

## NEWS RELEASE

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

**AEROQUEST INTERNATIONAL LIMITED (TSX:AQL)  
Announces financial results for the three and six months ended March 31, 2010 and the  
appointment of a new director**

**Mississauga, ON** – May 12, 2010 - Aeroquest International Limited today reported financial results for its second quarter of fiscal 2010 (“Q2-F2010”), the three months ended March 31, 2010. The quarterly results reflect modest growth in the helicopter services in the airborne geophysical survey segment offset by a decline in fixed wing services. As well, the results reflect the second quarter of revenue from the Aeroquest Optimal business acquisition, which closed on September 30, 2009.

“Our second quarter of fiscal 2010 unfolded largely as we assumed it would.” said Roy Graydon, President and CEO of Aeroquest; “We expected a quiet quarter and had one. Industry fundamentals are improving, however, although still at a measured pace. As a result, we are looking forward to much better financial and operating performance across all of our business units in the second half of this fiscal year.”

Consolidated revenue for Q2-F2010 was \$6.5 million, a decrease of \$1.5 million or 19 per cent over the second quarter last year. Revenue from airborne geophysical surveys (consisting of Aeroquest Surveys and UTS-Aeroquest) comprised \$3.7 million, a decline of \$3.8 million from Q2 of last year. Revenue from aerial geomatics (the Aeroquest Optimal business) was \$2.4 million. Contract R&D revenue (the Geophex business) contributed \$0.4 million. Airborne Geophysical Survey revenues were low primarily in fixed wing operations, which were unusually quiet during the second quarter. However, in the months of March and April, Aeroquest’s Airborne Geophysical Survey Operations were awarded approximately \$8 million of new contracts, 80 per cent of which were for fixed wing services, principally in Australia and Africa. As a result, the Company expects strong performance in fixed wing operations for the balance of the fiscal year.

Profit margins in the airborne geophysical survey businesses still lag behind historical levels at 12 per cent compared with 40 per cent in Q2 of fiscal 2009 (“Q2-F2009”). Fixed wing margins suffered primarily due to the fixed component of fixed wing cost of sales being applied to a lower revenue base. As well, fixed wing survey margins declined due to lower margins on tendered government survey work in Australia. Aerial Geomatics profit margins were 22 per cent of revenue. While this was an improvement over the 15 per cent reported in the first quarter, they remain below management’s expectations. The Company embarked on a cost rationalization program at the Optimal businesses in the first quarter and this process is continuing into the second quarter. Management expects margins to improve in this business segment over the next six months.

Overall profit margin was 19 per cent compared with 41 per cent last year but up from the 17 per cent reported in Q1 of fiscal 2010 (“Q1-F2010”). EBITDA<sup>1</sup> in the quarter was negative \$1.4 million, a decline of \$1.5 million over the positive \$0.1 million reported in Q2-F2009 and comparable to EBITDA reported in Q1-F2010.

Net loss in Q2-F2010 was \$2.3 million or \$0.06 per share compared to net loss of \$1.0 million, or \$0.03 per share in Q2-F2009.

Cash flow from operating activities was negative \$0.7 million, or \$0.02 per share for the period, as compared to negative \$1.7 million, or \$0.05 per share in the Q2-F2010. Capital expenditures totaled \$0.3 million for the quarter, a decline of \$1.8 million from the comparable quarter last year. This decline is due to the acquisition last year of a new airborne gravity meter. Management expects capital expenditures to be modest for the balance of fiscal 2010.

#### *Outlook – Q3 - F2010*

Given the decline in worldwide exploration in the mining and petroleum industries and its impact on worldwide exploration in the mining and petroleum industries, the Company has found that it is difficult to provide revenue guidance with any degree of certainty. Contract backlog declined slightly from the prior quarter end to sit at \$10.5 million at March 31, 2010. Backlog was composed of \$5.5 million in airborne geophysical survey backlog (\$1.7 million in helicopter and \$3.8 million in fixed wing), \$4.7 million in aerial geomatics backlog, and \$0.3 million in contract R&D backlog.

Since March 31, 2010, backlog has shown a marked improvement with backlog at April 30, 2010 totaling \$13.4 million (\$8.2 in airborne geophysical survey, \$4.6 million in aerial geomatics and \$0.6 million in contract R&D). In addition, the Company’s cash balance has improved since quarter-end and stood at \$4.9 million at April 30.

The Company believes that the worst of the negative impact on its target markets is ending and exploration spending will continue to improve in 2010.

#### *Board Member Appointment*

The Company also announced today that Mr. Harris Kupperman has been appointed to the Board of Directors effective May 12, 2010. Mr. Kupperman is President of Praetorian Capital Management LLC. Praetorian is Aeroquest’s largest shareholder, holding approximately 4.7 million shares, equal to approximately 12.7% of the shares outstanding as at March 31, 2010.

