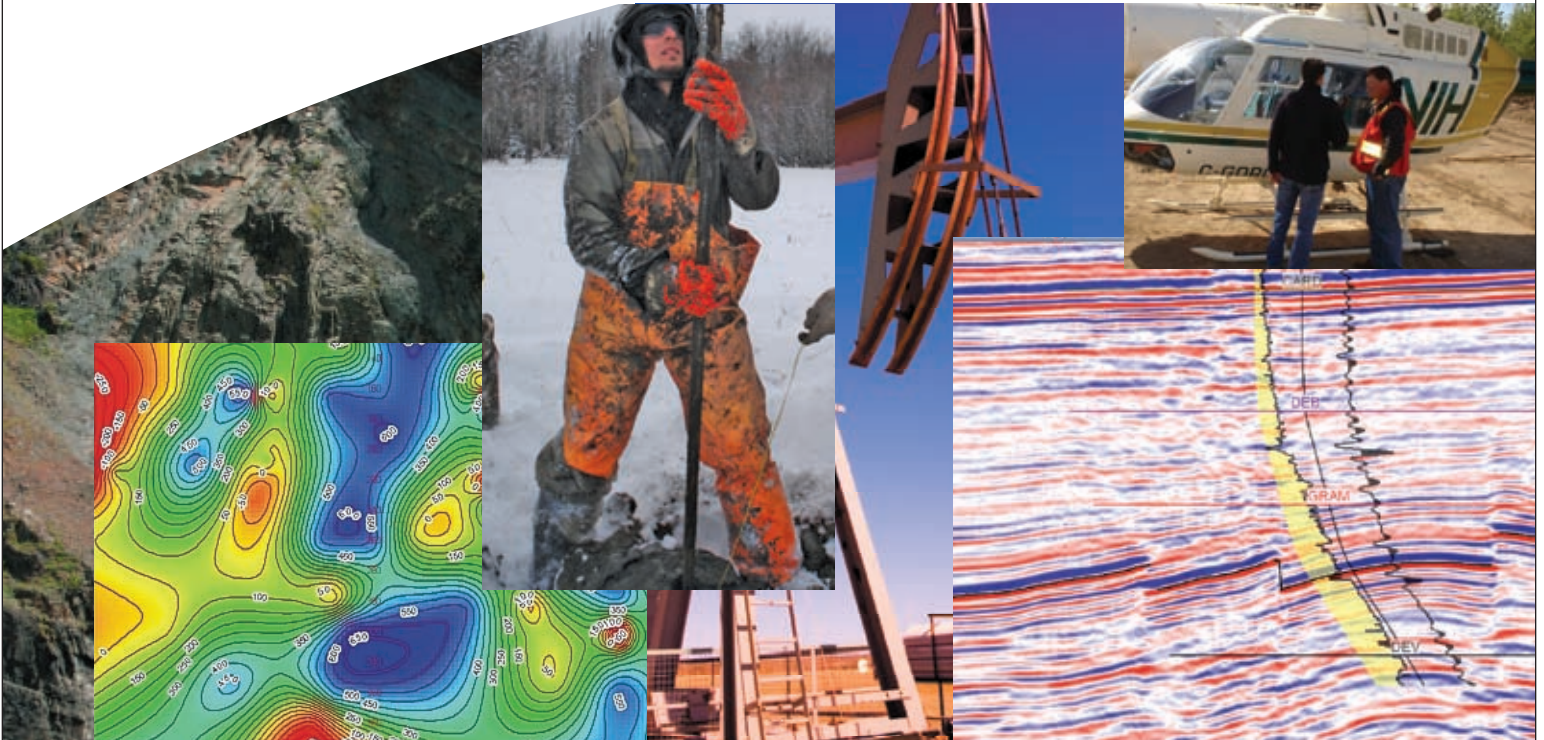


2006 ANNUAL REPORT



The Evolution of Exploration:

AN INTEGRATED SOLUTION



Contents

| | |
|--|----|
| Financial Highlights | 2 |
| Message to Shareholders | 7 |
| Corporate Overview | 10 |
| Management's Discussion and Analysis | 15 |
| Management's Report | 42 |
| Auditor's Report | 43 |
| Consolidated Financial Statements | 44 |
| Notes to Consolidated Financial Statements | 47 |
| Corporate Information | 74 |

the evolution of exploration and to deliver shareholder value.



(L to R) Neil Thompson: Manager, Mapping and Database Services and Bart Iverson: Manager, Survey Audit

Divestco is a growth-oriented company that provides a comprehensive and integrated portfolio of software, services, data and consulting to the oil and gas industry. Our offerings consist of a diverse range of innovative and complementary products and services, with unique value-added bundling and integration options. Divestco has developed its business model based on a plan of strategic acquisition and organic growth.

Based in Calgary, Alberta, Divestco has more than 500 employees worldwide, with additional offices in Denver, Colorado and Houston, Texas.

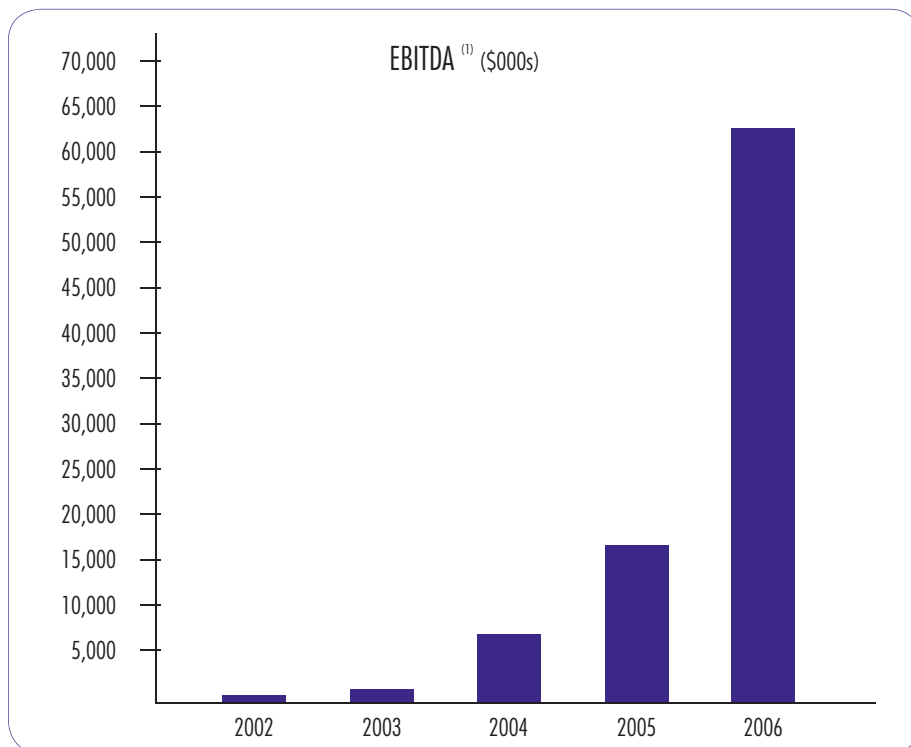
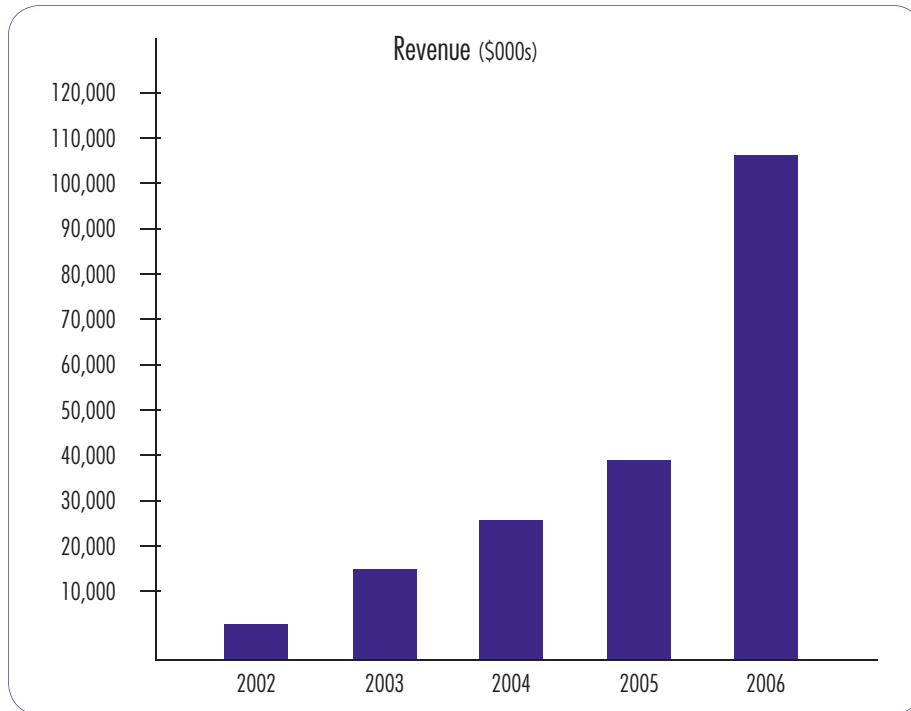
Financial Highlights

