



MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

To the Shareholders of Divestco Inc.

Management, in accordance with Canadian generally accepted accounting principles, has prepared the accompanying consolidated financial statements of Divestco Inc. Financial and operating information presented throughout this Annual Report is consistent with that shown in the financial statements.

Management is responsible for the integrity of the financial information. Internal control systems are designed and maintained to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial reporting purposes.

KPMG LLP was appointed by the Company's Board of Directors to conduct an audit of the financial statements of the Company so as to express an opinion on the financial statements. KPMG LLP has audited the financial statements to provide a reasonable assurance that the financial statements are presented fairly in accordance with Canadian generally accepted accounting principles.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board exercises this responsibility through the Audit Committee. The Audit Committee meets regularly with management and the independent auditors to ensure that management's responsibilities are properly discharged, to review the financial statements and recommend that the financial statements be presented to the Board of Directors for approval. The Audit Committee also considers the independence of the external auditors and reviews their fees. The external auditors have access to the Audit Committee without the presence of management.

Stephen Popadynetz
Chief Executive Officer

Calgary, Canada
March 18, 2008

Rod Chisholm
Chief Financial Officer



AUDITORS' REPORT

To the Shareholders of Divestco Inc.

We have audited the consolidated balance sheets of Divestco Inc. as at December 31, 2007 and 2006 and the consolidated statements of income, comprehensive income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Calgary, Canada
March 18, 2008

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31 (Thousands)	2007	2006
Assets		
Current Assets		
Cash and Cash Equivalents	\$2,466	\$1,437
Funds Held in Trust	678	-
Accounts Receivable	27,083	21,875
Prepaid Expenses, Supplies and Deposits	1,794	923
Investment Tax Credits Recoverable	-	651
	32,021	24,886
Long-Term Accounts Receivable	-	560
Investment in Affiliated Company (Note 4)	72	68
Data Libraries (Note 5)	161,354	71,201
Participation Surveys in Progress	1,047	2,721
Property and Equipment (Note 6)	5,981	6,069
Deferred Development Costs (Note 7)	4,736	2,877
Deferred Finance Costs (Note 9)	-	323
Intangible Assets (Note 8)	20,208	15,719
Goodwill (Note 3)	10,090	8,518
	\$235,509	\$132,942
Liabilities and Shareholders' Equity		
Current Liabilities		
Bank Indebtedness	\$-	\$6,451
Accounts Payable and Accrued Liabilities	39,391	14,147
Income Taxes Payable	7,286	345
Current Portion of Deferred Revenue	4,351	11,603
Current Portion of Long-Term Debt Obligations (Note 9)	5,889	3,295
Convertible Debentures (Note 10)	7,533	-
	64,450	35,841
Deferred Revenue	530	260
Long-Term Debt Obligations (Note 9)	38,400	6,636
Future Income Taxes (Note 11)	13,406	12,968
	116,786	55,705
Shareholders' Equity		
Equity Instruments (Note 12(b))	68,690	46,854
Contributed Surplus (Note 12(f))	3,661	2,008
Equity Portion of Convertible Debentures (Note 10)	609	-
Retained Earnings	45,763	28,375
	118,723	77,237
Commitments (Note 14)	\$235,509	\$132,942

See Notes to Consolidated Financial Statements.



Approved by the Board:

John Brussa, Chairman of the Board



Stephen Popadynetz, Director

CONSOLIDATED STATEMENTS OF INCOME, COMPREHENSIVE INCOME & RETAINED EARNINGS

YEAR ENDED DECEMBER 31 (Thousands, Except Per Share Amounts)	2007	2006
Revenue	\$116,070	\$106,463
Operating Expenses		
Salaries and Benefits	35,008	26,810
General and Administrative	17,854	14,914
Stock Compensation Expense (Note 12(f))	1,531	1,076
	54,393	42,800
Interest Expense	3,684	1,235
Depreciation and Amortization	34,424	36,051
Other Income (Loss)	(260)	2,105
Income Before Income Taxes	23,309	28,482
Income Taxes		
Current	8,723	312
Future (Reduction)	(2,955)	8,555
	5,768	8,867
Net Income and Comprehensive Income for the Year	17,541	19,615
Retained Earnings, Beginning of Year	28,375	8,760
Purchase Price of Common Shares Repurchased in Excess of Book Value (Note 12(e))	(153)	-
Retained Earnings, End of Year	\$45,763	\$28,375
Earnings Per Share		
Basic	\$0.45	\$0.60
Diluted	\$0.42	\$0.58
Weighted Average Number of Shares		
Basic	39,200	32,665
Diluted	41,763	33,704

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31 (Thousands)	2007	2006
Cash Flows from Operating Activities		
Net Income for the Year	\$17,541	\$19,615
Items Not Affecting Cash:		
Equity Investment Loss	2	11
Depreciation and Amortization of Data Libraries, Property and Equipment and Intangible Assets	33,686	35,448
Amortization of Deferred Development Costs	738	603
Amortization of Deferred Finance Costs	604	86
Future Income Taxes (Reduction)	(2,955)	8,555
Data Exchanges (Note 5)	(16,328)	-
Gain on Sale of Investment Securities	-	(2,132)
Loss on Sale of Property and Equipment	172	-
Unrealized Foreign Exchange Loss	-	1
Non-Cash Retention Bonus	620	-
Stock Compensation Expense (Note 12(f))	1,531	1,076
	35,611	63,263
Changes in Non-Cash Working Capital Balances (Note 13)	(13,870)	2,884
Increase (Decrease) in Non-Current Deferred Revenue	270	(142)
Decrease in Long-Term Accounts Receivable	560	400
	22,571	66,405
Cash Flows from Financing Activities		
Bank Indebtedness	(6,451)	6,451
Advances to Affiliated Company	(6)	-
Issue of Common Shares, Net of Related Expenses (Note 12(b))	2,606	16,085
Repayment of Long-Term Debt Obligations	(15,448)	(2,923)
Deferred Financing Costs	(1,340)	-
Proceeds Received from Long-Term Debt Obligations	45,209	-
Repurchase of Common Shares (Note 12(e))	(609)	-
	23,961	19,613
Cash Flows from Investing Activities		
Purchase of Data Libraries	(61,360)	(74,428)
Decrease (Increase) in Participation Surveys in Progress	1,722	(2)
Purchase of Property and Equipment	(1,374)	(1,405)
Purchase of Intangibles	-	(176)
Acquisitions (Note 3)	(3,948)	(15,001)
Purchase of Investment Securities	-	(109)
Proceeds on Sale of Investment Securities	-	7,753
Proceeds on Sale of Property and Equipment	172	-
Deferred Development Costs	(2,597)	(1,616)
Changes in Non-Cash Working Capital Balances (Note 13)	21,881	(978)
	(45,504)	(85,962)
Foreign Exchange Gain (Loss) on Cash Held in a Foreign Currency	1	(1)
Increase in Cash and Cash Equivalents	1,029	55
Cash and Cash Equivalents, Beginning of Year	1,437	1,382
Cash and Cash Equivalents, End of Year	\$2,466	\$1,437

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007 (Tabular Amounts in Thousands, Unless Otherwise Stated)

Divestco Inc. (the Company), is incorporated under the Business Corporations Act of Alberta and is a publicly traded company on the TSX under the symbol DVT.

01. SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles within the framework of the following significant accounting policies:

- (a) **Principles of Consolidation:** The Consolidated Financial Statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned from the date of acquisition. All significant intercompany accounts and transactions have been eliminated on consolidation.
- (b) **Use of Estimates:** The preparation of financial statements requires management to make estimates based on currently available information. In particular, management makes estimates for the amounts recorded for the amortization of data libraries, property and equipment as well as the valuation of intangible assets and goodwill. By their very nature, these estimates are subject to measurement uncertainty and the effect on the Consolidated Financial Statements of future periods could be material. The effect on the Consolidated Financial Statements resulting from a revision in estimates, if any, will be accounted for prospectively.
- (c) **Comparative Figures:** Certain figures with respect to the year ended December 31, 2006 have been reclassified to conform to the current year's presentation.
- (d) **Cash and Cash Equivalents:** Cash and cash equivalents consists of cash on hand, bank balances (including temporary bank overdrafts), term deposits with maturities of three months or less.
- (e) **Short-Term Investments:** Short-term investments represent portfolio investments in marketable securities that are accounted for using the cost method. The initial investment is recorded at cost and any earnings from the investment are recognized only to the extent received or receivable. When there is a loss in value of the investment that is other than a temporary decline, the investment is written down to recognize the loss. The Company's management reviews the underlying value of the investment on a regular basis by reference to estimated fair value based on established criteria including trading value, anticipated cash flows and profitability of the investee.
- (f) **Investment in Affiliated Company:** The Company uses the equity method to account for an affiliated entity in which the Company exercises significant influence, but does not control. Under the equity method of accounting, the investment is initially recorded at cost and the carrying value of the investment is adjusted to recognize the Company's proportionate share of the net earnings (losses) of the entity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007 (Tabular Amounts in Thousands, Unless Otherwise Stated)

- (g) **Data Libraries:** The cost associated with purchasing or creating the seismic data library is capitalized. Purchases of existing seismic data are capitalized and amortized on a straight-line basis over 10 years. The Company also creates seismic data and capitalizes the costs paid to third parties for the acquisition of data, permitting, surveying and other related costs. Created seismic may be acquired without pre-sale commitments or with pre-sale commitments that include an exclusive data use period. Created seismic, without pre-sale commitments, is amortized on straight-line basis over a seven-year period. Created seismic with pre-sale commitments is initially amortized at 40% on delivery of the data to the customer with the remaining balance on a straight-line basis over the next six-year period commencing a year from the delivery date. Certain of the created seismic is acquired jointly with others. These financial statements reflect only the Company's proportionate share of the costs of the jointly created seismic data library. The costs associated with purchasing or creating the log library, reference library, datasets and map library are recorded at cost less accumulated amortization.

Amortization is provided for as follows:

AMORTIZATION METHOD		RATE
Seismic Data Library	Straight-Line	7 to 10 years
Datasets	Straight-Line	10 years
Log and Drilling Library	Straight-Line	20 years
Reference Library	Declining Balance	20%
Map Library	Straight-Line	15 years

The Company records only one half year's worth of amortization in the year of acquisition with the exception of the seismic data library. The carrying value of the data libraries is reviewed by the Company, at least annually, to assess if there has been an impairment in value. Additional amortization is recorded if it is determined that estimated future sales will not be sufficient to cover the carrying value of the asset.

- (h) **Property and Equipment:** Property and equipment are recorded at cost less accumulated amortization. Amortization is provided for as follows:

AMORTIZATION METHOD		RATE
Computer Hardware and Software	Declining Balance	30%
Office Furniture and Equipment	Declining Balance	20-30%
Leasehold Improvements	Straight-Line	Term of Lease

The Company records one half year's worth of amortization in the year of acquisition. Periodically, the Company reviews the appropriateness of its amortization policies.

- (i) **Intangible Assets:** Intangible assets are recorded at cost less accumulated amortization. Amortization is provided for as follows:

AMORTIZATION METHOD		RATE
Non-Competition Agreements	Straight-Line	Term of Agreement
Customer Related Intangibles	Straight-Line	6 Years
Proprietary Software	Declining Balance	50%
Software Code	Straight-Line	10 Years
Office Leases Below Market Value	Straight-Line	Term of Lease
Well Logs Licence Agreement	Straight-Line	10 Years

Intangible assets are tested for impairment an annual basis.

- (i) **Participation in Joint Ventures:** Certain of the Company's seismic data acquisition activities are conducted jointly with others. These consolidated financial statements reflect only the Company's proportionate interest in such activities.

(k) **Revenue Recognition and Deferred Revenue:**

The Company's revenue is generated from the following sources:

- (i) Software and software licences, including maintenance and support
- (ii) Data libraries
- (iii) Seismic brokerage (recorded on a net basis)
- (iv) Seismic data licence sales
- (v) Consulting
- (vi) Other services including: seismic survey audit, information and land management, custom mapping, archiving, imaging, geophysical/geological services, database management and seismic processing.

Revenue for contracts with multiple obligations (delivered and undelivered products, support obligations and product and data updates) is allocated by the Company to each element of the contract based on objective evidence, specific to the Company, of the fair value of the element. Should it not be possible to measure an individual component, revenue is deferred until delivery of the entire contractual obligation(s).