#### *Analyst Conference Call*

Aeroquest International Limited will hold a Q2 2010 conference call at 11:00 a.m. EDT on Thursday, May 13, 2010. The conference call will review Aeroquest’s results for the quarter ended March 31, 2010. The scheduled speakers for the Company on the conference call are: Roy Graydon, President and Chief Executive Officer, and Robert Motz, Chief Financial Officer.

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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

Interested parties can access the conference call by dialing from North America 1-866-696-5910. The international or local dial-in number is 416-340-2217. You must enter pass code 6870836. Please dial in approximately five minutes prior to the start time.

A replay service will be available from two hours following the conference call until midnight on May 27, 2010. To access this recording, dial 1-800-408-3053 or 1-416-695-5800 and enter pass code 7616327.

#### *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 28 helicopter and fixed wing survey systems 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 Sheet

As at	Mar. 31, 10	Sep. 30, 09
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 3,583,061	\$ 6,145,782
Accounts receivable	4,190,216	5,870,328
Income taxes recoverable	3,408,810	2,196,916
Unbilled contracts in progress	753,294	723,008
Inventory	644,738	342,012
Prepaid expenses and deposits	1,334,163	1,564,357
Total current assets	13,914,282	16,842,403
Long term		
Long term investments	139,102	99,521
Capital assets	10,790,547	12,426,652
Intangible assets	14,255,349	16,275,187
Goodwill	11,179,243	11,408,513
Future income taxes	692,916	687,907
Total long term assets	37,057,157	40,897,780
<b>Total Assets</b>	<b>50,971,439</b>	<b>57,740,183</b>
<b>Liabilities and Shareholders' Equity</b>		
Current		
Accounts payable and accrued liabilities	\$ 3,573,681	\$ 4,783,426
Deferred revenue	1,399,370	910,429
Capital lease obligations	361,716	543,874
Total current liabilities	5,334,767	6,237,729
Long term		
Capital lease obligations	53,863	223,815
Future income taxes	4,519,598	5,113,055
<b>Total liabilities</b>	<b>9,908,228</b>	<b>11,574,599</b>
Shareholders' equity		
Share capital	48,527,057	48,084,479
Contributed surplus	2,260,876	2,479,824
Accumulated other comprehensive income (loss)	698,495	1,490,428
Retained earnings/(deficit)	(10,423,217)	(5,889,147)
<b>Total shareholders' equity</b>	<b>41,063,211</b>	<b>46,165,584</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>50,971,439</b>	<b>\$ 57,740,183</b>

AEROQUEST INTERNATIONAL LIMITED

Unaudited Consolidated Statements of Operations

For the Period	Three Months Ending		Six Months Ending	
	Mar. 31, 10	Mar. 31, 09	Mar. 31, 10	Mar. 31, 09
<b>Sales</b>	<b>\$6,486,636</b>	\$ 7,963,236	<b>\$ 14,661,172</b>	\$ 19,260,930
Cost of sales	<b>5,268,667</b>	4,709,921	<b>12,048,011</b>	13,079,855
<b>Gross profit</b>	<b>1,217,969</b>	3,253,315	<b>2,613,161</b>	6,181,075
Expenses and other items				
General and administrative	<b>2,422,588</b>	3,082,872	<b>5,090,687</b>	7,433,434
Foreign exchange (gain)/loss	<b>100,036</b>	(25,065)	<b>181,123</b>	(1,230,651)
Stock based compensation expense	<b>84,920</b>	135,269	<b>169,729</b>	239,660
Amortization of intangible assets	<b>857,487</b>	747,478	<b>1,732,055</b>	1,632,528
Depreciation of capital assets	<b>875,189</b>	1,010,900	<b>1,755,337</b>	1,812,464
<b>Total operating expenses</b>	<b>4,340,220</b>	4,951,454	<b>8,928,931</b>	9,887,435
<b>Operating profit/(loss)</b>	<b>(3,122,251)</b>	(1,698,139)	<b>(6,315,770)</b>	(3,706,360)
Other costs (income)	<b>(146,021)</b>	-	<b>(264,347)</b>	-
Interest Income	-	(103,973)	-	(174,744)
Interest Expense	<b>14,838</b>	18,519	<b>30,061</b>	33,105
<b>Income/(loss) before income taxes</b>	<b>(2,991,068)</b>	(1,612,685)	<b>(6,081,484)</b>	(3,564,721)
Income taxes				
Current	<b>(602,763)</b>	(420,252)	<b>(1,041,054)</b>	(567,319)
Future (recovery)	<b>(120,635)</b>	(239,234)	<b>(506,360)</b>	(530,634)
<b>Total income tax</b>	<b>(723,398)</b>	(659,486)	<b>(1,547,414)</b>	(1,097,953)
<b>Net income/(loss) for the period</b>	<b>\$ (2,267,670)</b>	\$ (953,198)	<b>\$ (4,534,070)</b>	\$ (2,466,768)
Earnings/(loss) per share				
Basic	<b>\$ (0.06)</b>	\$ (0.03)	<b>\$ (0.12)</b>	\$ (0.07)
Diluted	<b>\$ (0.06)</b>	\$ (0.03)	<b>\$ (0.12)</b>	\$ (0.07)