| Financial Results (Thousands, Except per Share Amounts) | Quarter Ended December 31 | | | Year Ended December 31 | | |
|--|---------------------------|----------|----------|------------------------|----------|----------|
| | 2006 | 2005 | % Change | 2006 | 2005 | % Change |
| Revenue | \$30,546 | \$12,874 | 137% | \$106,463 | \$38,754 | 175% |
| EBITDA ⁽¹⁾⁽²⁾ | 16,853 | 5,334 | 216% | 63,663 | 16,477 | 286% |
| Operating Income ⁽¹⁾ | 12,748 | 2,826 | 351% | 26,377 | 8,283 | 218% |
| Net Income | 8,690 | 1,666 | 421% | 19,615 | 5,178 | 279% |
| Per Share - Basic | 0.25 | 0.06 | 317% | 0.60 | 0.20 | 200% |
| Per Share - Diluted | 0.24 | 0.05 | 380% | 0.58 | 0.19 | 205% |
| Funds from Operations ⁽¹⁾ | 16,866 | 5,151 | 227% | 63,263 | 15,879 | 298% |
| Per Share - Basic | 0.48 | 0.17 | 182% | 1.94 | 0.60 | 223% |
| Per Share - Diluted | 0.47 | 0.17 | 176% | 1.88 | 0.59 | 219% |
| Shares Outstanding | 35,399 | 29,874 | 18% | 35,399 | 29,874 | 18% |
| Weighted Average Shares Outstanding | | | | | | |
| Basic | 34,912 | 29,848 | 17% | 32,665 | 26,521 | 23% |
| Diluted | 36,003 | 30,829 | 17% | 33,704 | 27,046 | 25% |

(1) See the Non-GAAP Measures Section.

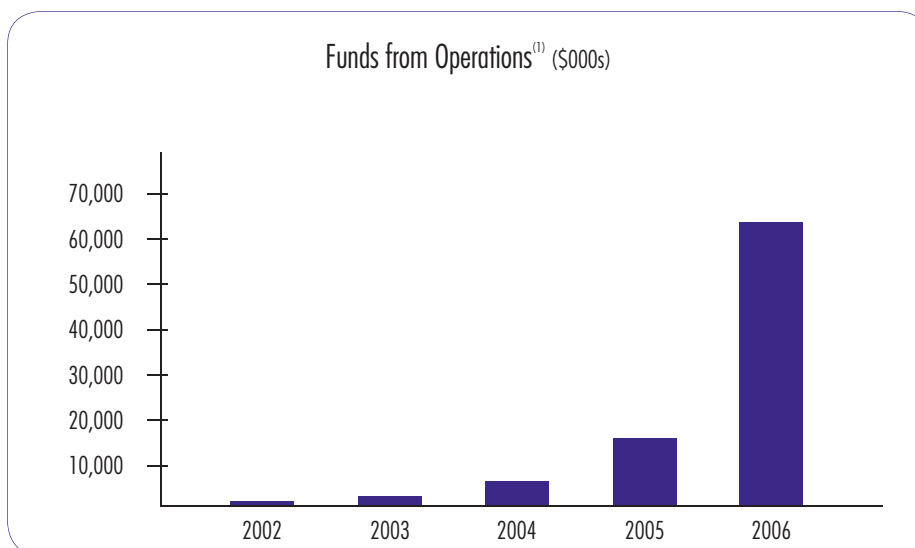
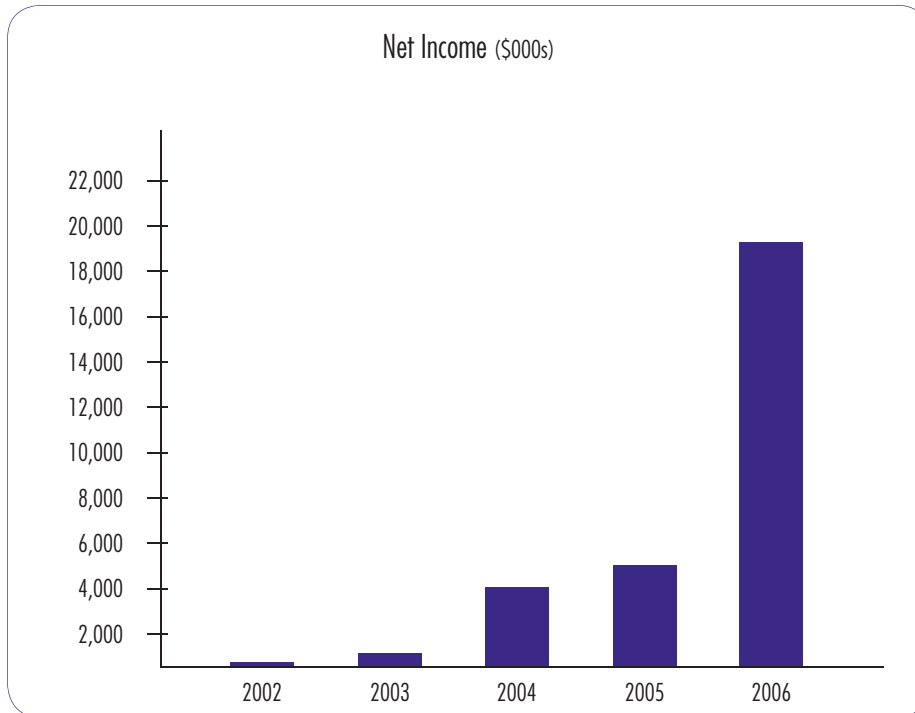
(2) In 2006, amortization of deferred development costs was reclassified to depreciation and amortization from operating expenses. Comparative numbers also reflect the change.

