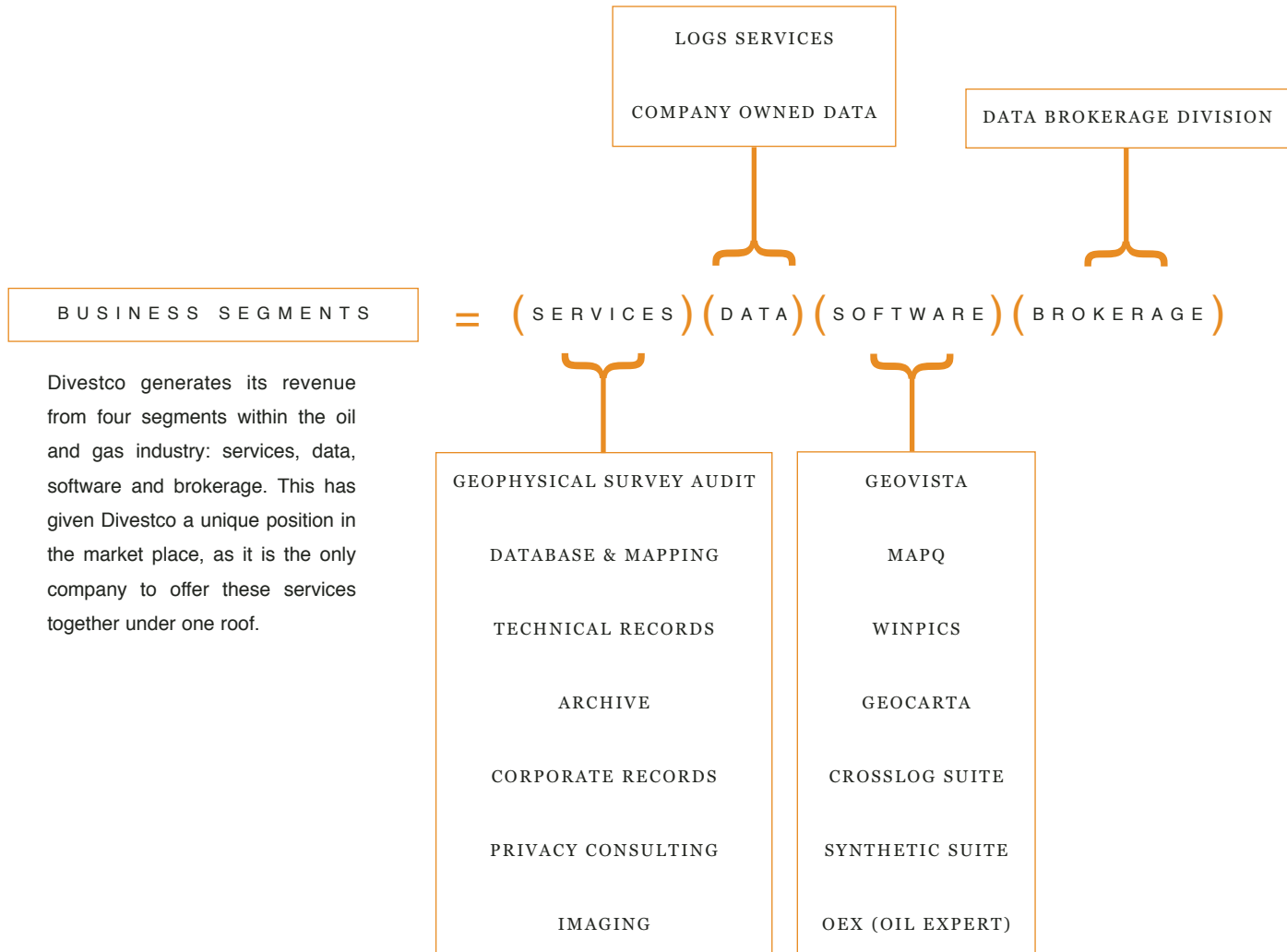


Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") for Divestco Inc. ("Divestco" or the "Company") should be read in conjunction with the audited Consolidated Financial Statements and accompanying notes for the year ended December 31, 2003. The Consolidated Financial Statements have been prepared in accordance with Generally Accepted Accounting Principles ("GAAP") in Canada. This MD&A is dated April 5, 2004.

This MD&A contains forward-looking statements based upon current expectations that involve a number of business risks and uncertainties. The factors that could cause results to differ materially include, but are not limited to, economic and political conditions, oil and natural gas prices, weather conditions, industry activity levels, and the ability of oil and natural gas companies to raise capital or other unforeseen conditions which could impact on the services and products provided by the Company.

OVERVIEW



Divestco generates its revenue from four segments within the oil and gas industry: services, data, software and brokerage. This has given Divestco a unique position in the market place, as it is the only company to offer these services together under one roof.

Services

With the merger of services through the acquisitions of The Excalibur-Gemini Group of Companies Ltd. (“TEGGL”) and International DataShare Corporation (“IDC”), much of 2003 was spent focusing on integrating ‘like’ services and optimizing performance from these areas. Our goal was to retain the service culture already present and instill it in the areas where it was not. In addition to forming accountability and a culture of continuous learning, Divestco also made significant investment in people, hardware and software.

Geophysical Survey Audit

Geophysical Survey Audit offers customers data analysis services designed to provide qualified and more accurate seismic survey locations. 2003 has seen this mature business unit of Divestco’s, focus on diversifying the range of services offered, increasing technical capacity, and continuing to refine processes.

Besides offering a full suite of domestic survey audit processes, the Company increased the range of services for customers working internationally, both in the office and on-site including geomatics quality control and quality assurance. Technically, Divestco added the staff and resources necessary to increase the usage and interpretation of new technologies like Light Detection And Ranging (LIDAR). Several other new product lines designed for both internal and customer use also became available. The Company continued to develop functionality in core processing and administration systems leading to improved efficiencies and the ability to quickly address areas requiring improvement.

