

M a n a g e m e n t ' s R e s p o n a b i l i t y f o r t h e f i n a n c i a l s t a t e m e n t s

To the Shareholders of Divestco Inc.

The accompanying Consolidated Financial Statements and all information in the Annual Report are the responsibility of management. The Consolidated Financial Statements have been prepared by management in accordance with the accounting policies in the notes to the financial statements. When necessary, management has made informed judgments and estimates in accounting for transactions, which were not complete at the balance sheet date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality, and are in accordance with Canadian generally accepted accounting principles ("GAAP") appropriate in the circumstances. The financial information elsewhere in the Annual Report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management has prepared Management's Discussion and Analysis ("MD&A"). The MD&A is based upon the Corporation's financial results prepared in accordance with Canadian GAAP. The MD&A compares the audited financial results for the twelve months ended December 31, 2004 to December 31, 2003.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded, and financial records properly maintained to provide reliable information for the preparation of the financial statements.

BDO Dunwoody LLP, an independent firm of Chartered Accountants, was engaged, as approved by a vote of shareholders at the Corporation's most recent annual general and special meeting, to audit the Consolidated Financial Statements in accordance with generally accepted auditing standards in Canada and provide an independent professional opinion.

The Audit Committee of the Board of Directors, which is comprised of three directors who are not employees of the Corporation, has discussed the Consolidated Financial Statements, including the notes thereto, with management and the external auditors. The Consolidated Financial Statements have been approved by the Board of Directors on the recommendation of the Audit Committee.



Stephen Popadynetz
Chief Executive Officer



Roderick Chisholm, MBA
Chief Financial Officer

April 6, 2005
Calgary, Alberta

A u d i t o r ' s R e p o r t

To the Shareholders of Divestco Inc.

To the Shareholders of
Divestco Inc.

We have audited the consolidated balance sheets of Divestco Inc. at December 31, 2004 and 2003 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted 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 for the Company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

March 4, 2005 (except Note 22(c) dated March 20, 2005)
Calgary, Alberta

Divestco Inc. Consolidated Balance Sheets

Assets	Dec 31, 2004	Dec 31, 2003
Current Assets		
Cash	\$ -	\$ 2,125,381
Cash - funds held in trust	-	787,500
Accounts Receivable (Note 12)	13,980,429	9,033,308
Prepaid expenses, supplies and deposits	337,195	322,263
Investment tax credits recoverable (Note 14(a))	500,000	1,020,129
	14,817,624	13,288,581
Long-term accounts receivable	312,462	-
Future income taxes (Note 14(c))	2,317,129	906,752
Investment in affiliated company (Note 5)	84,875	54,293
Data libraries (Note 6)	15,336,430	5,646,651
Property and equipment (Note 7)	2,932,066	2,354,337
Deferred development costs (Note 8)	1,151,221	-
Intangibles (Note 9)	2,652,469	4,654,226
Goodwill (Note 10)	1,949,387	1,949,387
	\$ 41,553,663	\$ 28,854,227
Liabilities and Shareholders' Equity		
Current Liabilities		
Bank indebtedness (Note 11)	\$ 2,320,593	\$ 140,000
Accounts payable and accrued liabilities (Note 12)	10,197,523	8,104,346
Deferred revenue	4,565,169	1,662,865
Current portion of long-term debt obligations (Note 13)	727,132	141,428
	17,810,417	10,048,639
Deferred revenue	736,623	-
Long-term debt obligations (Note 13)	648,091	171,534
	19,195,131	10,220,173
Shareholders' Equity		
Equity instruments (Note 15)	18,126,725	18,475,890
Contributed surplus (Note 19)	313,764	96,592
Retained earnings	3,918,043	61,572
	22,358,532	18,634,054
Commitments (Note 17)		
	\$ 41,553,663	\$ 28,854,227

The accompanying notes are an integral part of these consolidated financial statements

On behalf of the Board:



John Brussa, Chairman of the Board



Stephen Popadynetz, Director

Divestco Inc. Consolidated Statements of Income and Retained Earnings

For the year ended December 31	2004	2003
Revenue	\$ 25,911,674	\$ 15,042,564
Operating Expenses		
Salaries and benefits	13,103,268	8,369,771
General and administrative	5,642,946	4,158,210
Research and development	203,006	721,434
Stock compensation expense (Note 19)	217,172	96,592
	<u>19,166,392</u>	<u>13,346,007</u>
Earnings before interest, taxes and amortization	6,745,282	1,696,557
Interest Expense	370,627	70,305
Amortization	2,854,658	1,472,956
Operating income from continuing operations	3,519,997	153,296
Other income (loss)		
Foreign exchange gain (loss)	126,480	(11,237)
Equity investment gain (loss)	17,654	(12,704)
	<u>144,134</u>	<u>(23,941)</u>
Income before income taxes from continuing operations	3,664,131	129,355
Income taxes (recovery), from continuing operations (Note 14 (b))		
Current	-	3,229
Future	(283,408)	(345,500)
	<u>(283,408)</u>	<u>(342,271)</u>
Income from continuing operations	3,947,539	471,626
Loss from discontinued operations (Note 4)	-	(249,150)
Gain on sale from discontinued operations (Note 4)	-	496,656
	<u>-</u>	<u>247,506</u>
Income from discontinued operations	3,947,539	719,132
Net income for the year	61,572	(347,776)
Retained earnings (deficit), beginning of year	-	(309,784)
Adjustment for change in accounting policy (Note 23(a))	61,572	(657,560)
As restated	91,068	-
Purchase price of common shares repurchased in excess of book value (Note 15(e))	-	-
Retained earnings, end of year	\$ 3,918,043	\$ 61,572
Earnings per share - basic from continuing operations ⁽¹⁾	\$ 0.156	\$ 0.027
Earnings per share - basic and diluted ⁽¹⁾	\$ 0.156	\$ 0.042
⁽¹⁾ Diluted earnings are not materially different		
Weighted average number of shares	25,308,266	17,228,894

The accompanying notes are an integral part of these consolidated financial statements

