

# NEWS RELEASE

Attention business/financial editors and reporters:



## AEROQUEST INTERNATIONAL LIMITED (TSX-V:AQL)

**Announces financial results for the two and five months ended September 30, 2007**

- *Revenue grows 85% in a shortened reporting period*
- *Net income a healthy \$1.1 million, or \$0.05 per share in the two month period*
- *Operating cash flow of \$1.8 million in the two month period, or \$0.08 per share.*

**Mississauga, ON** – December 6, 2007 - Aeroquest International Limited today reported financial results for the period ended September 30, 2007.

The reporting period is a shortened period brought about by the Company's decision to change its financial year end to September 30. The Company's decision to change year ends was made public in a notice dated October 23, 2007. Accordingly, these results reflect the results of operations and financial performance for the two month period ending September 2007, and the five month period ending September 2007. The comparative periods are the three month and six month periods ending October 31, 2006.

Consolidated revenue for the two month period ended September 30, 2007 was \$9.9 million, an increase of 85% from the most comparable period last year, which included three months of revenue. Included in revenue the period ending September 30, 2007 is \$4.6 million of revenue contribution from UTS Geophysics, representing 46% of consolidated revenue, and \$5.4 million or 54% of the total from Aeroquest Limited.

Consolidated revenue for the five month period ending was \$19.3 million, an increase of 90% from the six month period ended October 31, 2006. After accounting for the difference in months between the five month period ended September 30, 2007 and the six month period ended October 31, 2006, organic revenue growth in Aeroquest was approximately 50%, resulting from an overall increase in business activity reflected in an increase in the number of systems in the field and an increase in line kilometers flown. The remainder of the growth in revenue came from the inclusion of UTS Geophysics revenue for the three months since the closing of this acquisition on July 3, 2007.

Gross profit in the two month period was \$3.9 million, or 39% of revenue, while gross profit for the year-to-date was \$7.7 million or 40% of revenue. Year-to-date, the consolidated gross profit margin in the Company's helicopter operations has been lower than recent historical averages while gross margins in fixed wing operations are higher than recent historical averages. The negative variance in margins in helicopter operations has been primarily a result of unusually bad weather during the summer and fall flying season in several areas of Canada where the Company conducts surveys, most notably in Northern Saskatchewan, Northern Quebec and the Province of Newfoundland and Labrador. Gross margins in helicopter operations are expected to improve as the weather in these areas returns to normal.

Operating profit for the two months period ending September 30, 2007 was \$1.4 million, or 15% of revenue, while operating profit for the five months period ending was \$3.1 million or 16% of revenue. Operating profit was reduced by \$0.2 million and \$0.4 million for the two and five month periods respectively as a consequence of a loss on foreign exchange brought about by the weakening of the US dollar relative to both the Canadian and Australian dollars during the period. Operating profit was also reduced by \$0.5 million and \$0.9 million for the two and five

month periods respectively due to non-cash intangible asset amortization expenses resulting from the acquisition of UTS Geophysics.

Net income for the two months period ending was \$1.1 million or \$0.05 per share, as compared to \$0.9 million, or \$0.06 per share for three months period ending October 31, 2006. Net income for five months period ending September 30, 2007 was \$2.0 million or \$0.09 per share.

Operating cash flow before changes in working capital was \$1.8 million, or \$0.08 per share for the two months period ending September 30, 2007 and \$3.4 million or \$0.15 per share for the five month period ending September 30, 2007.

Capital expenditures totaled \$0.6 million and \$1.6 million for the two and five month periods ended September 30, 2007, representing 6% and 8% of revenue respectively. This is in line with the Company's expectations.

"We continue to be very pleased with the progress of both Aeroquest and UTS Geophysics." said Roy Graydon, President & CEO of Aeroquest; "While we have faced difficult weather throughout the summer and fall in many of our Canadian survey areas, the diversification brought about through the acquisition of UTS Geophysics has proved to be very beneficial in allowing us to maintain our margins and sustain our growth throughout this period."

Contract backlog in both helicopter and fixed wing operations remains strong heading into the Northern Hemisphere's winter season with a total backlog at September 30, 2007 of \$16.3 million, comprised of \$8.4 million in helicopter operations and \$7.9 million in fixed wing operations.

#### *About Aeroquest International*

Aeroquest International is a world leader in the development and operation of innovative and proprietary airborne geophysical surveying platforms servicing the mineral exploration, oil and gas, and environmental industries. Directly, and through its sister company UTS Geophysics, Aeroquest fields a fleet of helicopter and fixed wing systems and is active on almost every continent in the world. More information about Aeroquest can be found at [www.aeroquest.ca](http://www.aeroquest.ca). More information on UTS Geophysics can be found at [www.uts.com.au](http://www.uts.com.au)

#### *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.

*The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this release.*

For further information, please contact Roy Graydon, President & Chief Executive Officer ([rgraydon@aeroquest.ca](mailto:rgraydon@aeroquest.ca)), 905-672-9129, Ext 222.