Database & Mapping

Database & Mapping services provide a central repository for seismic survey location information and its associated attributes, which then allow for peripheral transactional services and base mapping. This established service area capitalized on the many years of process refinement by focusing on improving data integrity and establishing numerous automated data checks.

Several new product offerings were created to offer more comprehensive Geographic Information System (GIS) mapping services and breadth of data services. 2003 also saw the integration of the Company’s suite of software products into the original TEGGL suite of service offerings resulting in additional customer value and service selection.

Technical Records

Divestco’s Technical Records and Information specialists provide resources to the oil and gas industry to effectively and efficiently manage exploration data. Customers reduced costs for physical data storage, increased confidence in data integrity, improved revenue from data sales, and increased productivity through efficient desktop access to data.

This group underwent a complete restructuring in 2003 allowing for a more comprehensive and integrated service offering. As a result of evaluating the exploration market place and designing 'cost for services' to reflect today's business requirements, this area doubled its client base in 2003 from 2002.

Archive

Divestco's archive specialists provide extensive media copying and reformatting services, as well as safe and cost effective storage for archived data, both physical and online.

This group also underwent a complete restructuring in 2003. Focus shifted to the improvement of processes to replace legacy systems from IDC. Significant investment in employees, archival and administration systems and leasehold improvements has taken place with completion of these initiatives to occur in 2004. Considerable effort into re-securing the existing IDC customer base has been successful with a majority of customers committing to contracts in 2004.

2004 will see the Archive group increase client accessibility to data, control customer costs and maintain and improve the current suite of archive solutions. The group will be moving to a new state-of-the-art site in 2004, specifically designed to meet all requirements to effectively manage tape and disk media. The move will co-locate the Archive group with the Imaging group to maximize synergies and responsiveness to clients.

Corporate Records

The core of this service offering is the need and/or requirement by organizations to effectively and efficiently manage their information thus achieving their business goals and objectives. Next to it's employees, recorded information has often been regarded as the most vital strategic asset within an organization. The effective management of this vital asset is not only a business priority, but also a legal obligation of senior executives and board of directors. By design, the Company's Corporate Records Team focuses on 2 distinct service offerings. These offerings include Records and Information Management (RIM) Consulting and Outsourcing.

Divestco's goal is to become the premier and recognized leading RIM service provider in the Calgary marketplace by the end of 2006. This goal will be achieved by aligning ourselves with strategic business partners that compliment our service offerings. During Q1 of 2004 Divestco will take significant strides in achieving the above goal by aligning ourselves with a well-known RIM business partner. Discussions are underway to align us with a second strategic partner by the end of Q2 2004.

Privacy Consulting

The key driver behind personal information privacy is Global, Federal and Provincial legislations, which impose obligations for organizations with respect to the collection, use and disclosure of personal information in both the private and public sectors. Organizations must adhere to privacy legislation in all jurisdictions where they conduct commercial activity and transactions. In Canada the Federal "Personal Information Protection and Electronic Documents Act" (PIPEDA), effective January 1, 2004, impacts every organization in the private sector that operates nationally.

As an extension of our traditional records and information management offering, Divestco launched its Privacy Services on October 6, 2003. "Privacy" deals with the right of an individual to control the collection, use and disclosure of their personal information. Privacy affects all aspects of an organization's operations and business practices.

The Company's main focus stemming from our initial launch was to build awareness, increase our profile and market our new Privacy Services within the business community. Some of the key activities undertaken to accomplish this strategy were in the areas of advertisement, presentations, workshops, and integration into the Company's marketing information, internal projects and numerous client meetings leading to proposal submissions. 2004 will see a continuation of positive exposure from this group leading to projects that will assist companies in complying with this new legislation.

Imaging

Divestco's Imaging division was added to the Company in 2003 through the acquisition of TEGGL. Focusing on using the latest imaging technology and maintaining the highest standards for quality control and imaging procedures, the division deals exclusively with the conversion of paper or microfilm/fiche data to electronic images and related data entry and document editing processes. Divestco maintains the widest array of document and wide-bed scanners in Western Canada ensuring we can accommodate any combination of source documents from almost any origin.

The Imaging group underwent numerous changes since being acquired in 2003 to streamline and increase the productivity of the group. This gave rise to a successful year and has established a firm foundation for further growth in 2004. Some of the successful conversion projects completed in 2003 include the following:

- 600,000 land files, more than 130,000 well files and 62,000 well logs for various oil and gas companies;
- Approximately 30,000 human resources files for a local utility company;
- 261,000 vendor invoices and other corporate documents for various companies

In 2004 the division anticipates doubling the throughput for Well Logs to complete over 160,000 more Canadian Logs. We are complimenting this database with the full set of Drill Stem Tests ("DST"). Numerous other corporate projects are on track for completion in 2004 and we expect this will be the most successful and productive year ever for the Imaging Group.

Projects Planned for 2004

Divestco DataStore™ - the Company is currently developing a tool, which will allow customers to manage and access their proprietary seismic data through a dynamic interface and secure database backend.

The Imaging division is in the process of scanning of the Company's recent seismic data set acquisition and is projected for completion by the end of the 2nd quarter of 2004



Data

Logs Services

Divestco delivers the leading Canadian digital log library to the oil and gas industry. Our coverage is unparalleled, encompassing Alberta, Saskatchewan, British Columbia, Manitoba, Yukon, Northwest Territories, Nunavut, Beaufort Sea, Hudson's Bay, Ontario, Quebec, New Brunswick, and PEI. All our digital logs are available online through EnerGISite, our newly developed website for publicly available well log data. In addition to our Canadian digital log library, Divestco Logs Services also offers digitizing services for data conversion of well logs.

Although the Company divested itself of its US Logs, it retained the rights to re-sell US logs to its Canadian customers. This transaction will enable Log Services to focus on improving coverage for the Canadian digital log library in 2004. Log Services now operates two offices in Regina dedicated to acquiring Saskatchewan public well log data. In the past year, digital log data for the Yukon, Northwest Territories, Nunavut, the Beaufort Sea, Hudson's Bay, Quebec, New Brunswick, and PEI has been added to the log library. Log Services secured contracts with the governments of New Brunswick and PEI in 2003 for the ongoing acquisition of public well log data.