Financial Highlights: Yearly Comparison



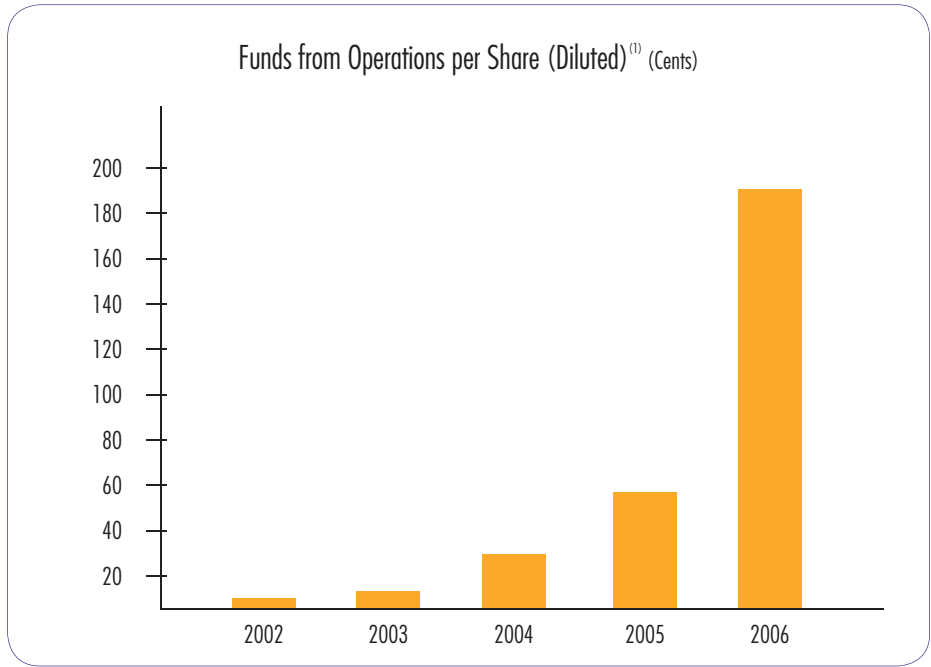
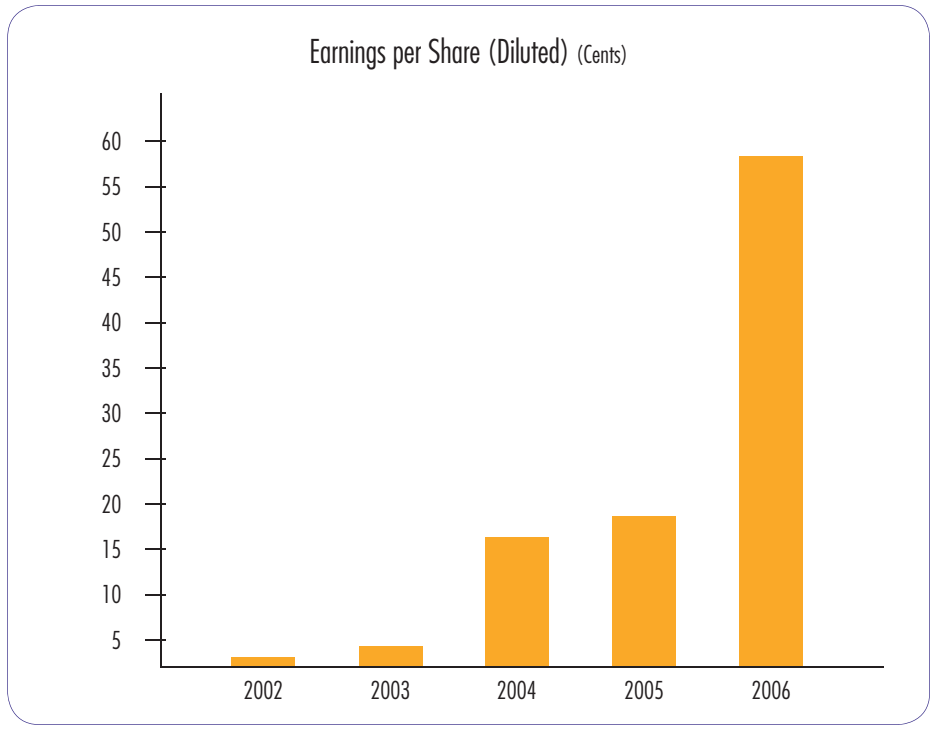
(1) See the Non-GAAP Measures Section.

Financial Highlights: Yearly Comparison



(1) See the Non-GAAP Measures Section.

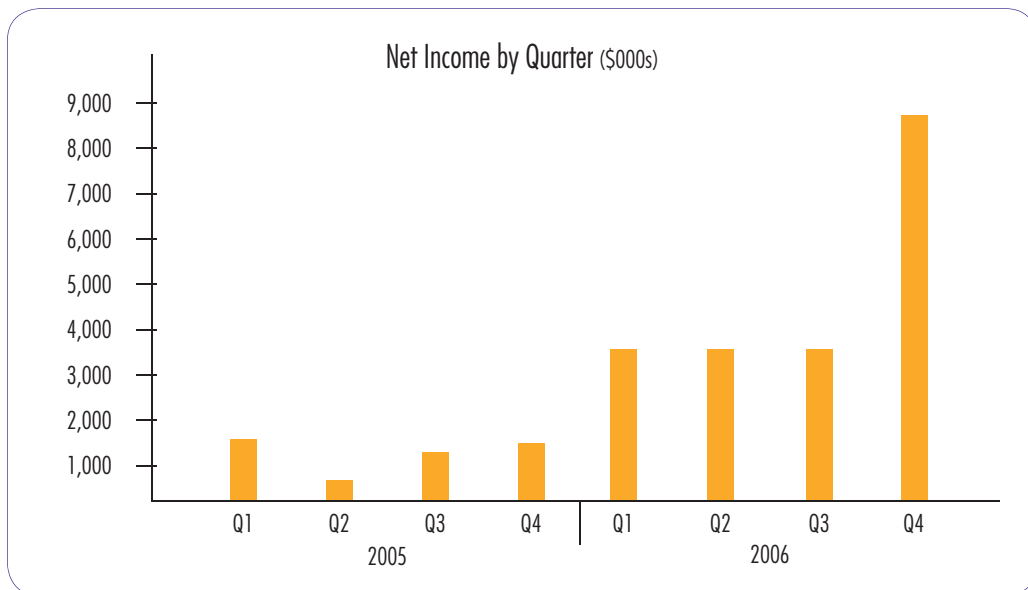
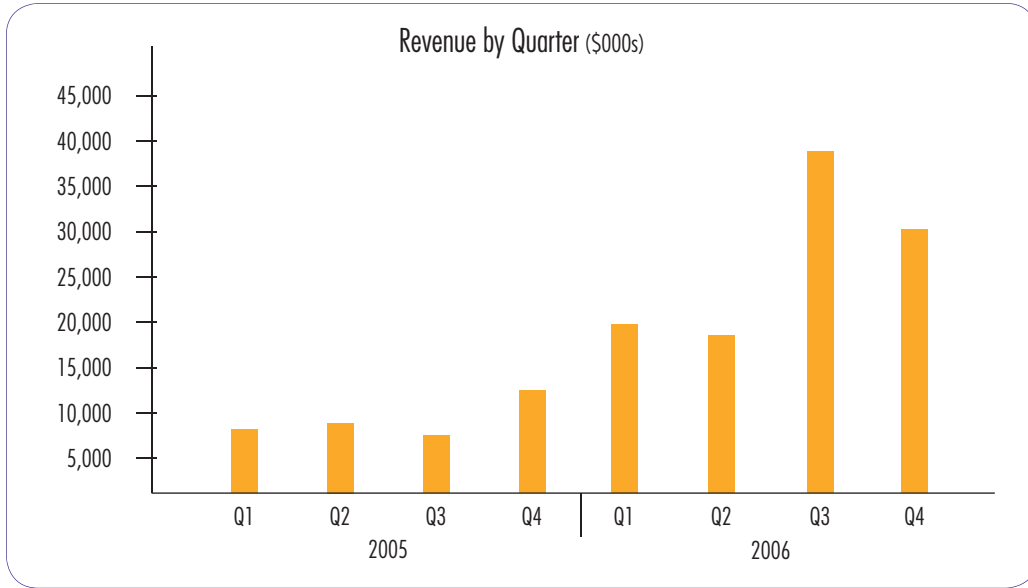
Financial Highlights: Yearly Comparison



(1) See the Non-GAAP Measures Section.



Financial Highlights: Quarter Comparison



Message to Shareholders

It is my privilege to report that it's been another record year for Divestco, making this our 13th consecutive quarter of positive earnings and growth. In a year where many of our oil and gas customers suffered a significant decrease in cash flow due to lower commodity prices, Divestco maintained its momentum and posted two record quarters in the last half of 2006. Even in challenging times, we have demonstrated our ability to grow while maintaining profitability. As well, while the capital markets experienced volatility, Divestco successfully completed its second equity financing since becoming a public entity. With continued growth in revenue, earnings, and funds from operations⁽¹⁾, I believe our patient shareholders will also achieve similar returns.

The Natural Hedge

During the last five years, Divestco's customers experienced record cash flows, record earnings, and record growth. Unfortunately, this trend stopped in the last six months of 2006, marking the end of rising commodity prices and a "reversal of fortune" for Divestco's customers. In many of my communications with shareholders, I have assured them that Divestco provides a "natural hedge" against fluctuating commodity prices. Quite simply, during high commodity price cycles, when oil and gas companies have significant free cash flow, there is pressure to drill as many prospects as possible. Science takes a back seat to business. However, when commodity cycles change, oil and gas companies begin a "high grading" of their drillable prospects, which they achieve through using many of our software and data products. Therefore, when commodity prices lower, oil and gas companies actually use more of Divestco's products – the natural hedge. In October, when natural gas was at its lowest price in five years, Divestco entered into the largest sales contract in its corporate history. Another side effect to the decrease in overall industry activity is the decline in labor shortages and inflation, which should also help us in increasing our bottom line.