Divestco Inc. Consolidated Statements of Cash Flows

For the year ended December 31	2004	2003
Cash Flows from operating activities		
Net income from continuing operations	\$ 3,947,539	\$ 471,626
Adjustment for:		
Equity investment loss (income)	(17,654)	12,704
Amortization of property and equipment	2,854,658	1,472,956
Amortization of deferred development costs	66,006	-
Future income tax recovery	(283,408)	(345,500)
Unrealized foreign exchange gain	(221,204)	(58,148)
Non-cash revenue (Note 2(g))	(318,340)	-
Stock compensation expense	217,172	96,592
	6,244,769	1,650,230
Net income from discontinued operations	-	247,506
Adjustment for:		
Gain on sale of discontinued operations	-	(496,656)
Amortization of property and equipment	-	153,559
Unrealized foreign exchange loss	-	74,697
Funds from discontinued operations	-	(20,894)
Funds flow from operations	6,244,769	1,629,336
Changes in non-cash working capital balances (Note 16)	335,550	(2,697,961)
Decrease (increase) in long-term accounts receivable	(312,462)	-
Increase (decrease) in non-current deferred revenue	736,623	-
	7,004,480	(1,068,625)
Cash flows from financing activities		
Bank indebtedness	1,909,513	(413,277)
Advance to affiliated company	(12,927)	(10,833)
Repayment of debentures	(4,250,000)	(857,000)
Repayment of non-revolving demand loan	(2,562,316)	-
Repayment of long term debt obligations	(249,557)	(5,166,915)
Proceeds received from issuance of debentures	4,250,000	-
Proceeds received from non-revolving demand loan	3,054,600	-
Proceeds received from long term debt obligations	1,197,125	-
Issue of common shares, net of related expenses	(22,101)	4,272,331
Repurchase of common shares (Note 15(e))	(418,132)	-
	2,896,205	(2,175,694)
Cash flows from investing activities		
Purchase of property and equipment	(10,725,288)	(177,768)
Deferred development costs	(1,217,227)	-
Acquisition of Excalibur-Gemini Group Ltd. (Note 3(a))	-	(1,331,673)
Acquisition of International Datashare Corp. (Note 3(b))	-	(74,581)
Acquisition of Westcan Oilmaps (1993) Ltd. (Note 3(c))	(83,551)	-
Cash flows from continuing investing activities	(12,026,066)	(1,584,022)
Proceeds from sale of discontinued operations	-	6,210,817
Purchase of property and equipment	-	(11,710)
Cash flows from discontinued investing activities	-	6,199,107
	(12,026,066)	4,615,085
Increase (decrease) in cash	(2,125,381)	1,370,766
Cash, beginning of year	2,125,381	754,615
Cash, end of year	\$ -	\$ 2,125,381

The accompanying notes are an integral part of these consolidated financial statements

Divestco Inc. Notes to Consolidated Financial Statements

DECEMBER 31, 2004

1) Nature of Operations

Divestco Inc. (the "Company"), formerly Divestco.com Inc., was incorporated on March 17, 2000 under the Business Corporations Act of Alberta. On September 23, 2003, Divestco.com Inc. amalgamated with its wholly owned subsidiary 1059778 Alberta Ltd. and International Datashare Corporation ("IDC"), a publicly traded company (Note 3(b)). Each common share of Divestco.com Inc and 1059778 Alberta Ltd. exchanged for 1.2008767 shares of the newly amalgamated company. Each common share of IDC was exchanged for 0.501225 shares of the newly amalgamated company. The name of the newly amalgamated company was changed to Divestco Inc. On September 29, 2003, the Company's common voting shares commenced trading on the TSX Venture Exchange under the symbol DVT.

The Company provides software and web-based data retrieval services to companies primarily in the oil and gas industry. In addition, the Company specializes in oil and gas mapping, map auditing, and seismic data brokerage and interpretation services. The Company continues to expand its library of seismic data through its participation in seismic survey programs.

2) Significant Accounting Policies

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

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 upon consolidation.

B Data Libraries

The costs associated with purchasing or creating the seismic data library are 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. 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.

B Data Libraries - Continued

The costs associated with purchasing or creating the log library, reference library, data sets and map library are recorded at cost less accumulated amortization.

Amortization is provided for as follows:

	Amortization Method	Rate
Seismic data library	Straight-line	6 to 10 years
Log library	Straight-line	20 years
Reference library	Declining balance	20%
Data sets	Straight-line	10 years
Map library	Straight-line	15 years

The Company records one half year's worth of amortization in the year of acquisition with the exception of the seismic data library.

The Corporation reviews, at least annually, the carrying value of its data libraries to assess whether 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.

C 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. Changes in management's estimates are recognized in the current and future periods. In 2003, the Company changed its estimated useful life of the data sets from 6 to 10 years as certain parts of the data sets are more than 40 years old and are still being licensed by the Company's customers.

D Investment in affiliated company

The Company owns 36.11% of the common shares of SDLS Inc. ("SDLS"), which is a private company. The Company uses the equity method of accounting to account for this investment in SDLS. The carrying value of the investment is periodically reviewed to ensure that there is no permanent impairment.

E Cash and cash equivalents

Cash consists of cash on hand, bank balances (including temporary bank overdrafts), term deposits and investments with maturities of three months or less.

F Participation in joint ventures

Certain of the Corporation's seismic data acquisition activities are conducted jointly with others. These consolidated financial statements reflect only the Corporation's proportionate interest in such activities.

G Revenue recognition and deferred revenue

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

- (i) sales of software and software licenses, including maintenance and support;
- (ii) raster and log data sales;
- (iii) seismic brokerage commissions;
- (iv) sales of licenses and individual line sales of the Company's seismic data library; and
- (v) other oil and gas technical services including: seismic survey audit, information management, custom mapping, archiving, imaging and geophysical/geological services.

- (i) Revenue for contracts with multiple obligations (e.g. 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 obligations. Revenue earned from the sale of perpetual software licenses 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. Software licenses, including maintenance and support, are sold on a monthly, quarterly and annual basis. Revenue from this source is recognized rateably over the term of the licence.

G Revenue recognition and deferred revenue - Continued

- (ii) Raster and log data sales are recognized when the file containing the images is delivered to the customer. The Company also sells copies of its entire log library. In these cases, the Company recognizes revenues on the sale on a percentage of completion basis as the data may require reworking. The revenue recognized is determined based on the total contract value and the percentage of the contract completed to the end of the reporting period. If a loss on contract is probable, the loss will be recognized at the date of determination.
- (iii) Revenue with respect to the brokerage division represents brokerage commissions earned from selling goods on half 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) Perpetual license and individual line sales of the Company's seismic data library are recognized at the date the customer receives the data.
- (v) Revenue with respect to providing seismic survey audit, information management, custom mapping, imaging and geophysical/geological services, is recognized under the completed contract method such that revenue is recognized only when the rendering of services under a contract is completed or substantially completed as performance does not consist of the execution of more than one act. Therefore the percentage of completion method is not appropriate. Archiving revenue is recognized rateably over the term of the service provided.