In 2003, Log Services secured a long-term digitizing contract with A2D Technologies for data conversion of US well logs. This contract has enabled Log Services to add additional resources that will result in significant growth in the size of the digitizing group. The additional staff and digitizing equipment enable Divestco Log Services to offer better service to Canadian digitizing clients for both large and small digitizing projects. Log Services continues to recognize savings on digitizing equipment expenditures through the use of Divestco's RAT handheld digitizing products.

Company Owned Data

Divestco's Data Group provides a full suite of support data sets to the industry to compliment companies' proprietary data for the purpose of interpretation, analysis and decision-making. These data sets are provided as stand-alone or can be integrated with Divestco's software offering as a bundle. As previously mentioned, the Company has entered into a new era of growth through the acquisition of a seismic data set, which was completed in 2004.

With the acquisitions of TEGGL and IDC, the Data Group focused on integration and 'best-of-breed' data sets. Due to minor overlaps in data, each dataset from the three companies was evaluated and the best of each was retained. Similar amalgamation was seen in the processes used to compile, maintain and update the data with the full results and impact from this refinement to be seen in 2004.

Divestco added to the breadth of its data offering with the addition of new data such as BC gas analysis, enhanced BC DST & completions, daily well updates, detailed Alberta freehold, Open Crown Land, First Nations Land and Alberta core analysis. Further integration with the Company's software suite and refinement of processes will be realized in 2004.

On February 20, 2004 the Company completed the acquisition of 31,544 KM and 1043 KM² of 2D and 3D seismic data, respectively, expanding on the number of markets in which the Company competes. This data along with the Company's interpretation software, will allow the Company to realize the full potential of this new asset. More importantly, this will allow Divestco's customers to more efficiently explore for oil and gas in Canada.

Projects Planned for 2004

The Company is making significant investments in the Log Services group in 2004. Planned renovations to the current location's infrastructure will result in improved workflow processes leading to improved productivity and increased profitability for the Logs Services group. These improvements will enable the Logs Services group to address any deficiencies in coverage throughout Western Canada, complete the existing DST library and significantly increase the number of depth-registered logs in the digital log library by the end of the 2004 calendar year.

Additional data acquisitions through participation surveys are currently underway. 2004 will be a major year for growth for the Company's data division.

Software

As with previous years, 2003 saw continued commitment by Divestco in providing industry leading software solutions. With the acquisition of IDC in September, Divestco began offering additional applications to the oil and gas industry ranging from interpretation to Geographical Information Systems (“GIS”) mapping software. Major software development focused on delivering greater functionality with existing applications, as well as integration between key products.

Our leading software product lines include GeoVista, MapQ, WinPICS, GeoCarta, CrossLog Suite, Synth Suite, and OeX. GeoVista and WinPICS lead the way with a combined 11 releases between the two products.

In 2003, the Company invested significant effort into modernizing the base architecture that our core applications were built upon. The reward for this improved code was faster and tighter development cycles, which translated into higher quality software evolution, in shorter time frames. As a result, Divestco’s customers saw more significant product releases than any other user base in the industry.

Over the past several years, the Company has seen explosive growth in its software offerings, accomplished through a combination of continued commitment to internal development and through several key business acquisitions. As a result, the Company now offers a product suite unlike any in the industry. An ongoing priority at the Company is to ensure these once disparate products, work together seamlessly, to provide customers with a model that allows them to concentrate on actual work, not shuffling data and information from one system to the next. Technical integration of software products provides the users base with improved ease of use, increased productivity gains, and access to features not available elsewhere. We believe that Divestco is in a unique position to change the way oil and gas exploration software is used.

The acquisition of IDC in September brought with it more software solution synergies and development was once again stepped up to leverage complimentary product lines to further benefit our customers. The integration work will continue into 2004 and the evolution of our product lines towards a seamless integrated suite continues. Based on much of the work and effort expended in 2003, Divestco expects to show the industry a new vision for true integration over the coming year.

The Company continues to leverage its current software product lines and development abilities in support of other business segments including Brokerage, Services, and Data. Software development investment in these areas is just one example of how Divestco has used economies of scale to create solid business cases for all divisions.

Projects Planned for 2004

Looking forward, 2004 is shaping up to be as busy as 2003 with 7 major software releases scheduled in the first half of the year. In addition to our current suite of products, Divestco launched a brand new application based on the Environmental Systems Research Institute’s (“ESRI”) ArcGIS, GeoCarta Tools. In addition Divestco will increase the revenue of its software division through the bundling of software with the sale of copies of its newly acquired seismic data set.

Brokerage

Divestco operates the largest data brokerage business in Canada. The division facilitates transactions between the owners and end users of seismic data such as oil and gas exploration companies. In 2004, the Company also began to acquire its own seismic data and owns interests in, and the right to use various databases that describe the locations of seismic tests. This information, together with software developed by, or licensed by the Company, allows data brokers on contract to Divestco to identify and order seismic lines on behalf of end users of the data.

The Company's data brokerage division is paid a commission based on a percentage of the total value of seismic data that is sold. Brokers are paid a straight commission, so the Company's base costs to operate the brokerage division are controlled, even in periods of comparatively modest seismic sales activity.

The brokerage division competes with a number of other seismic brokerage houses and owners of seismic data that choose to directly market their data rather than sell it through the brokerage channel. The Company believes that its extensive leveraging of software and internal software development resources have provided it with a cost structure and technical edge over competitors. These advantages have made it possible for the Company to retain a large number of high performing contract brokers, which in turn has allowed Divestco to prosper in this segment of the industry.

