,079)
Other costs (income)	<b>(801)</b>	-	<b>(265,148)</b>	-
Interest Income	<b>(49,729)</b>	(23,408)	<b>(19,668)</b>	(198,151)
Interest Expense	-	18,869	-	51,973
<b>Income/(loss) before income taxes</b>	<b>(2,429,125)</b>	(4,596,180)	<b>(8,510,609)</b>	(8,160,901)
Income taxes				
Current	<b>(511,772)</b>	(850,004)	<b>(1,522,826)</b>	(1,420,099)
Future (recovery)	<b>(123,050)</b>	(247,229)	<b>(629,410)</b>	(775,087)
<b>Total income tax</b>	<b>(634,822)</b>	(1,097,233)	<b>(2,182,236)</b>	(2,195,186)
<b>Net income/(loss) for the period</b>	<b>\$ (1,794,303)</b>	\$ (3,498,947)	<b>\$ (6,328,373)</b>	\$ (5,965,715)
Earnings/(loss) per share				
Basic	<b>\$ (0.05)</b>	\$ (0.10)	<b>\$ (0.17)</b>	\$ (0.17)
Diluted	<b>\$ (0.05)</b>	\$ (0.10)	<b>\$ (0.17)</b>	\$ (0.17)

**AEROQUEST INTERNATIONAL LIMITED**  
**Unaudited Consolidated Statements of Retained Earnings/(Deficit)**

For the period	Three Months Ended		Nine Months Ended	
	Jun. 30, 10	Jun. 30, 09	Jun. 30, 10	Jun. 30, 09
Retained earnings (deficit), beginning of period	\$ (10,423,217)	\$ 2,266,389	\$ (5,889,147)	\$ 4,681,071
Excess of purchase price over cost on redemption of shares		-	-	52,087
Net income/(loss)	(1,794,303)	(3,498,947)	(6,328,373)	(5,965,715)
<b>Deficit, end of period</b>	<b>\$ (12,217,520)</b>	<b>\$ (1,232,558)</b>	<b>\$ (12,217,520)</b>	<b>\$ (1,232,558)</b>

**Unaudited Consolidated Statements of Comprehensive Income**

For the period	Three Months Ended		Nine Months Ended	
	Jun. 30, 10	Jun. 30, 09	Jun. 30, 10	Jun. 30, 09
Net Income/(loss) for the period	\$ (1,794,303)	\$ (3,498,947)	\$ (6,328,373)	\$ (5,965,715)
Revaluation of long term investments to fair market value (Net of tax \$31,727, 2008 - \$1,360)	48,071	(99,726)	(2,172)	68,637
Unrealized gain(loss) on translation of self-sustaining foreign operations	(657,904)	1,208,749	(1,399,594)	3,022,303
Total Other Comprehensive Income (loss)	(609,833)	1,109,023	(1,401,766)	3,090,940
Total Comprehensive Loss	\$ (2,404,136)	\$ (2,389,924)	\$ (7,730,139)	\$ (2,874,775)
Accumulated Other Comprehensive Income (loss):				
Revaluation of long term investments to fair market value	\$ 21,943	\$77,557	\$ 21,943	\$ 77,557
Unrealized gain(loss) on translation of self-sustaining foreign operations	66,739	1,218,625	66,739	1,218,625
Total Accumulated Other Comprehensive Income (loss)	\$ 88,662	\$ 1,296,182	\$ 88,662	\$ 1,296,182

**AEROQUEST INTERNATIONAL LIMITED**

**Unaudited Consolidated Statements of Cash Flow**

For the period	Three months ended		Nine months ended	
	Jun. 30, 10	Jun. 30, 09	Jun. 30, 10	Jun. 30, 09
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net income/(loss) for the period	\$ (1,794,303)	\$ (3,498,947)	\$ (6,328,373)	\$ (5,965,715)
Operating items not requiring cash				
Amortization of intangible assets	828,028	785,262	2,560,083	2,417,790
Depreciation of capital assets	871,101	1,155,384	2,626,438	2,967,848
Loss(gain) on disposal of capital asset	(17,678)	-	(376,405)	-
Future income taxes	(123,050)	(247,229)	(629,410)	(775,087)
Stock based compensation	84,920	108,406	254,649	348,066
<b>Operating cash flow before changes in non-cash working capital</b>	<b>(150,983)</b>	<b>(1,697,124)</b>	<b>(1,893,019)</b>	<b>(1,007,098)</b>
Changes in non cash working capital	2,702,915	(188,061)	2,276,962	(1,450,794)
<b>Total cash flow from operating activities</b>	<b>2,551,932</b>	<b>(1,885,185)</b>	<b>383,943</b>	<b>(2,457,891)</b>
<b>Investing activities</b>				
Capital asset purchases	(368,056)	(550,603)	(838,740)	(4,678,509)
Proceeds from disposal of capital assets	17,679	-	510,290	-
Long-term investments acquired	-	-	(90,000)	(35,958)
<b>Total cash flow from investing activities</b>	<b>(350,377)</b>	<b>(550,603)</b>	<b>(418,450)</b>	<b>(4,714,468)</b>
<b>Financing activities</b>				
Capital lease payments	(122,320)	(42,091)	(474,431)	(184,796)
Aeroquest shares redeemed	-	-	-	(56,815)
Proceeds: issuance of common shares	-	41,857	25,450	41,857
<b>Total cash flow from financing activities</b>	<b>(122,320)</b>	<b>(234)</b>	<b>(448,981)</b>	<b>(199,754)</b>
Net change in cash and cash equivalents for the period	\$ 2,079,235	\$ (2,436,022)	\$ (483,488)	\$ (7,372,113)
<b>Cash and cash equivalents, beginning of period</b>	<b>3,583,061</b>	<b>10,437,041</b>	<b>6,145,784</b>	<b>15,373,132</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 5,662,296</b>	<b>\$ 8,001,019</b>	<b>\$ 5,662,296</b>	<b>\$ 8,001,019</b>