Prices Rise — Income Trusts Fall

At Divestco, we look at the third and fourth quarters of 2006 as a "mini-recession" in Western Canada. El Nino officially ended on January 3, 2007, and we experienced unexpected winter weather. Commodity prices have returned to traditional price bands, and it feels like the overall industry is waiting to begin a new cycle of growth. In tandem with the mini-recession, the Federal Government of Canada announced a change in taxation on royalty trusts, which we believe will have a positive effect for service companies. Many of the existing trusts will be forced to revert to traditional oil and gas models, making them potential customers for our services and data. This change has also forced many small oil and gas companies to rethink their business models and the effect it will have on their exit strategies. Many have begun to adopt a long term strategy, enabling them to make greater investments in the products we offer, and offering the potential for them to grow into larger customers. Over time, we feel these tax law changes and a rebound in prices will translate into larger unit sales per customer and additional growth for Divestco.

(1) See the Non-GAAP Measures Section.

Growth Through Acquisitions

We consider one of our key strengths to be our ability to source out and integrate key acquisitions. This allows us to further augment and improve our overall product and service offerings. Furthermore, our extensive portfolio of software, services, and data enables us to invest our capital in the most economic and efficient manner. In 2006, Divestco continued with this strategy by completing two accretive and cost effective acquisitions: the processing division of Geo-X Systems Ltd. in May, and Cavalier Land Ltd. in July.

The Geo-X Processing Division is a highly respected industry leader with 36 years of experience as Canada's leading seismic processor. The division's main strength is its expertise in full-range, high resolution, onshore processing. Its strong research and development group enables it to take seismic projects beyond generic commodity processing, and they offer real competitive advantages through their application of advanced processing algorithms and expertise. With Divestco being the largest acquirer of seismic data in the industry, this acquisition is a perfect fit that provides a natural augmentation to our already existing broad product and service suite.

Cavalier Land established itself as one of Western Canada's leading land services companies with operations throughout the region. This acquisition, coupled with our LandRite software system (Laser Software Limited acquisition), enables Divestco to increase its offerings to the land departments of Western Canadian-based oil and gas companies. With the comprehensive integrated solutions we already provide, we are excited to extend these additional synergies to our customers.

For 2007, Divestco is looking at a wider range of both domestic and foreign acquisition opportunities, which will likely continue to impact our company's strategic development. Additionally, falling commodity prices have decreased the cash flow of many of our competitors who acquire companies, so Divestco should have less competition and better prices when buying assets and synergistic acquisitions.

Financial Strength and Reliability

I am pleased to report that Divestco achieved record revenue and earnings for the year concluding 2006. Total revenue for 2006 increased by 175% to \$106.5 million compared to \$38.8 million in 2005. The comparative EBITDA⁽¹⁾ increased by 286% to \$63.7 million from \$16.5 million, and net income increased by 279% to \$19.6 million from \$5.2 million in 2005. Most importantly, Divestco has now achieved thirteen consecutive quarters of profitability, and we have developed a reputation as a reliable producer of results. We credit our reliability to our continuous focus on recurring revenue, long-term contracts, and our absolute commitment to provide superior products and services to our clients.

From a small technology startup in 2000, Divestco has grown to a dominant market player. We could never have achieved this without the commitment and innovation of a highly skilled and dedicated workforce. With over 500 people now under the Divestco umbrella, it is an amazing accomplishment to have everyone working for one ultimate and common objective: creation of shareholder value.



Outlook for 2007

The growth achieved in 2006 was dramatic. While we do not expect to repeat a similar gain in 2007, we do expect to continue our growth and profitability trends across the entire Company. Divestco's focus and plan is to rebalance its revenue mix across all of our business segments in order to provide diversification and stability. The rebound in commodity prices should ensure positive cash flows for our customers and an expanding client base for Divestco. We will continue to honour our fundamental commitment of remaining disciplined with our capital and providing solid returns to our shareholders.

On behalf of the Board of Directors, I want to express my appreciation to our staff who have put Divestco on this path of sustainable profitability. Our vision of being an integrated supplier of software, services and data continues to expand. I also want to thank our shareholders for their commitment to Divestco. 2007 promises to be another exciting year and I look forward to the challenges and rewards ahead.



Stephen Popadynetz
Chief Executive Officer

Corporate Overview

Divestco is a growth-oriented company that provides a comprehensive and integrated portfolio of software, services, data and consulting to the oil and gas industry. Through our continued commitment to align and bundle products and services to generate value for our customers, we are creating an unparalleled set of integrated solutions and unique benefits for the marketplace. We have the breadth and uniqueness of software, services, data and consulting solutions along with the expertise that offers our customers the ability to access and analyze information and make business decisions to optimize their success in the upstream oil and gas industry.

Divestco has developed its business model based on a plan of strategic acquisition and organic growth.

2006 highlights:

- Completed two corporate acquisitions, Geo-X Processing and Cavalier Land, for total consideration of approximately \$20 million
- Successfully raised \$12.3 million in gross proceeds from an equity financing
- Increased revenue approximately 175% from \$39 million in 2005 to \$106 million in 2006
- Acquired over 6,000 gross kilometers of 2D and close to 2,000 gross kilometers of 3D seismic data

Focus Areas

Divestco's aim is to be a single source provider for oil and gas companies by offering a diverse range of innovative, complementary and attractively priced products and services with unique bundling and integration options. The Company will continue to focus on delivering growth and shareholder value both through strategic acquisitions and aggressive organic growth. The pursuit of new bundling opportunities, enhanced integration and cross-selling to meet customers' needs as well as deliver value to the industry, will also be emphasized.



Overview

Divestco's Software segment provides over 20 geological, geophysical and land applications used by oil and gas professionals, including geologists, geophysicists, engineers, land agents and land administrators. Our software products are used by customers worldwide and are installed on over 35,000 desktops. Core software products include: WinPICS, EnvisionVSX, GeoCarta Tools, GeoVista, MapQ, LandRite and Earth Tools. Divestco's software suite is designed with a thorough understanding of the workflows and requirements of oil and gas professionals.

Focus Areas

- Divestco will continue to focus on integration so that customers can work collectively and share information seamlessly to make informed and accurate business decisions.

Geophysical

WinPICS: Full-featured, integrated seismic workstation with superior stratigraphic structural interpretation capabilities for both 2D and 3D seismic data.

EnvisionVSX: Fully integrated with WinPICS, this provides revolutionary 3D visualization and interpretation utilizing Divestco's unique SeisScape™ seismic display technology.

Geological and Data Access, Analysis and Mapping Tools

GeoVista: Easy to use oil and gas data browser with extensive query capabilities and bundled data offerings.

GeoCarta Tools: An open system that provides browse, query and mapping capabilities for oil and gas professionals within a leading GIS platform and allows for seamless integration of both internal and external oil and gas datasets.

Earth Tools: A comprehensive suite of geological tools that provides log editing, cross section construction, synthetics generation and more.

Land

LandRite: Comprehensive proprietary land management system built on standard land administration practices.

MapQ: Advanced, user-friendly mapping tool that combines proprietary and public data into easy-to-read presentation quality maps.

2006 Highlights

- Increased revenue by \$1.8 million (35%) due to contribution of LandRite (Laser Software Ltd. acquisition in December 2005) and continued growth in existing products

Services

Overview

Divestco's Services segment offers seismic survey audit, archiving, seismic processing, database, custom mapping and brokerage services to customers who require data quality assurance, processing and data management services for geophysical and geological information. Our services have a strong reputation in the industry for reliability and accuracy. The broad range of service areas enables us to provide integrated and customized solutions to best meet customer requirements.

Focus Areas

- Sustain our focus on the integration of services to create additional benefits and efficiencies for our customers.
- Enhance infrastructure so clients can be linked to the integrated and comprehensive suite of service offerings.

Survey Audit: Computation and verification of seismic land surveys as well as geomatic expertise. Our highly experienced staff provides these services for a range of surveys, from vintage 1960s land surveys to current surveys that make use of new technologies such as GPS and Lidar datasets, to meet our customers' needs for accuracy and assurance.

Database: The custodian of over one million seismic lines for over one hundred customers. This service includes loading, extracting and editing location and metadata for clients. Additional offerings include international data management and datum conversions.

Processing: Geo-X provides processing of onshore seismic data for customers and is distinguished by strong research and development, timely turnaround and experienced staff.

Archive: Provides services that enable clients to benefit from secure, accessible and marketable seismic assets.

Seismic Data Brokerage: Industry's largest data broker, with exclusive online QI project management using eBroker. Over 58,000 km of proprietary 2D and 7000 km² of proprietary 3D data.

GIS Mapping: Mapping service that can print proprietary data on paper or in digital format for presentations, investor packages or in-house visuals.