Business Environment

Divestco's business is tied to the oil and gas exploration and production industry. Commodity prices, as well as supply and demand for oil and natural gas liquids, determine the activity levels for oil and gas producers. 2003 was a strong year for both oil and natural gas prices due to uncertainties surrounding supply owing to the war in Iraq, strikes by oilfield workers in Venezuela, and supply disruptions in Nigeria.

The Company has noted a growing demand from oil and gas producers to use software applications that are seamlessly integrated with each other. By acquiring and developing a suite of applications covering a wide range of functionality required for the exploration and production of oil and gas, and placing this suite of applications under a single management structure, the Company has ensured that these applications can be seamlessly integrated and thereby meet these emerging customer demands.

There is a growing trend away from Unix and toward Windows based computing environments in oil and gas exploration companies. The Company has positioned itself to deliver applications that are native to the Windows environment, and expects that this will provide it with an advantage in the future over competitors who continue to offer Unix or even DOS based technical applications.

In recent years the Western Canada Sedimentary Basin has ceased to be dominated by a small number of large producers. Increasingly, oil and gas producers in this area are much smaller and much more numerous. The Company's Windows based, easy to use, integrated, and relatively inexpensive software provides significant appeal to these smaller operators. As a result, the Company expects significant software license growth with this emerging customer sector. The level of marketing attention required by smaller companies however, is considerably higher given that their activity and cash flow levels are generally smaller than that of larger companies.

Continued advancements in the performance and storage capacity of computer hardware, together with the almost universal presence of the Windows operating system, make it likely that Windows based technical applications will continue to be Divestco's technical applications of choice for many years.

Industry experts are projecting demand and prices for oil and gas to remain strong well into 2004, however Divestco's focus on the oil and gas industry as its primary customer base, exposes it to all of the uncertainties associated with the demand for and pricing of oil and gas.

Each of the Company's business segments faces a number of market competitors and competition has increased in providing service and competitive software applications that remove dependencies on some of the services the Company provides. No other Canadian company, however, offers the broad suite of products and services to the oil and gas industry that Divestco does. Management believes that this broad product and service offering allows the Company to more completely meet the needs of its customers than any other single competitor can, and gives the Company an advantage in obtaining increased market share.

The Company's pricing practices for software and data are based on a standard price list and incremental pricing per user, while competitor's pricing systems are routinely based on the customer's revenue or hydrocarbon production. The Company's pricing system has won wide acceptance and favour in the industry and has often been the source of sales opportunities.

By owning and operating a complete oil and gas support data library of its own, the Company has significantly reduced exposure to lost sales opportunities and counter marketing from third-party data suppliers who are now also software developers. The Company's databases ensure that its software can never be starved of data by the unilateral actions of a third-party data vendor. The Company also now owns its own seismic datasets and will be acquiring additional data sets in 2004.

Divestco's services and software divisions generate steady sales throughout the year, but normally exhibit a noticeable dip in sales from mid-July through to the end of August, together with a noticeable increase in sales during the fall and winter months when significant drilling activities are underway in Canada. The Company's data division is not generally susceptible to a seasonal change in sales volume. Seismic data brokerage is subject to fluctuations in industry activity, including traditional seasonal lows such as spring break up, however since the majority of expenses associated with this business at the Company are variable, the Company's exposure to losses due to low industry activity in this area is minimal.

Business Strategies

Divestco utilizes different strategies to deliver its products and services in order to capitalize on market conditions in the business segments the Company operates in.

The Company's services are marketed directly by Company employees and primarily to customers in Western Canada. In many cases, the Company provides services to customers that are either already software, data or brokerage customers, or are prospective customers for these complementary product lines. Because of this synergy, the Company believes that it is positioned to better understand customer requirements and opportunities and to sell a greater mix of complementary products and services to each customer.

The Company's data is marketed primarily in Canada and by the same internal marketing team that markets the Company's software in Canada. The majority of the Company's owned data is distributed through the Company's software applications, however this data is also licensed to a number of other organizations that bundle data with their own software or generate report products based on analysis of the data.

In 2003, through the acquisition of IDC, the Company gained an extensive set of Canadian and US log data sets. Copies of the Canadian log sets are marketed to customers on a stand-alone basis, and also as part of a bundle with the Company's software. The US logs were sold as part of the Riley's disposition, although the Company has retained access and is entitled to also sell copies of these logs.