The Company enters into sales agreements with certain customers from whom the Company acquires goods and services. In these instances, the Company recognizes revenue on products sold in accordance with the Canadian Institute of Chartered Accountants' Handbook ("CICA") section 3830, "Non-Monetary Transactions". Transactions involving the exchange of monetary consideration representing 10% or greater of the fair value of the arrangement are considered to be monetary transactions. Monetary transactions and non-monetary transactions that represent the culmination of an earnings process are recorded at the fair value of the products delivered or products and services received, whichever is more readily determinable within reasonable limits. For non-monetary arrangements that do not represent the culmination of the earnings process, the exchange is recorded based on the carrying value of the products delivered, generally zero.

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.

H Financial Instruments

The Company's assets and liabilities include various financial instruments. The fair market values of these financial instruments approximate their carrying values.

I Future income taxes

The 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 bases of assets and liabilities, and 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.

J Stock-based compensation plan

The Company has established a stock option 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 upon the date of grant (the “grant date”), one-third following the first anniversary of the grant date, and the remaining one-third following the second anniversary of the grant date.

Effective January 1, 2002, the Company adopted the recommendations of the CICA Handbook Section 3870, “Stock-based compensation and other stock-based payments”. This section required that direct awards of stock and liabilities based on the price of common stock be measured at fair value at each reporting date, with the change in fair value reported in the statements of income and encouraged, but did not require, the use of the fair value method for all other types of stock based compensation plans. None of the Company's plans qualify as direct awards of stock or as plans that create liabilities based on the price of the company's stock, and as a result, the implementation of the section had no impact on the consolidated financial statements. The Company chose not to use the fair value method to account for stock based employee compensation plans, but to disclose pro forma information for options granted after January 1, 2002. The Company recorded no compensation expense when options were issued to employees. Any consideration paid by employees on the exercise of the options is credited to capital stock.

In September 2003, the CICA issued an amendment to Section 3870, “Stock-based compensation and other stock-based payments”. The amended section is effective for fiscal years beginning on or after January 1, 2004. The amendment requires that companies measure all stock-based payments using the fair value method of accounting and recognize the compensation expense in their financial statements. The Company has implemented this amended standard in 2003 in accordance with the early adoption provisions of the standard. Per the transitional provisions, compensation expense has been calculated and recorded in the statement of income for only those options issued on or after January 1, 2003 (Note 19).

K Employee Share Ownership Plan

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. Included in general and administrative expenses is \$95,694 (2003 - \$ Nil) related to this plan.

L Goodwill

Goodwill, which represents the excess of purchase price over fair value of net assets received, is assessed at least annually for impairment. To assess impairment, the fair value of the reporting unit is determined and compared to the book value of the reporting unit. If the fair value is less than the book value, then a second test is performed to determine the amount of the impairment. The amount of the impairment is first determined by deducting the fair value of the reporting unit's assets and liabilities from the fair value of the reporting unit to determine the implied fair value of goodwill and then comparing that amount to the book value of the reporting unit's goodwill. Any excess of the book value of goodwill over the implied fair value of goodwill is the impaired amount. Goodwill is not amortized.

M Treasury stock method

The Company adopted the treasury stock method of reporting earnings per share amounts. Basic earnings per common share are computed by dividing earnings from operations by the weighted average number of common shares outstanding for the year. Diluted 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.

N 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 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, and 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 to net income in the period the determination is made. The effect on the financial statements could be significant.

O Research and development

Research and development costs are charged to net income in the period in which they are incurred, except for significant development costs meeting Canadian generally accepted criteria for deferral (Note 8).

Deferred development costs are charged to earnings in the period they are incurred unless they meet the criteria for deferral under CICA accounting standard Handbook Section 3450, "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.

P Intangible assets

Intangible assets are recorded at cost less accumulated amortization. Amortization is provided for as follows:

	Amortization Methods	Rate
Customer lists	Straight-line	6 years
Non-compete agreements	Straight-line	Term of agreement
Patents and trademarks	Straight-line	Life of patent/trademark
Proprietary software	Declining balance	50%
Software code	Straight-line	10 years
Well log retrieval system	Straight-line	10 years
Well log license agreement	Straight-line	10 years

In 2003, the Company 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.

Q 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; and
- (iv) gains and losses on translation of current monetary assets and liabilities are included in income.

R Use of estimates

The preparation of financial statements requires management to make estimates based on currently available information. In particular, management makes estimates of profitability and other relevant assumptions for the amounts recorded for the amortization of data libraries, property and equipment and the valuation of intangible assets. 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 financial statements resulting from a revision in estimates, if any, will be accounted for prospectively.

3) Business Combinations

A The Company entered into an agreement on March 14, 2003, whereby it agreed to purchase 100% of the shares of The Excalibur Gemini Group Ltd. ("TEGGL"). The acquisition of TEGGL was accounted for by the purchase method, with the Company being the deemed acquirer, based on the fair values of the assets or liabilities acquired, as follows:

	Book Value	Fair Value
Cash	\$ 58,412	\$ 58,412
Other current assets	1,106,249	1,106,249
Bank indebtedness	(553,277)	(553,277)
Current Liabilities	(236,341)	(236,341)
Working capital	375,043	375,043
Property and equipment	695,343	695,343
Intangible assets	-	1,064,757
Goodwill	-	1,286,370
Long-term debt	(47,003)	(47,003)
Capital leases	(169,479)	(169,479)
Future income taxes	-	79,000
Net assets acquired	<u>\$ 853,904</u>	<u>\$ 3,284,031</u>
Purchase Price		
- value attributed to 1,655,850 common shares issued ⁽¹⁾		\$ 1,764,951
- assumption of shareholders loans		(170,084)
- cash		1,390,085
- promissory notes (Note 13(b))		299,079
		<u>\$ 3,284,031</u>

⁽¹⁾ A block discount of 15% was applied to the shares issued in this transaction.