**Aeroquest International Limited**  
**Consolidated Balance Sheets**  
**Unaudited – Prepared by Management**



<b>As at</b>	<b>Sept. 30, 2007</b>	<b>April 30, 2007</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 5,398,777	\$ 4,706,035
Accounts receivable	8,014,717	3,758,228
Unbilled contracts in progress	2,312,098	23,029
Prepaid expenses and deposits	462,109	606,144
<b>Total current assets</b>	<b>16,187,701</b>	<b>9,093,436</b>
Long term		
Long term investments (Note 1)	90,001	16,001
Capital assets (Note 2)	7,618,873	3,649,769
Intangible assets (Note 3)	20,431,860	-
Goodwill (Note 4)	9,199,108	-
Future income taxes (Note 10)	143,747	1,567
<b>Total long term assets</b>	<b>37,483,589</b>	<b>3,667,337</b>
<b>Total Assets</b>	<b>\$ 53,671,290</b>	<b>\$ 12,760,773</b>
<b>Liabilities and Shareholders' Equity</b>		
Current		
Accounts payable and accrued liabilities	\$ 5,325,928	\$ 2,134,442
Income taxes payable	2,238,543	994,943
Deferred revenue	3,838,463	1,761,281
Promissory notes (Note 5)	536,449	-
Capital lease obligations (Note 6)	292,466	-
<b>Total current liabilities</b>	<b>12,231,849</b>	<b>4,890,666</b>
Long term		
Promissory notes (Note 5)	2,597,339	-
Capital lease obligations (Note 6)	720,230	-
Future income taxes (Note 10)	6,566,056	-
<b>Total Liabilities</b>	<b>22,115,474</b>	<b>4,890,666</b>
Shareholders' equity		
Share capital (Note 8)	27,403,594	5,992,289
Contributed surplus (Note 8)	1,320,461	1,102,228
Accumulated other comprehensive income	72,794	-
Retained earnings	2,758,967	775,590
<b>Total shareholders' equity</b>	<b>31,555,816</b>	<b>7,870,107</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 53,671,290</b>	<b>\$ 12,760,773</b>

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

# Aeroquest International Limited

## Consolidated Statement of Operations and Comprehensive Income Unaudited – Prepared by Management



	For the two months ended Sep. 30, '07	For the three months ended Oct. 31, '06	For the five months ended Sep. 30, '07	For the six months ended Oct. 31, '06
Sales	\$ 9,944,268	\$ 5,387,482	\$ 19,299,618	\$ 10,152,455
Cost of sales	6,077,781	2,388,050	11,573,913	5,188,447
Gross profit	3,866,487	2,999,432	7,725,705	4,964,008
Expenses and other items				
Amortization of intangible assets	534,499	31,253	892,587	62,505
Depreciation of capital assets	371,074	259,300	694,808	426,838
Development expense	115,128	149,858	287,554	314,343
Foreign exchange (gain)/loss	240,518	3,793	384,363	(5,248)
General and administrative	1,156,581	953,324	2,353,069	1,720,776
Stock based compensation expense	4,582	21,330	11,458	144,830
Total operating expenses	2,422,382	1,418,858	4,623,839	2,664,044
Operating profit	1,444,105	1,580,574	3,101,866	2,299,964
Other costs (income) (Note 12)	38,346	(24,151)	(420)	(35,197)
Income before income taxes	1,405,759	1,604,725	3,102,286	2,335,161
Income taxes (Note 10)				
Current	649,933	659,504	1,408,701	826,118
Future	(290,009)	-	(289,792)	-
Net income for the period	\$ 1,045,835	\$ 945,221	\$ 1,983,377	\$ 1,509,043
Revaluation of long term investments to fair market value	(1,000)	-	(1,000)	-
Unrealized gain on translation of self-sustaining foreign operations	23,990	-	25,793	-
Total comprehensive income, for the period	\$ 1,068,825	\$ 945,221	\$ 2,008,170	\$ 1,509,043