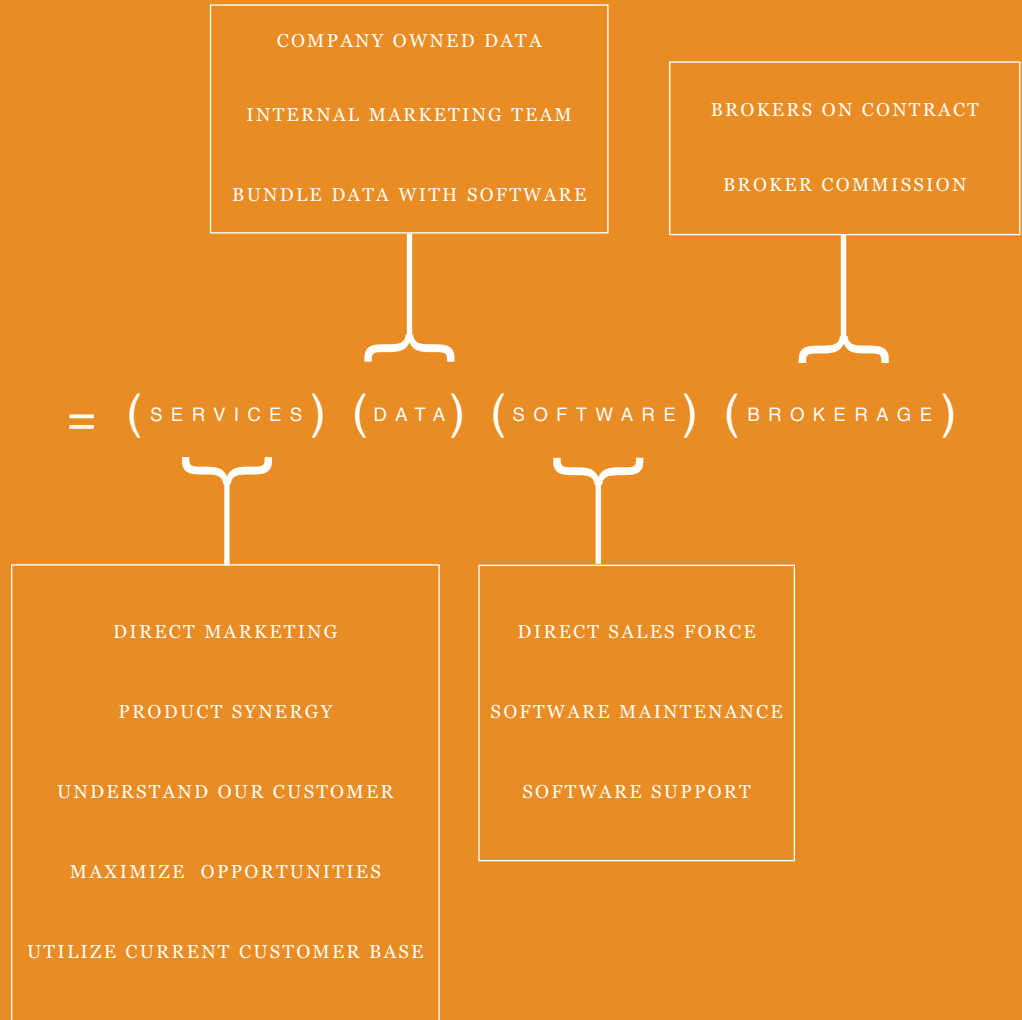
The Company's software products are primarily marketed to customers through the Company's direct sales force. The Company's customer support department, and the on-line help within the software, provide product maintenance and support, which is unparalleled in the industry.

Brokers are on contract with Divestco and broker seismic data owned by oil and gas producers. Divestco's data brokerage division is paid a commission based on a percentage of the total value of seismic data that is sold.

Divestco's philosophy is to remove the dependencies on third-party service providers. The Company has made key business acquisitions over the past 4 years that are in line with this philosophy.

Business Strategies

“Divestco’s philosophy is to remove dependencies on third-party service providers”



Acquisitions and Divestitures

OUR  ROOTS

Acquisitions

On March 14, 2003 Divestco acquired 100% of the shares of The Excalibur-Gemini Group Ltd. for \$3.8 million. Net cash consideration was \$1.3 million. The remaining purchase price was remunerated with shares of Divestco, promissory notes and an assumption of shareholder loans. With this acquisition, Divestco added the services segment to its operations. The transaction was accounted for by the purchase method.

On September 23, 2003, the Company acquired International Datashare Corporation, a publicly traded company on the TSX. The value attributed to the acquisition was 8.0 million. The company added both a Canadian and US log library to its operations, in addition to an array of software products. Of particular significance was the GeoCarta software line. The transaction was a reverse takeover and was accounted for by the purchase method, whereby the Company was deemed the acquirer.



Discontinued Operations

On December 5, 2003, the Company sold its US subsidiary, Riley Electric Log Inc. ("Riley's") to a US-based company for proceeds of \$9.0 million US. \$6.0 million US was allocated to the sale of the shares, out of which a \$1.8 million royalty was paid to former Riley's shareholders, pursuant to a royalty agreement that was in place. The agreement provided for a royalty payment in the event of certain earnings targets being achieved or a resale of the shares. The Company was also granted a non-exclusive, 10-year license to the purchaser's US log library, including a provision allowing the Company to resell the logs.

As part of the divestiture of its US operations, the Company sold a copy of its Canadian log library and a 2-year update service to the purchaser for \$3.0 million US. Revenue from the sale of the copy of the log library is being recognized on a percentage of completion basis. Revenue from the sale of the update service is being recognized rateably over the service period of 2 years. Revenue recognized in 2003 has been included in income from continuing operations.

Included in net income for the year was income from discontinued operations, net of tax of \$247,506. The Company recorded a loss from discontinued operations of \$249,150 and a gain on the sale of discontinued operations of \$496,656, net of future income taxes of \$227,500.

Riley's was acquired through the IDC acquisition.

Overall Performance

Annual Results

Consolidated Financial Summary (000's, except per share amounts)

	2003	2002 (restated)	2003 vs 2002	2001 (restated)	2002 vs 2001
Revenues	\$ 15,043	\$ 4,969	203%	\$ 1,728	188%
Net income (loss) from Continuing Operations	472	250	89%	(684)	137%
Per share - basic and diluted	0.027	0.021	29%	(0.068)	131%
Net income (loss)	719	250	188%	(684)	137%
Per share - basic and diluted	0.042	0.021	100%	(0.068)	131%
Cash Flow from Continuing Operations	1,650	703	135%	(420)	267%
Per share - basic and diluted	0.096	0.059	60%	(0.042)	240%
Cash Flow	1,629	703	132%	(420)	267%
Per share - basic and diluted	0.094	0.059	60%	(0.042)	240%
Total Assets	24,195	6,350	281%	1,662	282%
Long-term Debt	313	40	683%	93	(57%)

Cash Flow from Continuing Operations, Cash Flow, Cash Flow from Continuing Operations per share-basic and diluted, Cash Flow per share-basic and diluted, are not measures that have any standardized meaning prescribed by Canadian GAAP and are considered non-GAAP measures. Therefore, these measures may not be comparable to similar measures presented by other issuers. These measures have been described and presented in this MD&A in order to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Management utilizes Cash Flow and Cash Flow from Continuing Operations as key measures to assess the ability of the Company to finance operating activities and capital expenditures.