3) Business Combinations - Continued

B On September 23, 2003, the Company amalgamated with IDC. The transaction was accounted for by the purchase method, with the Company being the deemed acquirer, based on the fair values of the assets or liabilities acquired, as follows:

	Book Value	Fair Value
Cash	\$ 376,351	\$ 376,351
Other current assets	976,264	976,264
Current liabilities	(2,422,296)	(2,422,296)
Due to previous directors	(4,465,422)	(4,465,422)
Working capital deficiency	(5,535,103)	(5,535,103)
Property, plant and equipment	2,393,218	2,393,218
Databases	5,562,500	10,287,073
Intangible assets	1,119,004	1,550,000
Goodwill	445,190	-
Deferred revenue	(618,969)	(618,969)
Long-term debt	(568,287)	(568,287)
Deferred gain	(90,875)	-
Debentures	(875,000)	(857,000)
Future income tax asset (liability)	(1,321,820)	1,300,000
Net assets acquired	<u>\$ 527,858</u>	<u>\$ 7,950,932</u>
Purchase price		\$ 7,500,000
-Value attributed to 7,500,000 common shares issued		450,932
-Assumption of shareholder loans		\$ 7,950,932

C The Company entered into an agreement on September 20, 2004, whereby it agreed to purchase 100% of the shares of Westcan Oilmaps (1993) Ltd ("Westcan"). The acquisition of Westcan was accounted for by the purchase method, with the Company being the deemed acquirer, based on the fair values of the assets or liabilities acquired, as follows:

	Book Value	Fair Value
Cash	\$ 80,203	\$ 80,203
Other current assets	55,959	55,959
Current liabilities	(13,286)	(13,286)
Working capital	122,876	122,876
Property and equipment	16,510	16,510
Map databases	-	239,061
Net assets acquired	<u>\$ 139,386</u>	<u>\$ 378,447</u>
Purchase price		
- cash		\$ 150,000
- deferred consideration ⁽¹⁾		100,000
- promissory notes (Note 13(b))		114,693
- acquisition costs		13,754
		<u>\$ 378,447</u>

⁽¹⁾ The Company is committed to issue deferred consideration for the acquisition of Westcan of up to 100,000 common shares of the Company or \$100,000 in cash, at the option of the Company. The consideration has been accrued and is payable on a future date upon the seller's provision of additional documents contemplated by the acquisition agreement.

4) Discontinued Operations

On December 5, 2003, the Company sold 100% of its U.S., wholly owned subsidiary, Riley Electric Log Inc. ("Riley"), to an arm's-length party (the "purchaser"). Proceeds on the sale of the shares were U.S. \$6,000,000. As a result of the transaction, the Company paid out a U.S. \$1,800,000 royalty⁽¹⁾ at the time the transaction closed.

The carrying value of the assets and liabilities disposed of are as follows:

	\$ US	\$ CDN
Cash	\$ 18,924	\$ 24,838
Other current assets	214,654	281,734
Current liabilities	(317,640)	(416,903)
Logs	3,749,361	4,921,036
Intangibles	182,523	239,561
Property, plant and equipment	765,143	1,004,250
Long-term debt	(419,834)	(551,032)
Deferred revenue	(31,989)	(41,986)
	<u>\$ 4,161,142</u>	<u>\$ 5,461,498</u>
Proceeds on sale of disposition		
Gross share proceeds	\$ 6,000,000	\$ 7,875,000
Royalty ⁽¹⁾	(1,800,000)	(2,362,500)
Proceeds net of royalty	4,200,000	5,512,500
Log Line License ⁽²⁾	571,429	750,000
Disposition costs	(20,453)	(26,846)
Net proceeds ⁽³⁾	<u>4,750,976</u>	<u>6,235,654</u>
Gain on sale of discontinued operations, before income taxes	<u>\$ 589,834</u>	<u>\$ 774,156</u>

⁽¹⁾ The royalty agreement was with former shareholders of Riley, entitling the shareholders to a royalty in the event the shares were resold or certain earnings targets were achieved

⁽²⁾ The Company, as part of the disposition agreement, was granted a non-exclusive, 10-year license to the purchaser's US Log Library. The value of the license has been calculated by discounting the Company's expected future cash flows over the term of the license

⁽³⁾ \$650,000 US was paid on March 1, 2004. \$600,000 US is being held in escrow and will be released in November 2004

Selected earnings information related to the discontinued operation is as follows:

	2003
Revenue	\$ 494,084
Amortization	153,599
Interest expense	15,111
Salaries and benefits	294,054
General and administrative expenses	204,813

5) Investments in and Advances to an Affiliated Company

In 2002, the Company acquired 36.11% of the common shares of SDLS Inc. ("SDLS"), a private company, for \$1. The Company made advances in 2004 of \$12,927 (2003 - \$10,833). The investment has been accounted for using the equity basis as disclosed in Note 2(d). The Company's pro-rata share of the income (loss) of SDLS Inc. for the year is \$17,654 (2003 - (\$12,704)) The fair value of the balances due from SDLS and the investment in SDLS is currently not determinable as the company is in the development stage. It is management's opinion that the carrying value of the investment at December 31, 2004 and 2003 reflects amounts less than the expected net recoverable amount from the investment.

6) Data Libraries

	Cost	2004 Accumulated Amortization	Cost	2003 Accumulated Amortization
Seismic data library	\$ 9,271,436	\$ 648,409	\$ -	\$ -
Data sets	438,288	230,701	438,288	186,872
Log library	5,170,728	450,352	5,170,728	135,278
Reference library	444,630	156,802	444,630	84,845
Map library	239,061	7,969	-	-
Advances on betterment ⁽¹⁾	1,266,520	-	-	-
	<u>\$ 16,830,663</u>	<u>\$ 1,494,233</u>	<u>\$ 6,053,646</u>	<u>\$ 406,995</u>
Net book value		\$ 15,336,430		\$ 5,646,651

⁽¹⁾ In 2004, the Company entered into an agreement to reprocess a certain portion of its seismic data library under which the Company and an unrelated third party are sharing the total cost. The Company's portion has been paid in the form of non-monetary consideration. As the reprocessing been determined to be a betterment, the costs have be capitalized. Management expects the project to be completed by the end of 2005.

7) Property and Equipment

	Cost	2004 Accumulated Amortization	Cost	2003 Accumulated Amortization
Computer hardware and software	\$ 2,527,825	\$ 1,204,243	\$ 1,956,648	\$ 683,685
Office furniture and equipment	1,113,094	430,026	1,190,368	228,763
Leasehold improvements	218,859	103,866	127,177	57,634
Assets under capital lease	963,716	153,293	66,590	16,364
	<u>\$ 4,823,494</u>	<u>\$ 1,891,428</u>	<u>\$ 3,340,783</u>	<u>\$ 986,446</u>
Net book value		\$ 2,932,066		\$ 2,354,337

8) Deferred Development Costs

During 2004, the Company deferred \$1,217,227 of costs related to the development of new software product lines and significant enhancements to existing product lines. During 2003 no development costs were deferred as no project met the criteria for deferral. The Company recorded \$66,006 of amortization in 2004, which is included in Research and Development expense on the Consolidated Statements of Income and Retained Earnings. The Company expensed \$277,000 of development costs in the first quarter since no project met the criteria for deferral.