2006 Highlights

- Acquired Geo-X Processing for \$12.7 million on May 1, 2006. Geo-X provides a full range of high-resolution, onshore 2D and 3D seismic data processing services and has a suite of proprietary algorithms to process seismic data. This acquisition provides a natural fit to our seismic acquisition business and integration opportunities with our other products and services

Overview

Divestco's Data segment offers the market over 120 datasets including proprietary seismic data, drilling data and a full suite of exploration and production data (well, land, drilling, log and mapping). We also provide ancillary document management services such as high-quality technical document digitizing and rasterizing and scanning services for our customers' data management needs. Our data has become an indispensable resource for geologists, geophysicists, engineers and land agents and complements both Divestco and other third-party industry software applications. It is also used in value-added bundles offered to our customers.

Focus Areas

- Data acquisition, integration and analytical visualizations in Canada and the USA.
- Continue to enhance our seismic library by acquiring the largest amount of seismic data in the Western Canadian Sedimentary Basin (WCSB) during the 2006/2007 season.
- Facilitate data integration and visualization with software applications and third-party solutions.

Geological Data: Normalized formation data across the WCSB. All major formations have been modelled in 3D.

Drilling Data: Rig activity, drilling history records and drilling studies available from across North America.

Seismic Data: Actively acquire 3D seismic data, focusing on area with significant geological potential.

Well Log Data: Canada's first and most complete collection of digital curve data and scanned well logs.

Well History Data: Expanded production/injection, pressure, tests, cores and completions data.

Land Data: Enhanced freehold and government mineral lease data.

GIS Data: Custom map data layers for Canada and the United States both onshore and offshore.

2006 Highlights

- Approximately \$74 million in 2D and 3D seismic data acquired in 2006

Consulting

Overview

Divestco's Consulting segment provides comprehensive solutions including business consulting services, ERP/CRM systems implementations, custom software development, hardware devices and network infrastructure as well as land management services to the oil and gas industry. Our consulting services are custom-driven and focused on innovation and integration, possible through the breadth of products and services we can make available to our customers.

Focus Areas

- Broaden our consulting offerings by bringing to market new solutions that meet customer needs and leverage our products and services.

Business Consulting Services: Assessing and optimizing business processes and systems.

Enterprise Resource Planning (ERP) Solutions: Implementing and supporting critical financial, operations and resource management systems (Microsoft Dynamics AX[®], Microsoft Dynamics GP[®], Microsoft Dynamics SL[®]).

Customer Relationship Management (CRM) solutions: Implementing CRM solutions to enable clients to manage their customer base.

Technical Services: Technical infrastructure architecture, installation, and proactive monitoring and support solutions (NetGuard: remote network monitoring services and onsite technical support services, IT implementations and consulting).

Industry Solutions: Supplying industry-leading oilfield service field ticketing solutions, project management and joint venture accounting solutions for oil and gas exploration and production.

Cavalier Land: One of Western Canada's leading land services companies with operations throughout the region. It provides acquisition of surface, crown and freehold mineral services.

2006 Highlights

- Acquired Cavalier Land for \$7.5 million on July 18. This is a natural fit with our LandRite software and allows us to increase the breadth of our offerings to land departments of Western Canadian oil and gas companies
- Achieved Microsoft Gold Certified Partner status

Management's Discussion and Analysis

Introduction

This Management Discussion and Analysis (MD&A) for Divestco Inc. (Divestco or the Company) focuses on key statistics from the financial statements, and pertains to known risks and uncertainties relating to the oil and gas exploration and production industry. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political, and environmental conditions. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the year ended December 31, 2006 and 2005. Unless otherwise disclosed, all financial information in this section has been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and is reported in Canadian dollars.

This MD&A is dated March 6, 2007

Forward-Looking Statements

This MD&A contains forward-looking statements based upon current expectations that involve a number of business risks and uncertainties. The use of forward-looking words such as, "may," "will," "expect," or similar variations generally identify such statements. Although management believes that expectations reflected in forward-looking statements are reasonable, such statements involve risks and uncertainties including the factors discussed in the Business Risks and Environment section of this MD&A.

Non-GAAP Measures

Throughout this MD&A the terms working capital, EBITDA, operating income, funds from operations, and funds from operations per share (basic and diluted) are used. These terms are not measures that have any standardized meaning prescribed by Canadian GAAP and are considered non-GAAP measures. While these measures may not be comparable to similar measures presented by other issuers, these measures have been described and presented in this MD&A to provide shareholders and potential investors with additional information regarding the Company's results, liquidity, and its ability to generate funds to finance its operations.

Non-GAAP measures are calculated as follows:

Working capital: current assets less current liabilities

EBITDA: earnings before interest, income taxes, depreciation and amortization

Operating income: EBITDA less interest, depreciation and amortization

Funds from operations: net income plus (minus) items not affecting cash (see Consolidated Statements of Cash Flows)

Funds from operations per share (basic and diluted): funds from operations divided by the weighted average number of shares outstanding (basic and diluted) for the relevant period.



Ashley Craib: Mineral Coordinator, Cavalier Land

Non-GAAP Measures Continued...

Management believes that in addition to net income, EBITDA and operating income are useful supplemental measures for providing an indication of the results generated by the Company's principal business activities, even prior to the consideration of how those activities are financed or how the results are taxed. Management also uses funds from operations and funds from operations per share (basic and diluted), as key measures to assess the ability of the Company to finance operating activities and capital expenditures.

Business Risks and Environment

Demand for Products and Services

Divestco's business is tied primarily to the oil and gas exploration and production industry. The demand for, and price of services and products offered by Divestco depends on the activity levels for oil and gas producers. Commodity prices, supply and demand for oil and natural gas, and to a lesser extent, government regulation (including regulation of environmental matters and material changes in taxation policies), determine these activity levels. In addition, the Company'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 price of oil and natural gas.

A significant portion of Divestco's revenue is derived from the licensing of seismic data. To mitigate its demand risk, the Company spends a significant amount of time determining the optimal location to conduct a seismic survey, which includes using its contacts in the oil and gas exploration and production industry, and pre-selling licenses to the data. For larger seismic programs, the Company may rely on third parties to share in the cost. These parties are also susceptible to the risks and uncertainties associated with the oil and gas industry.

Although Divestco does what it considers to be a thorough analysis of factors affecting the probability of future sales of its seismic surveys, and obtains pre-sale commitments for a majority of the estimated costs of its participation seismic surveys, there is no certainty of future demand for these surveys by the oil and gas industry.

Seasonality

Acquisition of seismic data is usually completed in the winter season when the ground is frozen. These conditions are imperative, as seismic acquisition requires the use of heavy equipment, especially in the northern areas of Alberta and British Columbia. The Company depends on qualified contractors to complete the surveys on time and within budget. To help ensure this, Divestco obtains written cost estimates before a survey begins, and then regularly follows up with the contractor on the progress and costs incurred during the survey.



Victor Irwin: Account Manager, Software and Data

Seasonality Continued...

The Company's Services segment normally exhibits a noticeable dip in sales from mid-April through to the end of September, and a noticeable increase in sales during the fall and winter months when significant drilling and exploration activities are underway in North America. Divestco tries to minimize these fluctuations by entering into certain long-term archiving contracts with customers, as well as specific types of contract work appropriate for lower-activity months. Software experiences a slow down during July and August, which is generally a low volume period for the oil and gas industry in Western Canada.

Competition

The Company operates in a highly competitive, price-sensitive industry. In addition, Divestco competes with some senior companies that generally have access to a larger pool of capital resources and may have a significant international presence. Divestco attempts to distinguish itself from its competitors by selling a wide range of oil and gas exploration products and services on a stand-alone basis, or as customized and bundled solutions.

Skilled Labour

Divestco's success also depends on attracting and retaining highly skilled management, geophysical, geological, software development, sales, consulting and other staff. The Company achieves this by offering an attractive compensation package and training. To protect its competitive advantage and intellectual property, Divestco obtains confidentiality agreements and, in some cases, non-compete agreements from these individuals.

Government Regulations and Safety

The Company's seismic operations are subject to a variety of Canadian federal and provincial laws and regulations, including laws and regulations relating to safety and the protection of the environment. Divestco and its contractors are required to invest financial and managerial resources to comply with such laws and related permit requirements in their operations. Such laws and regulations are subject to change and, accordingly, it is not feasible for the Company to predict the cost or impact of such laws and regulations on its future operations. The adoption or modification of laws and regulations, which may lead oil and gas companies to curtail exploration and development, could also adversely affect Divestco's seismic operations by reducing the demand for seismic surveys.