Divestco's revenue, net income from continuing operations and cash flow from continuing operations increased by 203%, 89% and 135%, respectively, compared to 2002 as a result of the TEGGL and IDC acquisitions completed in 2003. In addition, 2003 was a strong year for the oil and gas industry leading to an increase in software revenue. Also, 2003 reflects a full year of operations from acquisitions the Company completed in 2002. Total assets increased by 281%, again due to the growth the Company experienced through the TEGGL and IDC acquisitions. The increase in long-term debt is due to the issuance of promissory notes in connection with the TEGGL acquisition.

2002 versus 2001

The Company's revenue, net income from continuing operations and cash flow from continuing operations increased by 188%, 137% and 267%, respectively, compared to 2001 as a result of the acquisitions of Kernel Technologies Ltd. ("Kernel"), Digi-Rule Inc. ("Digi-Rule"), and Dynamic Solutions Ltd. ("Dynamic") in 2002. Total assets increased by 282% also a result of acquiring these companies. The decrease in long-term debt was due to repayments made by the Company in 2002.

Quarterly Results

2003 and 2002 Quarterly Summary (000's except per share amounts)

	2003				2002			
	Q1 (restated)	Q2 (restated)	Q3 (restated)	Q4 (restated)	Q1 (restated)	Q2 (restated)	Q3 (restated)	Q4 (restated)
Revenues	\$ 2,484	\$ 3,247	\$ 3,084	\$ 6,228	\$ 682	\$ 1,330	\$ 1,414	\$ 1,543
Net income (loss) from								
Continuing Operations	(102)	(123)	(294)	992	155	40	34	21
Per share -basic and diluted	(0.007)	(0.008)	(0.019)	0.061	0.013	0.004	0.003	0.001
Net income (loss)	(102)	(123)	(294)	1,238	155	40	34	21
Per share -basic and diluted	(0.007)	(0.008)	(0.019)	0.076	0.013	0.004	0.003	0.001
Cash Flow from								
Continuing Operations	154	207	133	1,156	200	160	169	174
Per share -basic and diluted	0.010	0.013	0.007	0.066	0.018	0.013	0.014	0.014
Cash Flow	154	207	133	1,135	200	160	169	174
Per share -basic and diluted	0.010	0.013	0.007	0.064	0.018	0.013	0.014	0.014

Growth through the TEGGL and IDC acquisitions completed in 2003 accounts for the increase in quarterly revenues compared to 2002. The decrease in net income from continuing operations for the 1st, 2nd and 3rd quarters of 2003 compared to the same quarters in 2002 is due to the Company changing its revenue recognition policy in 2003 with a retroactive restatement in 2002. The effect was a reduction of \$61,000 in revenue and net income from continuing operations for each quarter in 2003 and an increase of \$24,266 in revenue net income from continuing operations in each quarter in 2002. In addition amortization increased by 300% in 2003 compared to 2002 due to acquisitions.

4th Quarter

The increase in quarterly revenues and net income from continuing operations in the 4th quarter compared to previous quarters of 2003, is due to the IDC acquisition and the 4th quarter generally being the busiest of the year as the majority of oil and gas exploration occurs during the 4th and 1st quarters. Combined with this, the Company recognized a portion of the revenue it earned on the sale of a copy of its Canadian Log Library in connection with the divestiture of Riley's.

The 2003 future income tax recovery from continuing operations of \$345,500 was recorded as follows: Q1 - \$23,000; Q2 - \$39,000; Q3 - \$6,000; and Q4 - \$277,500.

Included in net income for the 4th quarter is income from discontinued operations of \$247,506. This is comprised of a loss from discontinued operations of \$249,150 and a gain on sale of discontinued operations of \$496,656, net of future income taxes of \$277,500.

Results of Operations

Services

The services segment is a new division for Divestco in 2003, which was identified to the Company through the acquisitions of TEGGL and IDC. Revenues earned by this segment in 2003 were \$4.7 million. This segment alone generated almost as much revenue as the whole Company did in 2002. Gross margin was \$0.2 million and amortization was \$0.5 million, creating an operating loss of \$0.3 million.

Data

The Company significantly increased the size of its Data segment through the IDC acquisition. Revenues for the segment were \$1.9 million and were generated from selling a copy of the Company's Canadian log library, and sales earned from the acquisition of a seismic data set which closed in February 2004. As part of the purchase agreement, the Company was entitled to sales of the seismic data from December 2003 to February 2004. Gross margin was \$0.8 million and amortization was \$0.2 million, bringing operating earnings to \$0.6 million.

Data is set to have a strong year in 2004 with the addition of a significant seismic data library. Interest shown thus far has been high. Divestco is also planning on making further seismic acquisitions through participation seismic surveys.

Software

Software, which was the original segment of the Company, generated revenue of \$5.1 million in 2003 compared to \$3.2 million in 2002, an increase of 60%. The growth of the segment's revenue came about through the release of new products, acquisition with IDC, (bringing with it the GeoCarta line), and an overall increase in activity levels in the oil and gas exploration and production industry. Gross margin was \$0.5 million compared to \$0.6 million in 2002, a decrease of 16% due to the increase in general and administrative expenses associated with the hiring of new staff and the addition of staff from IDC. Research and development expenses were \$0.7 versus \$0.4 million in 2002, an 86% increase as new products were developed and released in 2003 and other product lines were integrated. Amortization was \$0.7 million, a 47% increase from 2002, and interest was \$0.1 million, creating an operating loss of \$0.3 million. The segment had operating income of \$0.1 million in 2002, representing a 300% decrease from 2002 to 2003.

Brokerage

Revenues for 2003 were \$3.3 million compared to \$1.8 million in 2002, an increase of 87%. The increase is attributed to the Company showing a full year of brokerage revenue in 2003 as this segment was added to the Company in May 2002. Gross margin was \$120,889, compared to \$111,935 in 2002, an increase of 8%. Amortization was \$69,067, compared to \$44,375 in 2002, an increase of 56% due to the purchase of a licensed copy of a seismic database and software for \$0.2 million in 2003. Operating earnings were \$51,822 versus \$67,560 in 2002, the decrease attributed to the increase in amortization.