- (i) Revenue earned from the sale of perpetual software licences is recognized upon delivery. Maintenance and support, included with the product, is recognized rateably over the term defined in the purchase agreement. Revenue earned from the renewal of maintenance and support contracts is recognized rateably over the term of the agreement. Revenue from software licences, including maintenance and support, which are sold on a monthly, quarterly and annual basis, is recognized rateably over the term of the licence.
- (ii) Data sales are recognized when the customer receives the file containing the images. In the cases where the Company sells a copy of its entire log library, revenue is recognized on the sale as milestones are achieved. The revenue recognized is determined based on the total contract value and the milestones achieved to the end of the reporting period. If a loss on a contract is probable, the loss will be recognized at the date of determination.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007 (Tabular Amounts in Thousands, Unless Otherwise Stated)

- (iii) Revenue with respect to the seismic brokerage division represents brokerage commissions earned from selling goods on behalf of others and is recognized on a net basis upon the closing of the transaction. As a matter of practice, the Company generally settles brokerage payables after the related receivables are collected.
- (iv) Seismic data licence revenue is recognized on the date the customer receives the data. This occurs when the seismic work, including data processing, is complete and delivery to the customer has occurred. The Company occasionally enters into data and services exchange transactions with third parties. Where there is no or minimal cash consideration, the Company does not recognize revenue or an asset acquisition on these exchanges. In exchange transactions with material cash consideration, the Company recognizes revenue equal to the fair value of the data license and services sold and a seismic data library asset equal to the fair value of the data acquired. Cash flow from investing activities and operating activities reflect only the net cash portion.
- (v) Consulting revenue is recorded as milestones are achieved whereby customers are billed as phases of a project are completed.
- (vi) Revenue with respect to providing all other products and services is recognized under the completed contract method such that revenue is recognized only when the rendering of services and/or provision of the product under a contract is completed or substantially completed, as performance does not consist of the execution of more than one act.

Fees that have been prepaid but do not yet qualify for revenue recognition under the Company's policies are reflected as deferred revenues on the Company's balance sheet.

- (l) **Future Income Taxes:** The asset and liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between financial reporting and the tax basis of assets and liabilities which are measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. Future income tax assets are recognized to the extent that they are more likely than not to be realized.
- (m) **Stock-Based Compensation Plan:** The Company applies the fair value method for valuing stock options, broker options and warrant grants. Under this method, compensation cost attributable to all stock options, broker options and warrants are measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the stock options, broker options and warrants, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Corporation does not incorporate an estimated forfeiture rate for stock options that will not vest, rather actual forfeitures are accounted for as they occur.
- (n) **Employee Share Ownership Plan:** The Company has an employee share ownership plan (ESOP) whereby each employee may elect to contribute up to 25% of their regular salary towards the savings plan. The Company matches the employee's contribution up to 3% of their monthly regular salary to a maximum of \$300 per month. The common shares are purchased through the facilities of the TSX. The Company's contributions under the ESOP for 2007 were \$484,000 (2006 — \$376,000) and categorized as salaries and benefits in the Consolidated Statements of Income.

- (o) **Goodwill:** Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Company's reporting units that are expected to benefit from the synergies of the business combination.

Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination described in the preceding paragraph, using the fair value of the reporting unit as if it was the purchase price. When the carrying amount of the reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is recorded in the Consolidated Statements of Income.

- (p) **Earnings Per Share:** The Company utilizes the treasury stock method of reporting earnings per share amounts which assumes that any proceeds obtained on the exercise of options would be used to purchase common shares at the average market price during the year. Basic earnings per share amounts are calculated by dividing net income by the weighted average number of common shares outstanding for the year. Diluted earnings per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. The dilutive effect of convertible debentures is reflected in diluted earnings per share by application of the "if-converted" method. Under this method, income charges (net of tax) applicable to convertible debentures are added back to earnings. The convertible debentures are assumed to have been converted at the beginning of the year (or at time of issuance or acquisition, if later), and the resulting common shares are included in the weighted average number of common shares outstanding for the year. In applying the "if-converted" method, conversion is not assumed for purposes of computing diluted earnings per share if the effect would be anti-dilutive. Convertible debt is anti-dilutive whenever its interest (net of income tax) per common share obtainable on conversion exceeds basic earnings per share.

- (q) **Investment Tax Credits:** The Company records investment tax credits on the cost reduction basis whereby investment tax credits related to current expenditures are included in the determination of net income in the year the tax credits are earned. Investment tax credits earned on deferred development salaries are deducted from deferred development costs and amortized to income on the same basis as the deferred development costs. In addition, investment tax credits related to the acquisition of property and equipment are deducted from the related asset values. These claims are subject to audit by the science advisors from the Canada Revenue Agency. As a result, the amounts recorded as investment tax credits recoverable are subject to specific measurement uncertainty. When the estimate is known to be materially different from the actual recovery, an adjustment is made in the period in which the determination is made.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007 (Tabular Amounts in Thousands, Unless Otherwise Stated)

- (r) **Research and Development:** Research costs are charged to net income in the period in which they are incurred. Development costs are charged to earnings in the period they are incurred unless they meet the criteria for deferral under the accounting standard for research and development costs. Amortization of development costs deferred to future periods commences with the commercial production of the product and is charged to earnings based on anticipated sales or use of the product over a period not exceeding three years. Deferred development costs are presented net of amortization. The Company periodically reviews these costs for possible impairment and recognizes changes in estimates in the period of the change.
- (s) **Foreign Currency:** The Company translates amounts of foreign currency into Canadian dollars on the following basis:
- (i) Monetary assets and liabilities — at the rate of exchange prevailing at the period end
 - (ii) Non-monetary items — at the rate of exchange prevailing at the dates of the transactions
 - (iii) Revenues and expenses — at the monthly average rate of exchange

Gains and losses on translation of current monetary assets and liabilities are included in income.

- (t) **Financial Instruments:** The new standards require all financial instruments to be classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

- Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost determined using the effective interest rate method. Transaction costs attributable to financial instruments classified as other than held-for-trading are included in the recognized amount of the related financial instrument and recognized over the life of the resulting financial instrument. Prior to January 1, 2007, transaction costs were recorded as deferred charges and recognized in net earnings on a straight-line basis over the life of the financial instrument. On adoption, transaction costs are recognized as if the effective interest rate method had always been applied whereby the amount recognized varies over the life of the financial instrument based on principal outstanding. Amortization of premiums or discounts and losses due to impairment are included in current period net income.
- Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income and reclassified to net income when derecognized or impaired.
- Held-for-trading financial instruments are measured at fair value. All gains and losses on derivatives that are not designated or do not qualify for hedge accounting are included in net income in the period in which they arise.
- All derivative financial instruments are classified as held-for-trading financial instruments and are measured at fair value. All gains and losses are included in net income in the period in which they arise.

Under adoption of these new standards, the Company designated its cash as held-for-trading, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Bank indebtedness, accounts payable and accrued liabilities, and long-term debt are classified as other financial liabilities, which are measured at amortized cost.