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**Unaudited Consolidated Statements of Retained Earnings/(Deficit)**

For the period	Three Months Ended		Six Months Ended	
	Mar. 31, 10	Mar. 31, 09	Mar. 31, 10	Mar. 31, 09
Retained earnings (deficit), beginning of period	\$ (8,155,547)	\$ 3,219,587	\$ (5,889,147)	\$ 4,681,071
Excess of purchase price over cost on redemption of shares	-	-	-	52,087
Net income/(loss)	(2,267,670)	(953,198)	(4,534,070)	(2,466,768)
<b>Retained earnings, end of period</b>	<b>(10,423,217)</b>	<b>\$ 2,266,389</b>	<b>(10,423,217)</b>	<b>\$ 2,266,389</b>

**Unaudited Consolidated Statements of Comprehensive Income**

For the period	Three Months Ended		Six Months Ended	
	Mar. 31, 10	Mar. 31, 09	Mar. 31, 10	Mar. 31, 09
Net Income/(loss) for the period	\$ (2,267,670)	\$ (953,198)	\$ (4,534,070)	\$ (2,466,768)
Revaluation of long term investments to fair market value (Net of tax \$26,773, 2008 - \$1,360)	1,929	30,500	(50,248)	27,860
Unrealized gain(loss) on translation of self-sustaining foreign operations	(626,732)	1,361,193	(741,687)	1,954,057
Total Other Comprehensive Income (loss)	(624,803)	1,391,693	(791,935)	1,981,917
Total Comprehensive Income (loss)	\$ (2,892,473)	\$ 438,495	\$ (5,326,005)	\$ (484,851)
Accumulated Other Comprehensive Income (loss):				
Revaluation of long term investments to fair market value	\$ (26,152)	\$ 36,780	\$ (26,152)	\$36,780
Unrealized gain(loss) on translation of self-sustaining foreign operations	724,647	150,379	724,647	150,379
Total Accumulated Other Comprehensive Income (loss)	\$ 698,495	\$ 187,159	\$ 698,495	\$ 187,159

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Unaudited Consolidated Statements of Cash Flow

For the period	Three months ended		Six months ended	
	Mar. 31, 10	Mar. 31, 09	Mar. 31, 10	Mar. 31, 09
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net income/(loss) for the period	\$ (2,267,670)	\$ (953,198)	\$ (4,534,070)	\$ (2,466,768)
Operating items not requiring cash				
Amortization of intangible assets	857,487	747,478	1,732,055	1,632,528
Depreciation of capital assets	875,189	1,010,900	1,755,337	1,812,464
Loss(gain) on disposal of capital asset	(358,727)	--	(358,727)	-
Future income taxes	(120,635)	(236,458)	(506,360)	(527,858)
Stock based compensation	84,920	135,269	169,729	239,660
<b>Operating cash flow before changes in non-cash working capital</b>	<b>(929,436)</b>	<b>703,991</b>	<b>(1,742,036)</b>	<b>690,026</b>
Changes in non cash working capital	175,515	(2,373,479)	(425,953)	(1,262,732)
<b>Total cash flow from operating activities</b>	<b>(753,921)</b>	<b>(1,669,488)</b>	<b>(2,167,989)</b>	<b>(572,706)</b>
<b>Investing activities</b>				
Capital asset purchases	(307,261)	(2,088,204)	(470,684)	(4,127,906)
Proceeds from disposal of capital assets	162,211	--	492,611	-
Long-term investments acquired	-	50,042	(90,000)	(35,958)
<b>Total cash flow from investing activities</b>	<b>(145,050)</b>	<b>(2,038,162)</b>	<b>(68,073)</b>	<b>(4,163,864)</b>
<b>Financing activities</b>				
Capital lease payments	(210,255)	(57,576)	(352,111)	(142,706)
Aeroquest shares redeemed				(56,814)
Proceeds: issuance of common shares	21,000	-	25,450	-
<b>Total cash flow from financing activities</b>	<b>(189,255)</b>	<b>(57,576)</b>	<b>(326,661)</b>	<b>(199,520)</b>
Net change in cash and cash equivalents for the period	\$ (1,088,226)	\$ (3,765,227)	\$ (2,562,723)	\$ (4,936,091)
<b>Cash and cash equivalents, beginning of period</b>	<b>4,671,287</b>	<b>14,202,268</b>	<b>6,145,784</b>	<b>15,373,132</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 3,583,061</b>	<b>\$ 10,437,041</b>	<b>\$ 3,583,061</b>	<b>\$ 10,437,041</b>