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

# Aeroquest International Limited

## Consolidated Statements of Retained Earnings Unaudited – Prepared by Management



	<b>For the two months ended Sep. 30, '07</b>	For the three months ended Oct. 31, '06	<b>For the five months ended Sep. 30, '07</b>	For the six months ended Oct. 31, '06
Retained earnings (deficit), beginning of period, as previously reported	<b>\$ 1,713,132</b>	(\$ 840,885)	<b>\$ 530,561</b>	(\$ 1,136,790)
Cumulative effect of change in accounting policy (Note 9)	-	365,685	<b>245,029</b>	97,768
Retained earnings (deficit), beginning of period, as restated	<b>1,713,132</b>	(475,200)	<b>775,590</b>	(1,039,022)
Net income	<b>1,045,835</b>	945,221	<b>1,983,377</b>	1,509,043
Retained earnings, end of period	<b>\$ 2,758,967</b>	\$ 470,021	<b>\$ 2,758,967</b>	\$ 470,021
Earnings per share (Note 11)				
Basic	<b>\$ 0.05</b>	\$ 0.06	<b>\$ 0.09</b>	\$ 0.10
Fully diluted	<b>\$ 0.04</b>	\$ 0.05	<b>\$ 0.08</b>	\$ 0.09

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

# Aeroquest International Limited

## Consolidated Statements of Cash Flow Unaudited – Prepared by Management



	For the two months ended Sep. 30, '07	For the three months ended Oct. 31, '06	For the five months ended Sep. 30, '07	For the six months ended Oct. 31, '06
<b>Cash provided by (used in)</b>				
Operating activities				
Net income for the period	\$ 1,045,835	\$ 945,221	\$ 1,983,377	\$ 1,509,043
Operating items not requiring cash				
Depreciation of capital assets	371,074	259,300	694,808	426,838
Amortization of intangible assets	534,499	31,253	892,587	62,505
Translation of self-sustaining foreign operation	23,991	-	25,794	-
Future income taxes	(290,009)	22,792	(289,792)	22,792
Interest accretion on promissory notes	76,434	-	76,434	-
Stock based compensation	4,582	21,330	11,458	144,830
Operating cash flow before changes in non-cash working capital	1,766,406	1,279,896	3,394,666	2,166,008
Accounts receivable	493,102	(1,122,315)	(1,160,771)	(1,429,172)
Prepaid expenses	156,414	(27,409)	144,035	(1,386)
Unbilled contracts in progress	(803,589)	33,203	(927,830)	43,763
Accounts payable and accrued liabilities	959,155	(367,934)	(762,718)	(163,453)
Income taxes	(803,066)	727,000	(84,273)	893,614
Deferred revenue	(1,730,205)	150,679	2,077,182	166,915
Total cash flow from operating activities	38,217	673,120	2,680,291	1,676,289
Investing activities				
Capital asset purchases	(573,571)	(318,192)	(1,553,809)	(783,509)
Loan receivable	-	16,278	-	16,278
Acquisition, net of cash acquired (Note 4)	(19,090)	-	(7,321,077)	-
Total cash flow from investing activities	(592,661)	(301,914)	(8,874,886)	(767,231)
Financing activities				
Capital lease payments	(86,920)	-	(110,743)	-
Aeroquest shares redeemed		(2,925)		(2,925)
Proceeds from issuance of common shares	66,000	1,250	6,998,080	1,250
Total cash flow from financing activities	(20,920)	(1,675)	6,887,337	(1,675)
Net change in cash / cash equivalents for the period	(\$ 575,364)	\$ 369,531	\$ 692,742	\$ 907,383
Cash and cash equivalents, beginning of period	5,974,141	3,048,531	4,706,035	2,510,679
Cash and cash equivalents, end of period	\$ 5,398,777	\$ 3,418,062	\$ 5,398,777	\$ 3,418,062

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

# Aeroquest International Limited

**Consolidated Statements of Shareholders' Equity**  
**Unaudited – Prepared by Management**  
**For the five months ending September 30, 2007**



	<b>Share capital</b>	<b>Contributed surplus</b>	<b>Retained earnings</b>	<b>Accumulated other comprehensive income</b>	<b>Total shareholders' equity</b>
Balance Apr 30, '07	\$ 5,992,289	\$ 1,102,228	\$ 775,590	\$ -	\$ 7,870,107
Transitional adjustment on adoption of financial instruments				48,000	48,000
Issuance of common shares for cash	7,650,000				7,650,000
Issuance of common shares on acquisition	14,620,000				14,620,000
Costs associated with equity issue	(1,005,670)				(1,005,670)
Share issuances pursuant to stock options exercised	146,975	(63,225)			83,750
Broker warrants		270,000			270,000
Net income for the period			1,983,377		1,983,377
Stock based compensation expense		11,458			11,458
Unrealized gain on translation of self sustaining foreign operations				25,794	25,794
Revaluation of long term investments to fair market value				(1,000)	(1,000)
<b>Balance Sep. 30 '07</b>	<b>\$ 27,403,594</b>	<b>\$ 1,320,461</b>	<b>\$ 2,758,967</b>	<b>\$ 72,794</b>	<b>\$ 31,555,816</b>

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