02. CHANGES IN ACCOUNTING POLICIES AND FUTURE ACCOUNTING CHANGES

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Section 3855 Financial Instruments – Recognition and Measurement, Section 3861 Financial Instruments – Presentation and Disclosure, Section 3865 Hedges and Section 1530 Comprehensive Income. Prior periods have not been restated. The new standards establish guidelines for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. The Company has combined this new statement with its Consolidated Statements of Income.

On adoption, the Company has elected to recognize, as separate assets and liabilities, only those embedded derivatives in hybrid instruments issued, acquired or substantially modified on or after January 1, 2003. The impact of the change in accounting policy related to embedded derivatives was not material.

The Company had no “other comprehensive income or loss” transactions during the year ended December 31, 2007 and no opening or closing balances for accumulated other comprehensive income or loss.

On January 1, 2007, an adjustment was made to classify deferred finance charges to long-term debt obligations for \$323,000 (Note 9(d)).

In December 2006, the CICA issued the following new recommendations which apply to fiscal years beginning on or after October 1, 2007:

Section 3862 Financial Instruments Disclosures and Section 3863 Financial Instruments Presentation which take effect on January 1, 2008. The sections require the Company to increase disclosure on the nature, extent and risk arising from the financial instruments and how the entity manages those risks.

Section 1535 Capital Disclosures which takes effect on January 1, 2008. Section 1535 specifies the disclosure of an entity’s objectives, policies and procedures for managing capital, quantitative data about what it manages as capital, any externally imposed capital requirements, and the consequences of non-compliance. This section is expected to have a minimal impact of the Company’s Consolidated Financial Statements.

Section 3064 Goodwill and Intangible Assets replacing Section 3062 Goodwill and Other Intangible Assets. This new section will be effective on January 1, 2009. This new section applies to goodwill subsequent to initial recognition and establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This new standard is not expected to have a material impact on the Company’s Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007 (Tabular Amounts in Thousands, Unless Otherwise Stated)

03. ACQUISITIONS

During the year ended December 31, 2007, the Company completed the following transactions and has included earnings of the acquiree in income for the current year since the date of acquisition:

- (a) **On May 3, 2007**, the Company closed a plan arrangement with BlueGrouse Seismic Solutions Ltd. (BlueGrouse) whereby BlueGrouse shareholders received 0.3125 shares of the Company for each BlueGrouse share held. BlueGrouse provides seismic data and seismic data brokerage and management services to the oil and natural gas industry.
- (b) **On May 24, 2007**, the Company acquired the Geomatics Business unit of Veritas Energy Services Partnership (Veritas). Veritas delivers survey audit and geospatial data management services to the seismic industry.
- (c) **On June 19, 2007**, the Company acquired all of the issued and outstanding shares of JMG Seismic Processing Ltd. and KRJ Seismic Processing Ltd., partners of Spectrum Seismic Processing Partnership (Spectrum). Spectrum provides a full range of onshore seismic data processing services in western Canada.
- (d) **On June 19, 2007**, the Company acquired all of the issued and outstanding shares of i Land Data Ltd. (iLand). iLand provides data management related software to the oil and gas industry.
- (e) **On November 28, 2007**, the Company acquired all of the issued and outstanding shares of Canadian Landmasters Resource Services Ltd. and Canadian Landmasters Resource Services (Med. Hat) Ltd. (Landmasters). Landmasters acquires surface and mineral rights on behalf of its clients.

The allocations of the purchase price for the acquisitions have not been finalized. The preliminary allocation of the purchase price, based on management's estimates, is as follows:

	BlueGrouse	Veritas	Spectrum	iLand	Landmasters	Total
Allocation of Purchase Price:						
Cash	\$602	\$-	\$(49)	\$94	\$291	\$938
Working Capital (Deficiency) ⁽¹⁾	(15,289)	444	291	74	364	(14,116)
Data Libraries	40,579	-	-	-	-	40,579
Participation Surveys in Progress	48	-	-	-	-	48
Property and Equipment	96	-	79	40	19	234
Non-Competition Agreements	-	250	750	100	200	1,300
Customer Related Intangibles	3,320	300	190	100	465	4,375
Proprietary Software and Code	-	1,152	550	696	-	2,398
Goodwill	-	1,023	549	-	-	1,572
Convertible Debentures	(8,142)	-	-	-	-	(8,142)
Future Income Tax Liability	(2,420)	-	(484)	(288)	(201)	(3,393)
	\$18,794	\$3,169	\$1,876	\$816	\$1,138	\$25,793
Consideration:						
Cash (Including Acquisition Costs)	\$1,143	\$2,625	\$368	\$380	\$370	\$4,886
Promissory Notes	-	544	900	75	200	1,719
Fair Market Value of Options Exchanged	711	-	-	-	-	711
4,569,004 Common Shares	16,940	-	-	-	-	16,940
168,068 Common Shares	-	-	608	-	-	608
99,716 Common Shares	-	-	-	361	-	361
322,581 Common Shares	-	-	-	-	568	568
	\$18,794	\$3,169	\$1,876	\$816	\$1,138	\$25,793

⁽¹⁾ BlueGrouse includes current portion of long-term debt of \$3,300,000.

During the year ended December 31, 2006, the Company completed the following transactions and included earnings of the acquiree in income for 2006 since the date of acquisition:

- (a) **On May 1, 2006**, the Company acquired the seismic data processing division of Geo-X Systems Ltd. (Geo-X Processing). The division provides onshore seismic data processing services.
- (b) **On July 18, 2006**, the Company acquired all of the issued and outstanding shares of Cavalier Land Ltd. (Cavalier) and Agadir Resources Inc. (Agadir). Cavalier's primary business is the acquisition of surface and mineral rights on behalf of its clients. Agadir acquires crown mineral rights on behalf of its clients.

	Geo-X Processing	Cavalier and Agadir	Total
Allocation of Purchase Price:			
Cash	\$-	\$638	\$638
Working Capital (Deficiency) (1)	679	(919)	(240)
Property and Equipment	2,461	281	2,742
Non-Competition Agreements	1,000	1,638	2,638
Customer Related Intangibles	1,325	3,910	5,235
Proprietary Software and Code	2,750	-	2,750
Under Market Lease	2,677	23	2,700
Goodwill	1,794	3,293	5,087
Future Income Tax Liability	-	(1,790)	(1,790)
	\$12,686	\$7,074	\$19,760
Consideration:			
Cash (Including Acquisition Costs)	\$11,487	\$4,152	\$15,639
Promissory Notes	-	1,250	1,250
368,370 Common Shares	1,199	-	1,199
213,220 Common Shares	-	1,672	1,672
	\$12,686	\$7,074	\$19,760

The acquisitions were accounted for using the purchase method of accounting whereby identifiable assets acquired and liabilities assumed were recorded at their fair market values as at the date of acquisition. The excess of the purchase price over such fair value was recorded as goodwill.