You can view copies of the Company's other continuous disclosure documents at www.sedar.com or on the Company's website at www.divestco.com.



(L to R) Danielle Harrison: Account Manager, Geophysical Services, Zubeda Ramji: Audit Data Administrator and Neal Bird: Database Administrator

Management's Discussion and Analysis Continued...

Overall Performance

| Financial Results (Thousands, Except per Share Amounts) | Quarter Ended December 31 | | | Year Ended December 31 | | |
|---|----------------------------------|-------------|-----------------|-------------------------------|-------------|-----------------|
| | 2006 | 2005 | % Change | 2006 | 2005 | % Change |
| Revenue | \$30,546 | \$12,874 | 137% | \$106,463 | \$38,754 | 175% |
| Operating Expenses | 13,693 | 7,540 | 82% | 42,800 | 22,277 | 92% |
| EBITDA ⁽¹⁾⁽²⁾ | 16,853 | 5,334 | 216% | 63,663 | 16,477 | 286% |
| Interest | 399 | 201 | 99% | 1,235 | 324 | 281% |
| Depreciation and Amortization ⁽²⁾ | 3,706 | 2,307 | 61% | 36,051 | 7,870 | 358% |
| Operating Income ⁽¹⁾ | 12,748 | 2,826 | 351% | 26,377 | 8,283 | 218% |
| Other Income | 43 | 3 | 1,333% | 2,105 | 32 | 6,478% |
| Income Tax Expense | 4,101 | 1,163 | 253% | 8,867 | 3,137 | 183% |
| Net Income | 8,690 | 1,666 | 421% | 19,615 | 5,178 | 279% |
| Per Share Basic | 0.25 | 0.06 | 317% | 0.60 | 0.20 | 200% |
| Per Share Diluted | 0.24 | 0.05 | 380% | 0.58 | 0.19 | 205% |
| Funds From Operations ⁽¹⁾⁽³⁾ | 16,866 | 5,151 | 227% | 63,263 | 15,879 | 298% |
| Per Share Basic | 0.48 | 0.17 | 182% | 1.94 | 0.60 | 223% |
| Per Share Diluted | 0.47 | 0.17 | 176% | 1.88 | 0.59 | 219% |
| Shares Outstanding | 35,399 | 29,874 | 18% | 35,399 | 29,874 | 18% |
| Weighted Average Shares Outstanding | | | | | | |
| Basic | 34,912 | 29,848 | 17% | 32,665 | 26,521 | 23% |
| Diluted | 36,003 | 30,829 | 17% | 33,704 | 27,046 | 25% |

Financial Position

(Thousands)

Balance as at December 31

| | 2006 | 2005 |
|---|-------------|-------------|
| Total Assets | \$132,942 | \$80,198 |
| Working Capital (Deficiency) ⁽⁴⁾ | (10,955) | 3,515 |
| Long-term Debt (Including Current Portion) | 9,931 | 11,604 |

(1) See the Non-GAAP Measures Section.

(2) Amortization of deferred development costs is included with depreciation and amortization expense. This presentation change was made in 2006. Comparative numbers also reflect the change.

(3) Amortization of deferred development and deferred finance costs was reclassified from cash flows from investing activities and financing activities, respectively, to cash flows from operating activities. This presentation change was made in 2006. Comparative numbers also reflect the change.

(4) Divestco's bank covenants exclude deferred revenue from the working capital calculation. Excluding the current portion of deferred revenue working capital was a positive \$648,000 at December 31, 2006. The deficiency at December 31, 2006 was in part due to funding a number of 3D seismic surveys (long-term assets) completed in the last half of 2006 with short-term debt and working capital. Divestco is currently addressing the appropriate matching of long-term assets with long-term debt facilities and expects this to be rectified on a go forward basis.

Overall Performance

Consolidated Fourth Quarter Financial Results – 2006

Divestco generated 25 cents per share in earnings (24 cents — diluted) for the fourth quarter of 2006 compared to 6 cents (5 cents — diluted) in 2005. Net income increased by \$7.0 million (421%) to \$8.7 million from \$1.7 million in 2005. This was the Company's 13th consecutive profitable quarter since the company became publicly listed in September 2003. Revenues were \$30.5 million, an increase of \$17.6 million (137%) from \$12.9 million in 2005. Funds from operations improved by \$11.7 million (227%) to \$16.9 million (47 cents per share — diluted) from \$5.2 million in 2005.

Highlights for the fourth quarter were as follows:

- \$13.0 million (181%) increase in Data revenue related to the delivery of a 3D seismic survey, significant data library sales, and an increase in revenue related to the acquisition of Drilling Records in September 2005
- \$2.3 million (81%) increase in Services revenue related mainly to the purchase of Geo-X Processing in May 2006
- \$2.1 million (165%) increase in Consulting revenue from the acquisition of Focus Integrated Solutions Inc. (Focus) in October 2005 and Cavalier Land Ltd. (Cavalier) in July 2006
- \$0.4 million (22%) increase in Software revenue primarily related to the growth in existing product lines and acquisition of Laser Software Limited (Laser Software) in October 2005

Consolidated Annual Financial Results – 2006

Divestco generated 60 cents per share in earnings (58 cents per share — diluted) in 2006 compared to 20 cents (19 cents — diluted) in 2005. Net income was \$19.6 million compared to \$5.2 million in 2005, an increase of \$14.4 million (279%). Revenues were \$106.5 million, an increase of \$67.7 million (175%) from \$38.8 million 2005. Funds from operations improved by \$47.4 million (298%) from \$15.9 million in 2005 to \$63.3 million (\$1.88 per share — diluted) in 2006.



Preparing for an Aerial Drop on a Seismic Shoot

Overall Performance

Consolidated Annual Financial Results – 2006 Continued...

Highlights for fiscal 2006, were as follows:

- \$51.6 million (237%) increase in Data revenue related to the Company delivering eight 3D seismic data surveys, significant data library sales in the fourth quarter of 2006 and an increase in revenue with the acquisition of Drilling Records in 2005
- \$7.6 million (586%) increase in Consulting revenue from the Focus and Cavalier Land acquisitions
- \$6.6 million (63%) increase in Services revenue related mainly to the purchase of the Geo-X Processing assets
- \$1.9 million (35%) increase in Software revenue related to the growth in existing product lines and acquisition of Laser Software in 2005
- \$2.1 million gain on the sale of the Company's

Outlook

General industry activity levels appear to be leveling off in 2007, however, Divestco has many of its assets concentrated in areas where investment must be made or value is lost. Given Divestco's broad product and service offering, some of the Company's divisions may be affected by a leveling off in general industry levels. However, overall the Company has significant visibility and traction entering 2007 and is expecting growth in each business segment.



(L to R) Danielle Panchuk: Sales Administrator and Jennifer Davies: Sales Administrator

Selected Quarterly Information

(Thousands, Except per Share Amounts)

| | 2006 | | | | 2005 | | | |
|---|----------|----------|----------|----------|----------|---------|---------|---------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Revenue | \$30,546 | \$38,257 | \$18,056 | \$19,605 | \$12,874 | \$7,944 | \$9,221 | \$8,715 |
| EBITDA ⁽¹⁾⁽²⁾ | 16,853 | 26,572 | 8,049 | 12,192 | 5,334 | 3,044 | 3,919 | 4,179 |
| Operating Income ⁽¹⁾ | 12,748 | 5,796 | 2,673 | 5,163 | 2,826 | 1,985 | 1,019 | 2,453 |
| Net Income | 8,690 | 3,783 | 3,550 | 3,591 | 1,666 | 1,312 | 599 | 1,601 |
| Per Share - Basic | 0.25 | 0.11 | 0.11 | 0.12 | 0.06 | 0.05 | 0.02 | 0.06 |
| Per Share - Diluted | 0.24 | 0.11 | 0.11 | 0.11 | 0.05 | 0.05 | 0.02 | 0.06 |
| Funds from Operations ⁽¹⁾⁽³⁾ | 16,866 | 26,440 | 8,215 | 11,751 | 5,151 | 3,015 | 3,689 | 4,024 |
| Per Share - Basic | 0.48 | 0.78 | 0.26 | 0.39 | 0.17 | 0.11 | 0.15 | 0.16 |
| Per Share - Diluted | 0.47 | 0.74 | 0.24 | 0.37 | 0.17 | 0.11 | 0.15 | 0.16 |

(1) See the Non-GAAP Measures Section.