Amortization

The Company had increase of 194% in its amortization expense from 2002 to 2003. Amortization was \$1.5 million compared to \$0.5 million in 2002. The increase was due to the TEGGL acquisition in March, with the addition of \$0.6 million in property and equipment, and the acquisition with IDC in September, with the addition of \$14.3 million in databases, property, plant and equipment and intangible assets. The Company divested itself of its US operations in December, with the reduction of \$6.1 million in property, plant and equipment.

Interest

\$63,000 of interest for 2003 related to debentures issued by IDC prior the amalgamating with Divestco. The debentures were fully paid in November.

Income Taxes and Tax Pools

Management has estimated that the Company will generate sufficient taxable income in order to utilize a portion of the Company's tax pools. As a result the Company has recorded a \$1.0 million future income tax asset. The Company provided a valuation allowance of \$1.8 million against the total future income tax asset, as it is not considered more likely than not, that the remaining future tax asset will be recovered.

The Company has non-capital losses of approximately \$8,400,000, which are available to reduce taxable income in future periods. The losses were transferred to the Company as a result of the acquisition of IDC. If not utilized, these non-capital losses will begin to expire in 2005.

The Company files Scientific Research and Development ("SR&ED") claims on annual basis and has approximately \$490,000 of SR&ED expenses available to reduce future taxable income. In addition the Company also has approximately \$172,000 of unclaimed investment tax credits (ITC's) available to reduce income taxes payable in future years. If not utilized, these ITC's will begin to expire in 2005. The future tax benefit of the ITC's has been recognized in the Consolidated Financial Statements as the Company expects to utilize the ITC's before they expire.

Liquidity and Capital Resources

Divestco's expectations are that existing credit facilities and cash flows from operations are sufficient, in the short-term, to maintain the Company's current capacity. To ensure that there are sufficient credit facilities and cash flows from operations in the long-term, the Company is in the process of increasing in its operating line to accommodate the growth projected for 2004.

Product demand, foreign exchange rates, interest rates and various other risks may also impact the Company's liquidity. These risks have been partially mitigated through the adoption of policies as described in Note 20 to the Consolidated Financial Statements. As the Company's activity levels are closely tied to the oil and gas exploration and production industry, the Company is exposed to all of the risks of that industry.

Funds held in trust relate to the sale of Riley's. \$600,000 US is being held in escrow pending the conditions of the escrow agreement being fulfilled, which at the latest would be the December 5, 2004. The amounts held in escrow are to be used to secure the Company's indemnification obligations under the Riley's Share Transfer and Data Licenses Agreement.

The Company's cash flow from continuing operations for 2003 was \$1.6 million compared to \$0.7 in 2002, an increase of 135%. As at December 31, 2003, the Company has working capital of \$2.2 million compared to a working capital deficiency of \$0.3 million as the same time last year. The increase was due to the growth of the Company through the TEGGL and IDC acquisitions and the inclusion of a full year of operations of companies acquired in 2002.

The Company has available to it, a \$1.1 million revolving credit facility through a Chartered Bank, bearing interest at bank prime plus 1.5%. The aggregate borrowing under this facility cannot exceed 75% of the Company's accounts receivable balance. The facility is secured by a general

security agreement covering all of Divestco's personal and real property. As at December 31, 2003, \$140,000 was drawn on this facility.

As at December 31, 2003, the Company had an unsecured, non-interest-bearing loan in the amount of \$8,713 assumed through the TEGGL acquisition. The loan was repayable in monthly payments of \$2,824 and an additional payment of \$619 upon maturity. The loan was fully repaid in January 2004.

In March 2003, the Company issued \$299,000 in promissory notes in conjunction with the acquisition of TEGGL. The notes bear interest at 8% per annum and are repayable in quarterly, blended payments of \$20,027. The notes mature on May 31, 2007.

In September 2003, a wholly-owned subsidiary of the Company completed a private placement, of which a portion of the proceeds were used to settle \$3.0 million of promissory notes issued by IDC to a former director of that company prior to the acquisition by Divestco. The notes bore interest at rates of 8% to 12% per annum.

In November 2003, the Company settled \$0.9 million in debentures issued by IDC immediately prior amalgamating with Divestco.

Subsequent to the year ended December 31, 2003, the Company secured \$4.3 million in debentures, bearing interest at 12% per annum and subject to a 2.5% set-up fee. \$4.0 million of the debentures were issued to directors of the Company. Payments the Company receives in connection with sale of a copy of its Canadian log database have been assigned to the debenture holders. The debentures are secured by a general security agreement covering all of Divestco's personal property and mature on December 30, 2004. The proceeds were used to assist in financing the purchase of seismic data from a major oil and gas producer.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares. As at December 31, 2003, there were 25.4 million common shares outstanding compared to 12.6 and 10.4 million at the end of 2002 and 2001, respectively. Employees and directors have been issued options to purchase Common shares. These plans and their terms and outstanding balances are disclosed in detail in Note 15 to the Consolidated Financial Statements.

On February 1, 2004 the Company initiated an employee share ownership plan whereby each employee may elect to contribute up to 25% of their regular salary towards the savings plan. The Company will match 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 Venture Exchange.

Commitments and Contingencies

Commitments

The Company has entered into various commitments primarily related to debt, building and equipment leases and multiyear data licenses. The following table is a summary of the Company's contractual obligations as at December 31, 2003:

	Expected payment date					
	2004	2005	2006	2007	2008	Total
Contractual Obligations						
Long-term Debt	\$ 70,182	\$ 84,175	\$ 82,229	\$ 4,590	\$ -	\$ 241,176
Capital lease obligations	73,840	-	-	-	-	73,840
Operating leases ⁽¹⁾	1,462,790	1,528,081	1,435,791	949,196	505,925	5,881,783
Total Contractual Obligations	\$ 1,606,812	\$ 1,612,256	\$ 1,518,020	\$ 953,786	\$ 505,925	\$ 6,196,799

⁽¹⁾ Office space, computer and automobile leases and data licenses, net of office space subleases

Contingencies

As a result of the acquisition of the TEGGL, the Company assumed a claim filed against the Company by a former employee. In management's opinion, the claim is not determinable at this time so no estimate of loss has been made. However, should any loss result from the resolution of this claim, such loss would be accounted for in the period in which such a resolution occurs.