04. INVESTMENT IN AFFILIATED COMPANY

The Company owns 36.11% of the common shares of SDLS Inc. (SDLS), a private company. The investment has been accounted for using the equity basis. The Company's pro-rata share of the net loss of SDLS for the year ended December 31, 2007 was \$2,000 (2006 — net loss of \$11,000). The fair value of the balances due from SDLS and the investment in SDLS approximate the carrying value as at December 31, 2007.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007 (Tabular Amounts in Thousands, Unless Otherwise Stated)

05. DATA LIBRARIES

BALANCE AS AT DECEMBER 31	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Seismic Data Library	\$215,145	\$64,546	\$96,982	\$37,130
Datasets	632	401	632	339
Log and Drilling Library	12,122	1,929	12,018	1,346
Reference Library	445	297	445	260
Map Library	239	56	239	40
	\$228,583	\$67,229	\$110,316	\$39,115
Net Book Value		\$161,354		\$71,201

In 2007, the Company acquired \$21.7 million of seismic data libraries and sold \$16.3 million of seismic data licenses and related services in data exchanges. The net cash amount of \$5.3 million is reflected as an investing activity on the Consolidated Statements of Cash Flows. There were no data exchanges in 2006.

06. PROPERTY AND EQUIPMENT

BALANCE AS AT DECEMBER 31	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer Hardware and Software	\$7,757	\$4,199	\$6,707	\$2,825
Office Furniture and Equipment	1,260	629	1,517	475
Leasehold Improvements	1,179	454	706	290
Assets Under Capital Lease	2,383	1,346	1,746	1,047
Land	30	-	30	-
	\$12,609	\$6,628	\$10,706	\$4,637
Net Book Value		\$5,981		\$6,069

07. DEFERRED DEVELOPMENT COSTS

BALANCE AS AT DECEMBER 31	2007	2006
Balance, Beginning of Year	\$2,877	\$1,863
Salaries and Benefits (Net of Investment Tax Credits)	2,160	1,321
General and Administrative	437	296
Total Additions	2,597	1,617
Amortization ⁽¹⁾	(738)	(603)
Balance, End of Year	\$4,736	\$2,877

⁽¹⁾ Included in depreciation and amortization on the Consolidated Statements of Income.

08. INTANGIBLE ASSETS

BALANCE AS AT DECEMBER 31	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Non-Competition Agreements	\$ 3,938	\$943	\$ 2,638	\$264
Customer Related Intangibles	12,070	3,233	7,695	1,640
Proprietary Software and Code	8,263	2,206	5,865	1,418
Office Leases Below Market Value	2,700	675	2,700	225
Well Logs Licence Agreement	750	456	750	382
	\$27,721	\$7,513	\$19,648	\$3,929
Net Book Value		\$20,208		\$15,719

09. LONG-TERM DEBT OBLIGATIONS

BALANCE AS AT DECEMBER 31	2007	2006
Term Loan and Committed Revolver (a)	\$42,848	\$7,849
Promissory Notes (b)	1,800	1,423
Capital Lease Obligations (c)	700	659
	45,348	9,931
Current Portion	(5,889)	(3,295)
Less: Deferred Finance Charges (d)	(1,059)	-
Long-Term Portion	\$38,400	\$6,636

- (a) **Term Loan:** On April 24, 2007 the Company secured \$60 million in aggregate credit facilities. The credit facilities are available in three tranches: a \$20 million committed revolver and two \$20 million committed term loan facilities. On December 20, 2007, the facilities were amended to increase the committed revolver to \$25 million and reduce one of the committed term loan facilities to \$15 million. Each tranche is a five-year committed facility from the April 2007 closing date. The committed revolver draws are not required to be repaid until maturity, however if advances are paid down in advance they can be redrawn at a later date. Each draw on the term loan facilities is amortized over six years from the date of draw down and repaid on a monthly basis. The Company has two pricing options on all the credit facilities: floating Canadian Base Rate plus 2.00%, or Canadian LIBOR plus 3.25%. The facilities are subject to the Company meeting certain debt covenants. The Company must have a \$50 million EBITDA on a trailing 12 month basis) and a fixed charge coverage ratio of at least 1.50:1 (on a trailing 12 month basis). As at December 31, 2007, \$20.2 million was drawn on the committed revolver, \$18.2 million was drawn on the first committed term loan, and \$4.6 million was drawn on the second committed term loan. The bank facilities are secured by a first floating charge on all the Company's assets. (Term Loan continued page 52)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Principal payments are as follows:

2008	\$4,245
2009	4,245
2010	4,245
2011	4,245
2012	4,245
2013	21,623
	\$42,848

(b) Promissory Notes:

BALANCE AS AT DECEMBER 31	2007	2006
Unsecured Promissory Notes issued on the acquisition of Focus Holdings and Investments Ltd., bearing interest of 6% per annum, repayable in quarterly instalments of \$39,000 plus interest.	\$-	\$117
Unsecured Promissory Notes issued on the acquisition of Cavalier Land, non-interest bearing, repayable in two instalments of \$625,000 on July 18, 2007 and July 18, 2008.	625	1,250
Unsecured Promissory Notes issued on the acquisition of iLand, bearing interest of 7%, repayable on June 19, 2008.	75	-
Unsecured Promissory Notes issued on the acquisition of Spectrum, bearing interest of 6%, repayable in two instalments of \$550,000 on June 19, 2008 and \$350,000 on June 19, 2009.	900	-
Unsecured Promissory Notes issued on the acquisition of Landmasters. Bearing interest at 2% above the Company's prime lending rate, repayable in three equal instalments of \$66,667 on each of December 31, 2008, 2009, and 2010.	200	-
Unsecured Promissory Notes issued on the acquisition of Petro Data Source, Inc. bearing interest of 7%, fully repaid in one instalment of U.S. \$50,000 on March 31, 2007.	-	56
Current Portion	1,800 (1,316)	1,423 (798)
Long-Term Portion	\$484	\$625

Principal payments are as follows:

2008	\$1,316
2009	417
2010	67
	\$1,800

- (c) **Capital Lease Obligations:** The Company has capital lease obligations, which have terms of one to three years and bear interest at 3.3% to 5.8% per annum. Minimum annual lease payments are as follows:

2008	\$328
2009	181
2010	110
2011	81
	\$700

- (d) **Deferred Finance Charges:**

BALANCE AS AT DECEMBER 31	2007	2006
Balance, Beginning of Year	\$323	\$409
Additions	1,340	-
Amortization ⁽¹⁾	(604)	(86)
Balance, End of Year	\$1,059	\$323

⁽¹⁾ Included in interest expense on the Consolidated Statements of Income.