(2) Amortization of deferred development costs is included with depreciation and amortization expense. This presentation was made in 2006. Comparative numbers also reflect the change.

(3) Amortization of deferred development and deferred finance costs was reclassified from cash flows from investing activities and financing activities, respectively, to cash flows from operating activities. This presentation was made in 2006. Comparative numbers also reflect the change.

The trend illustrated in the table above is due to Divestco's growth over the past two years, through organic means and through acquisitions. Generally, the Company's busiest quarters are the first and fourth, when significant drilling and exploration activities are underway in North America.



Paper Copies of Seismic Data, Divestco Processing

Management's Discussion and Analysis Continued...

Segment Review

Three Months ended December 31, 2006

(Thousands)

| | Software | Services | Data | Consulting | Corporate and Other | Total |
|--|----------|----------|----------|------------|---------------------|----------|
| Revenue | \$1,873 | \$5,142 | \$20,114 | \$3,417 | \$- | \$30,546 |
| EBITDA ⁽¹⁾⁽²⁾ | 831 | 1,025 | 17,091 | (39) | (2,055) | 16,853 |
| Interest | - | - | 132 | (8) | 275 | 399 |
| Depreciation and Amortization ⁽²⁾ | 324 | 498 | 2,563 | 282 | 39 | 3,706 |
| Operating Income ⁽¹⁾ | 507 | 527 | 14,398 | (313) | (2,371) | 12,748 |

Three Months ended December 31, 2005

(Thousands)

| | Software | Services | Data | Consulting | Corporate and Other | Total |
|--|----------|----------|---------|------------|---------------------|----------|
| Revenue | \$1,531 | \$2,839 | \$7,150 | \$1,289 | \$65 | \$12,874 |
| EBITDA ⁽¹⁾⁽²⁾ | 61 | 774 | 5,655 | (46) | (1,110) | 5,334 |
| Interest | - | - | - | - | 201 | 201 |
| Depreciation and Amortization ⁽²⁾ | 203 | 171 | 1,845 | 25 | 63 | 2,307 |
| Operating Income ⁽¹⁾ | (141) | 604 | 3,809 | (71) | (1,375) | 2,826 |

Year ended December 31, 2006

(Thousands)

| | Software | Services | Data | Consulting | Corporate and Other | Total |
|--|----------|----------|----------|------------|---------------------|-----------|
| Revenue | \$7,054 | \$17,083 | \$73,384 | \$8,847 | \$95 | \$106,463 |
| EBITDA ⁽¹⁾⁽²⁾ | 3,087 | 3,277 | 65,034 | (576) | (7,159) | 63,663 |
| Interest | - | - | 318 | (22) | 939 | 1,235 |
| Depreciation and Amortization ⁽²⁾ | 1,180 | 1,529 | 32,610 | 586 | 146 | 36,051 |
| Operating Income ⁽¹⁾ | 1,908 | 1,748 | 32,106 | (1,140) | (8,245) | 26,377 |

Year ended December 31, 2005

(Thousands)

| | Software | Services | Data | Consulting | Corporate and Other | Total |
|--|----------|----------|----------|------------|---------------------|----------|
| Revenue | \$5,195 | \$10,453 | \$21,752 | \$1,289 | \$65 | \$38,754 |
| EBITDA ⁽¹⁾⁽²⁾ | 1,375 | 2,461 | 17,212 | (46) | (4,525) | 16,477 |
| Interest | - | - | - | - | 324 | 324 |
| Depreciation and Amortization ⁽²⁾ | 794 | 637 | 6,187 | 25 | 227 | 7,870 |
| Operating Income ⁽¹⁾ | 580 | 1,825 | 11,025 | (71) | (5,076) | 8,283 |

(1) See the Non-GAAP Measures Section.

(2) Amortization of deferred development costs is included with depreciation and amortization expense. This presentation change was made in 2006. Comparative numbers also reflect the change.

Segment Review Continued...

Software

The Software segment sells software licences and is responsible for development, maintenance, and support of its products.

Fourth Quarter Financial Results – 2006

In the fourth quarter of 2006, revenue in Software amounted to \$1.9 million compared to \$1.5 million for the same quarter in 2005, generating 6% (Q4 2005 — 12%) of the Company's total revenue for the three month period. The increase of \$342,000 (22%) was due to a \$209,000 increase in LandRite revenue with the remainder related to increases in GeoVista, WinPICS and MapQ sales.

EBITDA for the fourth quarter was \$831,000 compared to \$61,000 in 2005, an increase of \$771,000 (1,285%). Salaries, and General and Administrative (G and A) expenses decreased by 29% from 2005 due to a greater amount of deferred salaries realized in 2006 which are related to software development initiatives. Amortization was \$324,000 compared to \$203,000 in 2005, an increase of \$124,000 (62%) related additional amortization of deferred development costs. Operating income for Software was \$507,000 compared to operating loss of \$141,000 in 2005, an increase of \$648,000 (460%).

Year To Date Financial Results – 2006

Revenue for 2006 in Software amounted to \$7.1 million compared to \$5.2 million in 2005, generating 7% (2005 — 13%) of the Company's total revenue for the year. The increase of \$1.8 million (35%) was due to increase in LandRite sales of \$1.1 million and an increase of \$800,000 in sales of GeoCarta Tools, GeoVista, MapQ, WinPICS, and OeX over 2005 due to both volume and price increases.

In 2006, EBITDA was \$3.1 million compared to \$1.4 million in 2005, an increase of \$1.7 million (124%). Salaries and General and Administrative (G and A) expenses increased marginally in 2006. While a greater amount of deferred salaries were realized in 2006, related to software development initiatives, increases in salaries came by way of the Laser Software acquisition late in 2005. Amortization was \$1.2 million compared to \$0.8 million in 2005, an increase of \$0.4 million (48%) due to the Laser Software acquisition and additional amortization of deferred development costs. Operating income for Software was \$1.9 million compared to \$0.6 million in 2005, an increase of \$1.3 million (229%).



Hassan Odhwani: Processor In Training

Segment Review Continued...

Outlook

Ongoing development proceeds on all of Divestco's core product lines. 2007 will see the release of new versions of GeoVista, WinPICS, EnvisionVSX, OeX and DataStore.

Strategic evaluation of various products will result in the addition of several key differentiators, providing even more traction to further organic growth. In the months ahead, synergies with many service products should also open numerous new avenues of sales growth, while the Company's continued efforts to develop with a true market focus will result in several new offerings.

WinPICS continues to show strong sales growth and with additional focus and resources being invested towards our geophysical product lines, the Company expects revenues to remain strong and expand over the next 12 months.

Divestco's entire product line, including LandRite and GeoCarta Tools, present various opportunities for solid growth. Using strategic targeted marketing, the Company's Software Sales team is using its best efforts to ensure the proper information our customers and potential customers need to know is getting into the hands of industry decision makers.

Services

The Services segment offers data quality assurance and processing as well as data management services for geophysical and geological related information. More specifically, Services provides seismic survey audit, archiving, brokerage and processing, as well as custom mapping and database management services.

Fourth Quarter Financial Results – 2006

In the fourth quarter of 2006, revenue in Services amounted to \$5.1 million compared to \$2.8 million for the same quarter in 2005, generating 17% (Q4 2005 — 22%) of the Company's total revenue for the three month period. The increase of \$2.3 million (81%) was due to \$2.7 million in revenue from the seismic processing division acquired in May 2006 and increases in survey audit, mapping, and archiving revenue related to the completion of a number of 3D participation surveys. This was offset by a portion of brokerage revenue that was moved into the data segment in February 2006.



Mike Perz: Manager, Research and Development, Divestco Processing

Segment Review Continued...

Fourth Quarter Financial Results — 2006 Continued...

EBITDA for the fourth quarter was \$1.0 million compared to \$0.8 million in 2005, an increase of \$0.2 million (32%). Salaries and G and A expenses increased by 99% due to the acquisition of the seismic processing division. Amortization was \$498,000, an increase of \$326,000 (190%) from \$172,000 in 2005, related to the purchase of the seismic processing assets. Operating income for Services was \$527,000 as compared to \$603,000 in 2005, a decrease of \$76,000 (13%).

Year To Date Financial Results — 2006

In 2006, revenue in Services amounted to \$17.1 million compared to \$10.5 million in 2005, generating 16% (2005 — 27%) of the Company's total revenue for the period. The increase of \$6.6 million (63%) was due to \$7.6 million in seismic processing sales and an increase in survey audit related to a number of seismic surveys completed during the year.