As a result of the amalgamation with IDC, the Company assumed a claim filed by a vendor in the amount of \$126,000. In a separate action, the Company has claimed \$610,000 in damages from the vendor for services rendered by IDC. The Company has agreed to settle the assumed claim and has accrued for this amount in the year. It is management's opinion, the Company will recover the full amount it has claimed from the vendor.

Related Party Transactions

In 2003, Divestco earned \$134,770 revenue from a company with directors that are also directors of Divestco. The revenue earned consisted of subleasing office space and data loading.

In 2003, Divestco purchased capital assets of \$255,000 in exchange for 204,149 common shares from a company controlled by a director of Divestco. The transaction was measured at the exchange amount as the fair values of the assets acquired were supported by independent evidence. The assets purchased consisted of office furniture and equipment and a licensed copy of a seismic database and software.

In 2003, of the common shares issued for cash, 193,942 common shares were issued to officers and directors of the Company for gross proceeds of \$242,250.

All related party transactions in the normal course of operations 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.

Accounting Policies and Estimates

The Company prepares its Consolidated Financial Statements in accordance with Generally Accepted Accounting Principles in Canada and makes estimates and judgements that can have a significant effect on the financial position and results of operations of the Company.

The following critical accounting policies affect the Company's more significant estimates and assumptions used in preparing its Consolidated Financial Statements:

Business Combinations

A value of \$1.20 was assigned to the Excalibur-Gemini Group Ltd. acquisition. A 15% block discount was then applied. Therefore, the deemed issued price was \$1.04. Significant components of the excess of the purchase price were allocated as follows: \$1.1 million to intangibles assets consisting of management contracts and customer lists, and \$1.3 million to goodwill. If it is determined that the fair value of the assets and liabilities of the business segment is less than book value of the business segment at the time of assessment, an impairment amount is determined by deducting the fair value from book value and applying it to the book balance of goodwill. The offset is charged to the consolidated income statement.

A value of \$1.00 was assigned to International Datashare Corporation acquisition. The conversion rates used on the amalgamation of Divestco and IDC were as follows: each Divestco share was exchanged for 1.2008767 shares in the new Divestco and each IDC share was converted for 0.5012 shares in the new Divestco. Significant components of the excess of the purchase price were allocated as follows: \$10.3 million to the log libraries and \$1.6 million to intangible assets consisting of proprietary software and an on-line well log retrieval system. No goodwill was recorded on the transaction as the excess of the purchase price was allocated to the log libraries and other intangibles.

Investment in Affiliated Company

As the Company has no significant influence over the investing, operating and strategic decision-making process in SDLS Inc., the investment has been accounted for using the equity basis. An equity loss of \$12,704 has been recorded in the 2003 Consolidated Financial Statements. Management believes the carrying value of the investment is at least equal to the fair value, therefore no impairment was recorded in 2003.

Brokerage revenue

Brokerage revenue is recorded on a net basis where revenue is the commission earned on brokerage sales. The policy was adopted in accordance with the Emerging Issues Committee ("EIC") abstract 123 - Reporting Revenue Gross as Principal Versus Net as Agent.

Discontinued Operations

The disposition of Riley's has been treated as discontinued operations as both conditions as set out in CICA Handbook section 3475.27 were met. As part of the disposition, the Company received a 10-year license to access and resell Riley's US logs. The purchase sale agreement did not attach a specific dollar value to the license. Management assigned a value of \$750,000 to the license based on discounted cash flows the Company expects to generate from the license.

Change in the Company's Revenue Recognition Policy

In 2003, the Company changed its accounting policy for recognizing revenue earned from licensing software products to a straight-line method, whereby the Company recognizes revenue earned from licensing software products rateably over the term of the license. Previously, the Company recognized the revenue at the date of sale. If future services were to be performed based on the license sales, the Company deferred a percentage of revenue based on the services that were to be provided. The deferred revenue was recognized rateably over the service term.

The change was made in response to the release of EIC 141 - Revenue Recognition in December 2003. Based on the way in which the Company is selling its software products, it was determined that a service was being provided over a period of time and that the earnings process was not complete at the date of delivery according to EIC 141. In addition, the straight-line method is being used by a majority of the Company's peers. Management felt that in order for the Company's financial statements to be comparable to its peers, its revenue recognition policy had to change.

The Consolidated Financial Statements of the prior year have been restated to reflect the change in accounting policy, described in detail in Note 24 of the Consolidated Financial Statements.

Stock Based Compensation

In 2003, the Company early-adopted the fair value recognition for stock based compensation as required by the CICA accounting standard Handbook section 3870, "Stock-Based Compensation and Other Stock-Based Payments". This standard requires an option pricing model be used to determine the fair value of each option granted and the amount recognized over the vesting period of the option. Previously, the Company used the fair value method to account for such compensation but chose to disclose pro-forma information for options granted after January 1, 2002, which resulted in no expense being recognized in the Company's financial results. As a result of early-adopting, the Company can implement the new standard prospectively. The impact on the Company's 2003 net earnings has been disclosed in Note 19 of the Consolidated Financial Statements.

Changes in accounting estimates

In 2003, the Company changed its estimated useful life of its data sets from 6 to 10 years as certain sections of the data sets are more than 40 years old and are still being used by the Company's customers. By its nature, this type of data remains fairly stagnant over time.

The Company also changed its estimate of the expected benefit of the software code from 6 to 10 years, as the code has remained virtually unchanged since being developed. The Company's software is vital to its existence as such, management feels the useful life is beyond 6 years.

These revisions have been treated as a change in accounting estimates and have been applied prospectively commencing in the 4th quarter of 2003.

Copies of Divestco's other disclosure documents can be viewed at www.sedar.com