9) Intangibles

	Cost	2004 Accumulated Amortization	Cost	2003 Accumulated Amortization
Customer lists	\$ 1,064,758	\$ 437,820	\$ 1,064,757	\$ 260,360
Non-competition agreements	254,600	254,600	254,600	132,999
Patents and trademarks	4,113	179	-	-
Proprietary software and code	2,180,761	777,414	3,655,761	743,908
Well log retrieval system	-	-	75,000	1,875
Well logs license agreement	750,000	131,750	750,000	6,750
	<u>\$ 4,254,232</u>	<u>\$ 1,601,763</u>	<u>\$ 5,800,118</u>	<u>\$ 1,145,892</u>
Net book value		\$ 2,652,469		\$ 4,654,226

10) Goodwill

	Cost	2004 Accumulated Amortization	Cost	2003 Accumulated Amortization
Goodwill	\$ 2,111,226	\$ 161,839	\$ 2,111,226	\$ 161,839
Net book value		\$ 1,949,387		\$ 1,949,387

11) Bank Indebtedness

	2004	2003
Revolving demand loan (a)	\$ 2,049,513	\$ 140,000
Non-revolving demand loan (b)	271,080	-
	<u>\$ 2,320,593</u>	<u>\$ 140,000</u>

11) Bank Indebtedness - Continued

A The Company obtained new credit facilities in 2004. The first new facility is a revolving demand loan bearing interest at bank prime plus 0.75%, with a maximum credit available of \$3,000,000. As at December 31, 2004, \$2,167,142 was drawn on this facility with an effective rate of 5.0%. In 2003 the Company had a revolving demand loan bearing interest at bank prime plus 1.5%, with a maximum credit available of \$1,100,000. The second new facility is a corporate credit card facility reserved for senior management with a maximum available credit of \$150,000. As at December 31, 2004, \$5,375 was drawn on this facility. The Company did not have a credit card facility in 2003.

B The Company also obtained a U.S. \$2,250,000 non-revolving demand loan, bearing interest at bank prime plus 1.25%. As at December 31, 2004 the Company had \$271,080 (U.S. \$225,000) drawn on this facility with an effective rate of 6.5%. The Company used the funds to repay the debentures issued in February 2004 (Note 18(f)). Principal payments on the loan coincide with payments the Company is receiving from the licensing of its log library. Principal payments of U.S. \$675,000 each were made on June 30 and September 30, 2004, U.S. \$600,000 on December 8, 2004, and U.S. \$75,000 on December 31, 2004. Principal payments of U.S. \$75,000 each will be made on March 31, June 30, and September 30, 2005.

The facilities are secured by a general security agreement creating a first priority security interest in all present and after acquired personal property of the Company and a floating charge over all of the Company's present and after acquired real property. The facilities are subject to the Company meeting certain debt covenants. As at December 31, 2004, the Company was in violation of its working capital ratio covenant. The Company's bank has provided it with forbearance of the covenant breach as at December 31, 2004. Bank indebtedness includes cheques written in excess of amounts on deposit.

12) Accounts Receivable and Accounts Payable and Accrued Liabilities

Included in accounts receivable is \$5,728,611 (2003 - \$4,659,228) in brokerage receivables. Included in accounts payable and accrued liabilities is \$8,033,122 (2003 - \$6,456,474) in brokerage payables. As disclosed in Note 2(g)(iii), the brokerage division records commissions earned on brokerage sales on a net basis upon the closing of the transaction. As part of the service, the Company collects the gross proceeds of the brokerage sales on behalf of the vendor and makes the net payment to the vendor in accordance with the terms of their contract. The Company acts as an agent on behalf of the brokers.

13) Long-Term Debt Obligations

	2004	2003
Capital lease obligations (a)	\$ 801,371	\$ 71,246
Promissory notes and loan payable (b)	573,852	241,716
	1,375,223	312,962
Current portion	727,132	141,428
	\$ 648,091	\$ 171,534

13) Long-Term Debt Obligations - Continued

A The Company has capital lease obligations, which have a term of three years and bear interest at 5.8% per annum. Minimum annual lease payments are as follows:

2005	\$	260,868
2006		274,221
2007		268,232
		803,321
Amount representing interest		(1,950)
Balance of obligation	\$	801,371

Capital leases relate to equipment with a net book value of \$810,423 as follows: computer equipment of \$364,975, computer software of \$51,124, office equipment of \$53,410, and leasehold improvements of \$340,914 (Note 7).

B Promissory notes and loan payable

	2004	2003
Unsecured, non-interest-bearing, loan payable in monthly instalments of \$2,824 with an additional payment of \$246 due upon maturity. The loan matured on January 31, 2004.	\$ -	\$ 8,718
Unsecured promissory notes, bearing interest of 8% per annum, issued on the acquisition of The Excalibur Gemini Group Ltd., repayable in blended quarterly installments of \$22,027, and maturing on May 31, 2007 (Note 3(a)).	180,990	232,998
Unsecured promissory notes, bearing interest of 8% per annum, issued on the acquisition of Westcan Oilmaps Ltd., repayable in blended quarterly installments of \$24,226, and maturing on November 30, 2005 (Note 3(c)).	92,862	-
Unsecured promissory note, bearing interest of 12% per annum issued to a company with common directors issued on October 14, 2004 and fully repaid on February 2, 2005.	300,000	-
	\$ 573,852	\$ 241,716
Current portion	(468,214)	(70,182)
	\$ 105,638	\$ 171,534

Principle payments are as follows:

2005	\$	468,214
2006		82,229
2007		23,409
	\$	573,852

14) Taxes

A Investment tax credits recoverable relate to scientific research and development:

	2004	2003
2002	\$ -	\$ 480,000
2003	500,000	360,000
Assumed as a result of acquisition	-	<u>180,129</u>
	\$ 500,000	\$ 1,020,129

The Company has filed claims with the Canada Revenue Agency for Scientific Research and Experimental Development (“SR&ED”) Credits in respect of certain research expenditures incurred in 2002 and 2001. The Company has made an accrual for the September 22, 2003 filing with respect to certain research expenditures incurred. 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. The Company will file its SR&ED claim for the period ending December 31, 2003 and the year ended December 31, 2004 in 2005.