Deferred finance costs are amortized over the term of the related debts

10. CONVERTIBLE DEBENTURES

BALANCE AS AT DECEMBER 31	2007	2006
Balance, Beginning of Year	\$-	\$-
Additions	8,142	-
Equity Component	(609)	-
Balance, End of Year	\$7,533	\$-

The Company assumed convertible debentures through the acquisition of BlueGrouse (Note 3(a)). Each debenture bears interest at a rate of 10% per annum and is convertible, in whole or in part, into common shares of the Company at a conversion price of \$4.48 per common share (Conversion Price) at any time on or before November 21, 2008 (Maturity Date). On or before the Maturity Date, the holders of the debentures shall have the option of either converting their debentures into common shares at the Conversion Price or receiving the cash value of the principal amount of the debentures, plus any accrued and unpaid interest. The debentures were classified as a current liability as the holders can require the Company to settle the instrument for cash or shares within the next 12 months.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007 (Tabular Amounts in Thousands, Unless Otherwise Stated)

11. INCOME TAXES

(a) The Company has an effective tax rate, which differs from the expected Canadian income tax rate. The differences are as follows:

YEAR ENDED DECEMBER 31	2007	2006
Income Before Income Taxes	\$23,309	\$28,482
Statutory Rate	32.12%	32.50%
Computed Income Tax Provision	\$7,487	\$9,257
Effects of Differences:		
Non-Deductible Expenses	678	411
Non-Taxable Income	-	(501)
Adjustments for Enacted Changes in Income Tax Rates	(2,329)	(216)
Other	(68)	(84)
Actual Income Tax Expense	\$5,768	8,867
Current	8,723	312
Future	(2,955)	8,555
Actual Income Tax Expense	5,768	8,867

(b) Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. The components of the Company's future income tax assets and liabilities are as follows:

BALANCE AS AT DECEMBER 31	2007	2006
Database, Property and Equipment, and Intangibles	\$(8,406)	\$463
Non-Capital Loss Carry-Forwards	890	2,121
SR&ED Expenditures	(1,813)	(71)
Share Issues and Financing Costs	747	470
Deferred Partnership Income	(4,824)	(15,951)
Future Income Tax Liability	\$(13,406)	\$(12,968)

- (c) The Company files Scientific Research and Experimental Development (SR&ED) claims with the Canada Revenue Agency in respect of certain research and development expenditures. Although the claims were filed on the basis of the regulations, the recoverability of the amounts recorded in these financial statements is subject to confirmation by the Canada Revenue Agency. In 2007, the Company used about \$7.1 million SR&ED expenses to reduce its current income tax liability. As at December 31, 2007, the Company utilized all of its SR&ED pools to reduce taxable income in the year (December 31, 2006 - \$4.8 million). In addition, the Company utilized approximately \$1.4 million of investment tax credits available at December 31, 2007 to reduce income taxes payable.

- (d) As at December 31, 2007, the Company's Canadian subsidiaries had \$2.9 million in non-capital loss carry-forwards in Canada which were assumed through various acquisitions in 2007 which begin to expire in 2027. The Company had \$6.5 million in non-capital loss carry-forwards as at December 31, 2006 which were used to reduce taxable income in 2007. The Company's U.S. subsidiary had approximately \$80,000 in net operating losses in the U.S. which begin to expire in 2025.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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12. EQUITY INSTRUMENTS

(a) **Authorized:** An unlimited number of voting common shares.

(b) **Issued:**

BALANCE AS AT DECEMBER 31		2007		2006	
	Number of Shares	Amount	Number of Shares	Amount	
Common Shares					
Balance, Beginning of Year	35,399	\$47,752	29,874		\$25,631
Issued on Public Offering	-	-	2,300		12,075
Issued on Acquisitions	5,160	18,477	581		2,871
Issued as Retention Bonuses on Acquisitions for Loans Receivable	-	-	160		750
Cancellation of Shares Issued as Retention Bonuses	(27)	(125)	-		-
Reclassification to Common Shares on Share Purchase Loan Forgiveness	-	201	-		-
Exercise of Share Purchase Warrants – Cash Consideration	538	1,346	1,962		4,904
Exercise of Share Purchase Warrants – Reclassification from Fair Value	-	337	-		1,227
Exercise of Broker Compensation Options – Cash Consideration	220	441	129		258
Exercise of Broker Compensation Options – Reclassification from Contributed Surplus	-	173	-		101
Exercise of Stock Options – Cash Consideration	566	819	393		488
Exercise of Stock Options – Reclassification of Contributed Surplus	-	215	-		236
Repurchase for Cancellation	(277)	(456)	-		-
Share Issue Costs (Net of Future Taxes of \$Nil (2006 – \$366,000))	-	-	-		(789)
	41,579	69,180	35,399		47,752
Less Share Purchase Loans	-	(490)	-		(1,235)
Balance, End of Year	41,579	\$68,690	35,399		\$46,517
Share Purchase Warrants					
	Number of Warrants	Amount	Number of Warrants		Amount
Balance, Beginning of Year	538	\$337	2,500		\$1,564
Exercised	(538)	(337)	(1,962)		(1,227)
Balance, End of Year	-	\$-	538		\$337
Total Equity Instruments		\$68,690			\$46,854

(c) **Share Purchase Loans:** In conjunction with the acquisition of Geo-X Processing in 2006, certain key employees were granted \$750,000 in retention bonuses in the form of an interest free, forgivable loan to purchase 159,914 shares from treasury of the Company at deemed price of \$4.69 (Geo-X share purchase loans). The shares are being held in escrow and are secured by the underlying securities and all proceeds therefrom. The shares are being released from escrow over a two-year period and the loans forgiven based on fulfilment of employment milestones. In 2007, 71,429 shares were released from escrow and 26,653 shares were forfeited. The share purchase loan receivable was presented as a deduction from shareholders' equity and as such has not been treated as outstanding for purposes of calculating basic earnings per share. The fair value of \$272,000 was calculated based on the same variables used for stock options and is being expensed over the period of the loan. The charge is included in stock compensation expense.