In addition, the Company has approximately \$2,200,000 (2003 - \$490,000) of SR&ED expenses available to reduce future taxable income.

The Company also has approximately \$619,000 (2003 - \$172,000) of unclaimed investment tax credits (ITCs) available to reduce income taxes payable in future years. If not utilized, these ITCs will begin to expire in 2011.

The future tax benefits of the SR&ED expenses and ITCs have been recognized in these consolidated financial statements as the Company expects to utilize the ITCs before they expire.

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

	2004	2003
Income from continuing operations before income taxes	\$ 3,947,539	\$ 129,355
Statutory rate	<u>33.6%</u>	<u>37.0%</u>
Computed expected tax provision	1,326,373	47,861
Non deductible equity loss (income)	(5,932)	4,700
Stock compensation expense	72,970	35,739
Adjustments for enacted changes in income tax rates	220,123	(34,413)
Previously unrecognized future income tax assets	(1,956,849)	-
Valuation allowance	-	(426,471)
Other permanent differences	<u>59,907</u>	<u>30,313</u>
Income tax recovery from continuing operations	\$ (283,408)	\$ (342,271)

14) Taxes - Continued

C 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:

	2004	2003
Resource expenditures	\$ (1,674,707)	\$ (1,080,410)
Non-capital loss carry forwards	2,291,090	3,107,382
Cumulative eligible capital	146,797	71,393
SR&ED pools	1,361,200	354,788
Share issue and financing costs	192,749	261,699
	2,317,129	2,714,852
Valuation allowance	-	(1,808,100)
Future tax asset (liability)	\$ 2,317,129	\$ 906,752

D Subject to confirmation by the income tax authorities, the Company has non capital losses of approximately \$6,800,000 (2003 \$8,400,000), which are available to reduce taxable income in future periods. The non-capital losses were transferred to the Company as a result of the amalgamation with IDC (Note 3(b)). The losses begin to expire in 2006.

15) Equity Instruments

A Authorized

An unlimited number of voting common shares

An unlimited number of non-voting common shares

B Issued

	As at December 31, 2004		As at December 31, 2003	
	# of Shares	Amount	# of Shares	Amount
Common Shares				
Balance, beginning of year	25,423,091	\$ 18,366,421	12,596,112	\$ 4,487,303
Issued for cash	-	-	463,429	578,887
Issued for cash via private placement (c)	-	-		
Issued for acquisition of:			2,905,079	3,675,551
The Excalibur-Gemini Group Ltd.	-	-		
International Datashare Corporation	-	-	1,655,850	1,764,951
Issued in exchange for data sets, property and equipment	-	-	7,500,000	7,500,000
Exercise of options	12,009	6,485	204,149	255,000
Issued for settlement of loans payable to various shareholders	-	-	38,428	29,729
			60,044	75,000
Repurchased under normal course issuer bid (e)	(450,100)	(327,065)	-	-
Balance, end of year	25,985,000	\$ 18,045,841	25,423,091	\$ 18,366,421
Share Purchase Warrants				
	# of Warrants	Amount	# of Warrants	Amount
Balance, beginning of year	1,597,794	\$ 347,619	-	\$ -
Issued on private placement (c)	-	-	1,452,540	316,017
Issued to brokers on private placement (c)	-	-	145,254	31,602
Expired	(1,597,794)	-	-	-
Balance, end of year	-	\$ 347,619	1,597,794	\$ 347,619
Share issue costs, net of future income taxes		\$ (266,735)		\$ (238,150)
Total equity instruments		\$ 18,126,725		\$ 18,475,890

15) Equity Instruments - Continued

C Private Placement

On September 23, 2003, 1059778 Alberta Ltd., a wholly owned subsidiary of the Company, completed a private placement for net proceeds of \$3,816,058. The placement was done through the issuance of 2,905,079 units at a price of \$1.37 per unit. Each unit consisted of one common share plus one-half of a common share purchase warrant exercisable at \$2.09. The common share purchase warrants expired on September 23, 2004. In addition, brokers were issued broker warrants totalling 5% of the units issued, exercisable at \$2.09. The broker warrants expired on September 23, 2004.

D Escrowed Shares

As at December 31, 2004, the Company has no shares subject to an escrow agreement. (2003 - 8,112,064). On September 23, 2004, the 8,112,064 shares being held in escrow were released. Officers, directors and companies controlled by a director held 6,656,429 of these shares.

E Normal course issuer bid

On June 2, 2004, the Company received approval from the TSX Venture Exchange to repurchase up to 1,278,000 of its common shares at prevailing market prices during the twelve-month period ending June 9, 2005. Since approval was received for the normal course issuer bid, the Company has repurchased 450,100 shares at a purchase cost of \$418,132 (\$0.93 average price per share) resulting in a \$91,068 reduction to retained earnings. Subsequent to the year ended December 31, 2004, an additional 532,900 shares were repurchased for a total cost of \$639,919 (\$1.20 average price per share).

F Small shareholder selling program

On June 2, 2004, the Company announced a small shareholder selling program ("the Program") that enabled registered and beneficial shareholders who owned in aggregate 499 or fewer Common Shares ("Shares") of the Company as of June 4, 2004 (the "Eligible Shareholders") to sell their Shares without incurring any brokerage commission. The sales of Shares were executed through the facilities of the TSX Venture Exchange. This voluntary Program expired on November 18, 2004, which was extended from its original expiry date of August 31, 2004.

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 upon the date of grant (the "grant date"), one-third following the first anniversary of the grant date and the remaining one-third following the second anniversary of the grant date. 2,650,000 Common Shares of the Company have been reserved under the Plan.

15) Equity Instruments - Continued

G Stock options - Continued

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

	# of Options	Options Price	Weighted Average Exercise Price
Options outstanding, December 31, 2002	858,668	\$0.54 - \$1.25	\$0.92
Options granted	755,810	\$1.25 - \$3.19	\$1.25
Cancelled	(141,513)	\$0.54 - \$3.19	\$2.27
Exercised	(38,429)	\$0.54 - \$1.25	\$0.85
Options outstanding, December 31, 2003	1,434,536	\$0.54 - \$3.19	\$1.20
Options granted	705,172	\$1.00 - \$1.20	\$1.16
Cancelled	(86,209)	\$3.19	\$3.19
Exercised	(12,009)	\$0.54	\$0.54
Forfeited	(195,996)	\$0.83 - \$1.40	\$1.20
Options outstanding, December 31, 2004 ⁽¹⁾	1,845,494	\$0.54 - \$1.40	\$1.10

⁽¹⁾ Subsequent to the year ended December 31, 2004, 50,000 options were granted to an officer with an exercise price of \$1.20, 126,095 options were exercised with an exercise price of \$0.54, and 32,775 options were forfeited with exercise prices between \$1.00 and \$1.25.

The options that were vested at December 31, 2004, are summarized as follows:

Option Outstanding	Option Price	Weighted Average Exercise Price	Weighted Average Remaining Contractual	Number of Options Currently Exercisable	Weighted Average Exercise Price of Options Currently Exercisable
171,130	\$0.54	\$0.54	0.55	171,130	\$0.54
63,051	\$0.83	\$0.83	1.41	63,051	\$0.83
133,500	\$1.00	\$1.00	4.84	44,500	\$1.00
421,524	\$1.04	\$1.04	2.43	421,524	\$1.04
489,982	\$1.25	\$1.25	3.16	347,871	\$1.25
501,148	\$1.20	\$1.20	4.06	167,049	\$1.20
65,159	\$1.40	\$1.40	1.62	65,159	\$1.40
1,845,494		\$1.10	2.97	1,280,284	\$1.06

15) Equity Instruments - Continued

G Stock options - Continued

The options that were vested at December 31, 2003, are summarized as follows:

Option Outstanding	Option Price	Weighted Average Exercise Price	Weighted Average Remaining Contractual	Number of Options Currently Exercisable	Weighted Average Exercise Price of Options Currently Exercisable
183,139	\$0.54	\$0.54	1.30	183,139	\$0.54
69,056	\$0.83	\$0.83	2.15	66,054	\$0.83
465,960	\$1.04	\$1.04	3.44	310,640	\$1.04
522,409	\$1.25	\$1.25	4.15	201,758	\$1.25
107,763	\$1.40	\$1.40	2.62	71,842	\$1.40
86,209	\$3.19 ⁽¹⁾	\$3.19	2.77	86,209	\$3.19
1,434,536		\$1.20	3.26	919,642	\$1.20

⁽¹⁾ Rolled over as a result of the acquisition of IDC (Note 3(e)) and Note 11(b))

16) Statement of Cash Flows

	2004	2003
Interest and income taxes paid (recovered)		
Interest paid	\$ 433,235	\$ 103,786
Income taxes paid (recovered)	\$ (658,645)	\$ 18,848
Changes in non-cash working capital balances		
Funds held in trust	\$ (787,500)	\$ (787,500)
Account receivable	(4,902,675)	(1,075,145)
Investment tax credits recoverable	518,645	(210,000)
Prepaid expenses, supplies and deposits	(3,419)	122,697
Accounts payable and accrued liabilities	1,981,375	(790,023)
Income taxes payable	-	(15,219)
Deferred revenue	1,954,124	57,229
	\$ 335,550	\$ (2,697,961)

Except as disclosed elsewhere, the Company had no other non-cash transactions.

17) Commitments

A The company is obligated to rent its current premises from a non-related third party, and maintains contractual agreements for office equipment and data licenses. The minimum annual payments due under the long-term operating leases including estimated operating costs, net of sub-leases, are as follows:

2005	\$	2,020,453
2006		1,904,891
2007		1,294,371
2008		594,719

B Under the terms of a seismic acquisition, the Company was required to share a portion of the revenue earned from sales of the data for three years following the date of delivery, which occurred in June 2004. The revenue was to be paid in the form of "Acquisition Credits" allowing the other party to purchase the Company's existing seismic data or to participate in future seismic programs operated by the Company. A liability would have been accrued when sales were completed, based on the formula in the agreement, to a maximum of \$1,500,000. As at December 31, 2004, the Company was not required to share any portion of the revenue from this data as conditions were met in the agreement absolving the Company of its commitment.

C Under the terms of two seismic acquisition agreements, the Company is jointly acquiring approximately \$51,600,000 in seismic data. The Company's portion is approximately \$16,300,000. The company simultaneous entered into an agreement to share its portion of the expenditures with an unrelated third party. In exchange the unrelated party will receive a majority ownership interest in the data. The Company remains liable for the full \$16,300,000. Subsequent to the year ended December 31, 2004, \$8,000,000 had been received from the third party.

D Under the terms of the agreement to reprocess a portion of the Company's seismic library (Note 6), the Company is required to pay royalties on future sales of the reprocessed seismic data library to the third party, which shared in the cost of the project. The royalties will be recorded as incurred, when the data is sold and delivered. The maximum royalty on sales of the entire database is limited to \$600,000. Royalties of individual lines sales are limited to a period of five years.

18) Related Party Transactions

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

- A** In 2004, the Company earned \$1,190,314 (2003 - \$297,716) in revenue related to software license sales, audit and mapping services, data loading, workstation rentals, and leasing of office space, from companies with common directors. Included in accounts receivable is \$155,139 (2003 - \$5,596) related to this revenue.
- B** In 2004, the Company earned \$285,786 (2003 - \$319,884) in commission revenue on brokerage sales to companies with common directors. Included in account receivables is \$409,311 (2003 - \$309,979) related to sales of brokerage seismic data to companies with common directors. Included in account payable is \$200,594 (2003 - \$261,774) related to purchases of brokerage seismic data from companies with common directors.
- C** In 2004, the Company paid \$149,936 (2003 - \$144,573) in brokerage commissions to a company controlled by a director. Included in accounts payable is \$12,987 (2003 - \$Nil) related to these commissions.
- D** In 2004, the Company paid \$172,090 (2003 - \$282,955) in legal fees to the law firm at which the Company's Corporate Secretary is employed. Included in accounts payable is \$57,855 (2003 - \$48,812) owing to this firm.
- E** In 2004, the Company paid \$Nil (2003 - \$145,845) in legal fees to the law firm at which a Director is a partner. Included in accounts payable is \$181,343 (2003 - \$260,498) owing to this firm.
- F** In 2004, \$4,000,000 of \$4,250,000 in debentures were issued to certain directors of the Company, bearing interest at 12%. \$100,000 of the set-up fee to arrange the financing and \$111,801 of the interest was paid to the directors. The debentures were fully repaid in the year with proceeds the Company received from the non-revolving demand loan (Note 11).
- G** In 2003, the Company purchased property and equipment of \$255,000 in exchange for 204,149 common shares from a company controlled by a director of the Company. The transaction was measured at the exchange amount as the fair values of the assets acquired were supported by independent evidence.