In conjunction with the acquisition of Cavalier Land in 2006, certain key employees were granted \$500,000 in retention bonuses in the form of an interest free loan to purchase 102,494 shares of the Company at deemed price of \$4.88. An arm's-length broker purchased the shares on the open market on behalf of the employees. The shares are being held in escrow and are secured by the underlying securities and all proceeds therefrom. The shares are being released from escrow over a two-year period and the loans forgiven based on fulfillment of employment milestones. In 2007, 43,053 shares were released from escrow and 15,374 shares were forfeited. The share purchase loan receivable was presented as a deduction from shareholders' equity. The fair value of \$181,000 was calculated based on the same variables used for stock options and is being expensed over the period of the loan. The charge is included in stock compensation expense.

As at December 31, 2007, outstanding share purchase loans were as follows:

BALANCE AS AT DECEMBER 31	2007	2006
Balance, Beginning of Year	\$1,235	\$-
Issued on Acquisitions	-	1,250
Forfeited	(200)	(15)
Forgiven	(545)	-
Balance, End of Year	\$490	\$1,235

(d) **Broker Compensation Options:** As at December 31, 2007, outstanding broker compensation options to purchase common shares were as follows:

BALANCE AS AT DECEMBER 31	2007		2006	
	Number of Shares	Amount	Number of Shares	Amount
Balance, Beginning of Year	220	\$173	349	\$273
Exercised	(220)	(173)	(129)	(100)
Balance, End of Year	-	\$-	220	\$173

(e) **Normal Course Issuer Bid:** On January 9, 2007 the Company received approval from the TSX to repurchase up to 1,770,000 of its common shares at prevailing market prices commencing on January 15, 2007 and terminating on the earlier of the January 14, 2008 and the date on which the maximum number of common shares are purchased pursuant to the Issuer Bid. 276,900 shares were repurchased for the year ended December 31, 2007 resulting in a \$153,000 reduction to retained earnings.

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(f) Contributed Surplus:

BALANCE AS AT DECEMBER 31	2007	2006
Balance, Beginning of Year	\$2,008	\$1,269
Stock Compensation Expense	1,531	1,076
Fair Value of Stock Options Exchanged on Acquisition of BlueGrouse	711	-
Reclassification to Common Shares on Exercise of Options	(215)	(236)
Reclassification to Common Shares on Exercise of Broker Compensation Options	(173)	(101)
Reclassification to Common Shares on Share Purchase Loan Forgiveness	(201)	-
Balance, End of Year	\$3,661	\$2,008

(g) Stock Options: The Company has established a stock option plan (the Plan) whereby the Company may grant options to purchase common shares to directors, officers, employees and consultants. The options have a five-year term and are exercisable pursuant to a vesting schedule of one-third following the first anniversary of the grant date, one-third following the second anniversary of the grant date, and the remaining one-third following the third anniversary of the grant date. 4,041,369 Common Shares of the Company have been reserved under the Plan.

The following is a continuity of stock options outstanding for which shares have been reserved:

STOCK OPTIONS OUTSTANDING			
	Number of Options	Option Price	Weighted Average Price
Options Outstanding, December 31, 2005	2,219	\$0.83 - 3.00	\$1.55
Options Granted	1,079	\$3.23 - 6.10	\$5.05
Exercised	(393)	\$0.83 - 3.00	\$1.24
Forfeited	(139)	\$1.25 - 6.10	\$3.39
Options Outstanding, December 31, 2006	2,766	\$0.83 - 6.10	\$2.87
Options Granted ⁽¹⁾	959	\$2.40 - 8.58	\$4.04
Exercised ⁽²⁾	(566)	\$1.00 - 3.00	\$1.45
Forfeited ⁽³⁾	(416)	\$1.00 - 8.58	\$5.39
Options Outstanding, December 31, 2007	2,743	\$1.00 - 6.10	\$3.19

⁽¹⁾ Includes 337,000 BlueGrouse options that were exchanged for Divestco options and 385,000 options granted to officers and directors.

⁽²⁾ Includes 168,657 options held by officers and a director.

⁽³⁾ Includes 50,105 options held by officers and a director.

Stock options which were outstanding and vested as at December 31, 2007, are summarized as follows:

STOCK OPTIONS OUTSTANDING AND VESTED					
Options Outstanding	Option Price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Options Currently Exercisable	Weighted Average Exercise Price of Options Currently Exercisable
966	\$1.00- 2.39	\$1.30	1.63	966	\$1.30
1,017	\$2.40 - 4.29	\$3.29	3.79	246	\$3.05
760	\$4.30 - 6.10	\$5.45	3.46	260	\$5.44
2,743	\$1.00 - 6.10	\$3.19	2.94	1,472	\$2.32

The per share weighted average fair value of the stock options granted for the year ended December 31, 2007 was \$1.36 (2006 – \$2.83). This was estimated using the Black-Scholes option pricing model with the following assumptions: an average expected volatility of 69% (2006 – 60%), an average risk free interest rate of 4.2% (2006 – 5.0%), no dividend rate and an expected life of five years. The compensation expense is recognized evenly over the three-year vesting period of the stock options. The options exchanged on the acquisition of BlueGrouse fully vested on the date of acquisition, and therefore no compensation expense was recognized during 2007. The fair value has been included in the purchase price.

- (h) **Earnings Per Share:** Basic earnings per share is computed using the weighted-average number of common shares outstanding during the year, being 39,200,000 for 2007 (2006 – 32,665,000). Diluted earnings per share is computed using the “treasury stock” method whereby outstanding stock options, broker compensation options and share purchase warrants are only dilutive if, and to the extent, that they are “in the money”. In computing diluted earnings per share, 1,091,000 shares (2006 – 1,039,000) were added to the weighted average number of common shares outstanding for the dilution from the stock options, broker compensation options, share purchase warrants, the Geo-X share purchase loans, and convertible debentures. Options to purchase 1,730,000 (2006 – 1,354,000) common shares have been excluded from the calculations of diluted earnings per share due to their anti-dilutive effect.

For shares issued with respect to the Geo-X share purchase loans, the common shares of the Company securing these loans were not being treated as outstanding for purposes of calculating basic earnings per share. The common shares securing the Geo-X share purchase loans are considered to be contingently returnable for purposes of calculating diluted earnings per share. Since all necessary conditions were not satisfied as at December 31, 2007, the number of contingently issuable shares included in diluted earnings per share should be based on the number of shares, if any, that would be issuable if the end of the reporting period were the end of the contingency period (for example, the number of shares that would be issuable based on current period earnings or period-end market price) and if the result would be dilutive.