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.

19) Stock Compensation

The impact of adopting the new accounting recommendations for stock-based compensation (Note 2(j)) on the balance of contributed surplus is:

	For the year ended December 31	
	2004	2003
Balance, beginning of year	\$ 96,592	\$ -
Stock compensation expense	217,172	96,592
Balance, end of year	\$ 313,764	\$ 96,592

The fair value of share options was estimated using the Black Scholes option pricing model with the following assumptions: an expected volatility of 20 to 60% (2003 - 20%), a risk free interest rate of 5.0%, and an expected life of 5 years. The compensation expense is recognized over the 2-year vesting period of the stock options.

Had compensation expense related to employees been determined based on the fair value at the grant dates for options issued on or after January 1, 2002 and before December 31, 2002, the net income and earnings per share for the year ended December 31, 2004 and 2003 respectively, would have been reduced to the pro forma amounts indicated below:

		For the year ended December 31	
		2004	2003
Net income	- as restated	\$ 3,947,539	\$ 719,132
	- pro forma	3,914,467	625,304
Earnings per share -basic and diluted ⁽¹⁾	- as restated	\$ 0.156	\$ 0.042
	- pro forma	0.155	0.036

⁽¹⁾ Diluted earnings per share are not materially different.

20) Financial Instruments

As disclosed in Note 2(f), 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.

A Credit risk management

A significant portion of the Company's trade accounts receivable is from companies in the oil and gas industry and, as such, the Company is exposed to all the risks associated with that industry. As at December 31, 2004, one company accounted for 30% of the total accounts receivable. All of the Company's cash is held at one institution and as a result of this and the nature of its operations, the Company has concentration of credit risk.

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 varies between 5.76% and 12%.

As at December 31, 2004, the increase or decrease in net income before taxes for each 1% change in interest rates on floating rate debt amounts to approximately \$32,400 (2003 - \$1,400). The related disclosures regarding these debt instruments are included in Notes 11 and 13 of these consolidated financial statements.

C Foreign currency rate risk management

The Company's non-revolving demand loan is held in U.S. funds and 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.

As at December 31, 2004, the increase or decrease in income before taxes for each 1% change in the value of the Canadian dollar against the U.S. dollar amounts to approximately \$2,711 (2003 - \$26,349).

21) Segmented Information

The Company operates in four segments within the oil and gas industry. Services provides seismic survey audit, information management, mapping, archiving services, imaging and geophysical/geological services. Data provides log services and a full suite of support data layers. This segment also develops and maintains the Company's log library and seismic data libraries. Software division sells software licenses and provides maintenance and support. Brokerage offers full service seismic brokerage. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in the annual financial statements. The Company eliminates inter-segment sales and transfers. Operating income (loss) is measured as profit (loss) before consideration of foreign exchange gains (losses), equity investment income (loss), income taxes and discontinued operations.

	December 31, 2004				
	Services	Data	Software	Brokerage	Total
Revenue	\$ 7,245,082	\$ 10,158,593	\$ 4,948,356	\$ 3,559,643	\$ 25,911,674
Operating income (loss)	(58,090)	3,254,613	610,827	(287,353)	3,519,997
Amortization	439,329	1,485,153	715,649	214,527	2,854,658
Research and development	-	-	203,006	-	203,006
Total assets	5,482,213	19,933,861	6,028,500	7,791,960	39,236,534
Capital expenditures ⁽¹⁾	203,216	11,594,254	114,377	79,961	11,991,808
Deferred development costs	-	-	1,217,227	-	1,217,227

	December 31, 2003				
	Services	Data	Software	Brokerage	Total
Revenue	\$ 4,693,692	\$ 1,925,183	\$ 5,102,285	\$ 3,321,404	\$ 15,042,564
Operating income (loss)	(262,336)	639,751	(275,941)	51,822	153,296
Amortization	525,909	160,618	717,362	69,067	1,472,956
Research and development	-	-	721,434	-	721,434
Total assets ⁽¹⁾	4,137,023	8,737,741	9,839,089	5,233,622	27,947,475
Capital expenditures ⁽²⁾⁽³⁾	29,325	755,282	143,161	255,000	1,182,768
Deferred development costs	-	-	-	-	-

⁽¹⁾ Excludes future income tax assets of \$2,317,129 (2003 - \$906,752)

⁽²⁾ Excludes business acquisitions

⁽³⁾ Includes non-cash expenditures of \$1,266,520. (2003 - \$1,005,000)

During the year ended December 31, 2004, the Company had foreign sales of \$2,686,997 (2003 - \$638,712).

22) Contingencies

- A** As a result of the purchase of TEGGL in 2003, the Company assumed a claim filed against the Company by a former employee. On November 2, 2004 the lawsuit was settled in the amount of \$175,000. The Company's portion of the settlement was capped at \$150,000 in the TEGGL acquisition agreement. Former TEGGL shareholders are liable for the portion exceeding this amount.
- B** As a result of the amalgamation with IDC in 2003, the Company assumed a claim filed by a vendor in the amount of \$126,000. The Company agreed to settle the assumed claim in 2003 and accrued for this amount in 2003. In a separate action, the Company claimed \$610,000 in damages from the same vendor for services rendered by IDC. The Company agreed to settle this claim for \$200,000. Payment will be satisfied with the Company receiving net proceeds of approximately \$74,000 from the vendor.
- C** On October 6, 2004, the Company filed a statement of claim against a vendor for \$330,857 for overpayment of royalties and cash advances to cover expenses for which the vendor failed to repay. In a letter from the vendor's lawyer dated January 27, 2005, the vendor claimed the Company still owed it \$55,000 in royalties and \$5,000 in other expenses. On March 20, 2005, the Company settled the lawsuit for \$76,000. In return for the payment, the Company received a perpetual license to the vendor's software and forgiveness of all remaining debt claims.

23) Changes in Accounting Policies

- A** 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 with the exception of a portion related to support and maintenance, which was deferred. The deferred revenue was recognized rateably over the service term.
- B** In addition 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 adoption, the Company can implement the new standard prospectively.

24) Comparative figures

Certain figures with respect to the year ended December 31, 2003 have been reclassified to conform to the current year's presentation.