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13. STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31	2007	2006
Interest and Income Taxes Paid		
Income Taxes Paid (Net of Refunds)	\$383	\$-
Interest Paid (Net of Interest Revenue)	\$3,316	\$1,112
Changes in Non-Cash Working Capital Balances		
Funds Held in Trust	\$(422)	\$-
Accounts Receivable	53	9,042
Investment Tax Credits Recoverable	651	(651)
Prepaid Expenses, Supplies and Deposits	(714)	499
Accounts Payable and Accrued Liabilities	9,283	(8,219)
Income Taxes Payable	6,775	(13)
Deferred Revenue	(7,615)	1,248
	\$8,011	\$1,906
Changes in Non-Cash Working Capital Balances Related to Operating Activities	\$(13,870)	\$2,884
Changes in Non-Cash Working Capital Balances Related to Investing Activities	21,881	(978)
	\$8,011	\$1,906

At December 31, 2007, the Company held \$193,000 (2006 – \$131,000) of cash and cash equivalents which were denominated in a foreign currency.

14. COMMITMENTS

The Company rents its current premises from third parties under lease agreements. In addition, the Company maintains contractual agreements for certain office equipment. The minimum annual payments due under these long-term operating leases including estimated operating costs, net of sub-leases, are as follows:

2008	\$3,968
2009	3,759
2010	7,351
2011	8,909
2012+	95,514

15. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere, the Company had the following related party transactions:

- (a) In 2007, the Company paid \$217,000 (2006 - \$337,000) in consulting fees and brokerage commissions to a company controlled by a director. Included in accounts payable as at December 31, 2007 was \$17,000 (December 31, 2006 — \$Nil) related to these fees and commissions.
- (b) In 2007, the Company paid \$396,000 (2006 - \$467,000) in legal fees to the law firm at which the Company's Corporate Secretary is employed. Included in accounts payable as at December 31, 2007 was \$66,000 (December 31, 2006 — \$31,000) related to these legal fees.

All related party transactions are in the normal course of operations and have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties and which is similar to those negotiated with third parties.

16. FINANCIAL INSTRUMENTS

The Company holds various forms of financial instruments. 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.

- (a) **Credit Risk Management:** A significant portion of the Company's trade accounts receivable are from companies in the oil and gas industry and, as such, the Company is exposed to all the risks associated with that industry. During the year ended December 31, 2007, 24% of the Company's revenue was derived from three customers with a majority related to sales contracts for seismic data. As at December 31, 2007, these same customers accounted for 26% of the Company's total accounts receivable.
- (b) **Interest Rate Risk Management:** The Company's short-term borrowings are based on floating rates and subject to interest rate cash flow risk as the required cash flows to service the debt will fluctuate as a result of changes in market rates. Interest on fixed rate debt ranges from 4.9% to 6.8%. If these transactions were entered into today, the interest expense would not be materially different.
- (c) **Foreign Currency Rate Risk Management:** A portion of the Company's sales are made to customers in the United States. Accordingly, the related financial assets and liabilities are subject to fluctuations in exchange rates. The Company does not have any exposure to highly inflationary foreign currencies.

The Company manages its exposure to foreign currency fluctuations by maintaining foreign currency bank accounts and trade accounts receivable to offset foreign currency payables.

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17. SEGMENTED INFORMATION

The Company is an oil and gas services company offering products and services to customers in the oil and gas exploration and production industry. The Company's products and services are offered through four segments: Software, Services, Data, and Consulting. In addition, the Company reports its overhead activities through its Corporate and Other segment. The Company operates in two geographic locations – Canada and the United States.

Software sells, maintains, and supports licensed software exploration products. Services provides seismic survey audit, processing and brokerage services as well as mapping, archiving and geophysical/geological services. Data provides a full suite of support data layers as well as developing and maintaining the Company's seismic data libraries. Consulting offers business solutions ranging from business consulting services, ERP systems implementations and CRM systems implementations, to custom software development, hardware devices, network infrastructure and land management services. Corporate and Other includes finance, accounting, marketing, human resources, investor relations, and information technology.

The accounting policies of the segments are the same as those described in significant accounting policies in the Company's audited Consolidated Financial Statements as at and for the year ended December 31, 2007. Inter-segment sales and transfers, which are accounted for at market value, are eliminated on consolidation. Operating income (loss) is measured as revenue less operating expenses, interest and depreciation and amortization. Other income (loss) items and income taxes reported on the Company's Consolidated Statements of Income are not allocated to the reportable segments.

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2007

	Software	Services	Data	Consulting	Corporate & Other	Total
Revenue from External Customers	\$8,494	\$24,731	\$69,690	\$13,155	\$-	\$116,070
Inter-Segment Revenue	-	-	3,782	-	-	3,782
Operating Income (Loss) ⁽¹⁾	2,203	2,240	31,940	(201)	(12,613)	23,569
Interest Expense (Net of Interest Revenue)	3	-	605	(47)	3,123	3,684
Depreciation and Amortization	1,467	2,466	28,963	1,350	178	34,424
Total Assets	11,653	25,043	184,500	12,604	1,709	235,509
Goodwill	1,266	4,652	-	4,172	-	10,090
Capital Expenditures ⁽²⁾	216	430	60,061	-	305	61,012
Deferred Development Costs	1,613	984	-	-	-	2,597

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2006

	Software	Services	Data	Consulting	Corporate & Other	Total
Revenue from External Customers	\$7,054	\$17,083	\$73,384	\$8,847	\$95	\$106,463
Inter-Segment Revenue	-	1,613	-	-	-	1,613
Operating Income (Loss) ⁽¹⁾	1,908	1,748	32,106	(1,140)	(8,245)	26,377
Interest Expense (Net of Interest Revenue)	-	-	317	(22)	940	1,235
Depreciation and Amortization	1,180	1,529	32,610	586	146	36,051
Total Assets	9,189	19,801	91,101	10,975	1,876	132,942
Goodwill	1,266	3,081	-	4,171	-	8,518
Capital Expenditures ⁽²⁾	397	440	74,861	-	313	76,011
Deferred Development Costs	1,271	345	-	-	-	1,616

⁽¹⁾ Operating income is revenue less operating expenses, interest expense, and depreciation and amortization.

⁽²⁾ Excludes acquisitions.

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2007

	Canada	U.S.	Total
Revenue	\$114,032	\$2,038	\$116,070
Data Libraries, Participation Surveys in Progress, Property and Equipment, Intangible Assets and Goodwill	193,764	4,916	198,680

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2006

	Canada	U.S.	Total
Revenue	\$103,786	\$2,677	\$106,463
Data Libraries, Participation Surveys in Progress, Property and Equipment, Intangible Assets and Goodwill	98,578	5,650	104,228