In 2006, EBITDA was \$3.3 million compared to \$2.5 million in 2005, an increase of \$0.8 million (32%). Salaries and G and A expenses increased by 73% due to the acquisition of the seismic processing division. Amortization was \$1.5 million compared to \$0.6 million, an increase of \$0.9 million (140%) from 2005 due primarily to the addition of the seismic processing assets. Operating income for Services was \$1.7 million for 2006 and \$1.8 million for 2005. This was offset by a portion of brokerage revenue that was moved into the data segment in February 2006.

Outlook

Significant strides continue to be made in the integration of various disciplines available within the segment to provide improved turnaround and options for customers. Infrastructure refinement is showing improved efficiencies in the movement of data between divisions with customers benefiting by faster delivery and consolidation of services.

Activity in the archive group continues to increase as customers realize the advantage of consolidating, centralizing and managing their data in a secure environment. Completion of a new administration system in the archive area is anticipated for early in the second quarter of 2007. Reprocessing of previously purchased seismic data libraries is nearing completion with the survey audit group recalculating and confirming the surface location and the processing area performing the reprocessing. The seismic brokerage group is anticipating steady sales of seismic data with additional brokers being added to increase exposure for Divestco proprietary data and for regular seismic activity, while regular winter activity levels continue to increase.



Patrick Tutty: Account Manager, Processing

Management's Discussion and Analysis Continued...

Segment Review Continued...

Data

The Data segment acquires, licenses, and maintains Divestco's proprietary seismic data and full suite of support data layers (log, well, and drilling data). Data also provides log digitizing, rasterizing services, and document scanning management services.

| Seismic Library | December 31, 2006 | December 31, 2005 |
|-------------------------------|-------------------|-------------------|
| 2D in Gross Kilometres | 58,273 | 52,244 |
| 2D in Net Kilometres | 46,273 | 40,244 |
| 3D in Gross Square Kilometres | 7,261 | 5,291 |
| 3D in Net Square Kilometres | 5,751 | 3,782 |

Fourth Quarter Financial Results – 2006

In the fourth quarter of 2006, revenue in Data amounted to \$20.1 million compared to \$7.1 million for the same quarter in 2005, generating 66% (Q4 2005 — 56%) of the Company's total revenue for the three month period. The increase of \$12.9 million (181%) was due to a growth of \$12.4 million in 3D and 2D seismic data revenue related mainly to the delivery of a 3D seismic participation program and some significant 3D data library sales in the quarter, a \$0.3 million increase in revenue from the U.S. division and a \$0.2 million increase in revenue from the log data division.

EBITDA for the fourth quarter was \$17.1 million compared to \$5.7 million in 2005, an increase of \$11.4 million (202%).

Salaries increased slightly from 2006 while G and A increased by \$1.5 million (370%) from the period in 2005 primarily due to the increase in seismic data activity and a one-time charge for a royalty payout. Amortization increased by \$0.7 million (39%) to \$2.6 million in 2006 from \$1.9 million in 2005 related to an increase in seismic survey costs. Operating income for Data was \$14.4 million compared to \$3.8 million in 2005, an increase of \$10.6 million (278%).



Kyly Woods: Accounting Administrator, Cavalier Land

Segment Review Continued...

Year To Date Financial Results – 2006

In 2006, revenue in Data amounted to \$73.4 million compared to \$21.8 million in 2005, generating 69% (2005 — 56%) of the Company's total revenue. The increase in revenue of \$51.6 million (237%) was primarily due to a \$51.1 million rise in seismic data revenue related to the delivery of eight 3D seismic participation surveys and some significant data library sales in the fourth quarter, \$0.2 million increase in support data revenue related to the acquisitions of Drilling Records (Canada), and \$1.2 million increase in revenue from Divestco's U.S. operations related to the acquisitions of PDS and Drilling Records (USA) in 2005. This was offset by a \$0.9 million decrease in log data revenue due to a large one-time data sale made in 2005.

In 2006, EBITDA was \$65.0 million compared to \$17.2 million in 2005, an increase of \$47.8 million (278%). Salaries increased by 39% due to new hires needed to assist the Company with its seismic programs and the addition of staff in both Canada and the U.S. with the Drilling Records and PDS acquisitions in 2005. This was offset by further cost reductions in the log data division. Also as a result of these acquisitions and the increase in seismic data activity, G and A costs increased by \$2.5 million (230%). Amortization was \$32.6 million compared to \$6.2 million, an increase of \$26.4 million (427%) from 2005 due to the addition of eight new 3D seismic surveys and the purchase of an exiting 2D seismic survey. Operating income for Data was \$32.1 million compared to \$11.0 million in 2005, an increase of \$21.1 million (191%).

Outlook

Divestco expects to complete and deliver a number of additional 3D seismic surveys covering approximately 3,500 square kilometres in Alberta and British Columbia. Further augmenting the created 3D datasets, it is expected that Divestco will continue to evaluate and acquire 2D and 3D seismic data and other datasets that complement Divestco's broad data offering.

The Company's U.S. operations completed its reorganization in 2006 with a reduction of 3 operational staff to be replaced by 3-4 new sales staff in the first quarter of 2007. The new sales staff will include the addition of an Oklahoma City-based account manager to expand Divestco's presence in the mid-continent region which has been experiencing very high levels of exploration activity. In the second quarter, a release of a new web delivery system will add more functionality to the drilling and well database. Divestco continues to build its data partner program and added 12 new data partners in the last quarter of 2006. Divestco has targeted the addition of 40 new drilling data partners in 2007 which will significantly add to the coverage and currency of the drilling database.



Sarah Turfrey: Sales Manager

Segment Review Continued...

Consulting

The Consulting segment offers end-to-end solutions, ranging from business consulting services, ERP systems implementations and CRM systems implementations, to custom software development, hardware devices, network infrastructure, and land management services.

Fourth Quarter Financial Results – 2006

In the fourth quarter of 2006, revenue in Consulting amounted to \$3.4 million, generating 11% of the Company's total revenue for the three month period. \$2.2 million in new revenue was added as a result of the Cavalier Land acquisition. EBITDA was a negative \$39,000. Cavalier Land has generated positive operating results since the acquisition in July 2006 and the losses in the fourth quarter are attributed to the business consulting divisions. The Vancouver consulting office was closed in November 2006 as a result. In Calgary the employment market remained strong and attraction and retention of senior business consulting staff continued to present a challenge. Amortization was \$282,000, a \$257,000 increase from the third quarter of 2006 due to the addition of Cavalier Land. Consulting had an operating loss of \$313,000 for the segment. As this segment was added in October 2005 with the Focus acquisition and expanded with the Cavalier Land acquisition in July 2006, there are no comparative figures to report.

Year To Date Financial Results – 2006

In 2006, revenue in Consulting amounted to \$8.8 million, generating 8% of the Company's total revenue for the year. \$3.5 million in new revenue was added as a result of the Cavalier Land acquisition. EBITDA was a negative \$576,000. Again, Cavalier Land has generated positive operating results since the acquisition in July 2006 and the annual losses are attributable to the business consulting division. Amortization was \$586,000, a \$282,000 increase from the third quarter of 2006 due to the addition of Cavalier Land. This amounted to an operating loss of \$1,140,000 for the segment. As this segment was added in October 2005 with the Focus acquisition and expanded with the Cavalier Land acquisition in July 2006, there are no comparative figures to report.



Judy Kneeshaw: Software Support Analyst

Outlook

Divestco is pleased with the acquisition and profitability of Cavalier Land. The pairing of Cavalier Land services with LandRite, Divestco's industry-leading land administration software, is presenting new opportunities with additional revenue expected to be realized in 2007.

During the first Quarter of 2007, Divestco made several key management, operational and structural changes in the business consulting division. It is expected on a go-forward basis that this division will generate positive returns as the pipeline for their service offering remains strong.

Segment Review *Continued...*

Corporate and Other

The Corporate segment contains costs associated with corporate general and administrative functions associated primarily with setting the overall strategic plan of the Company including: operations, finance, accounting, human resources (HR), and information technology (IT) functions. Salaries, legal, travel, investor relations, stock compensation and interest expenses are also included as part of the Corporate segment.

Fourth Quarter Financial Results – 2006

Salaries and wages increased by 119% from \$340,000 in 2005 to \$746,000 in 2006 due to the addition of new staff from various acquisitions as well as new positions created within the Accounting and IT groups to manage the overall growth of the Company. G and A expenses increased by 60% from \$703,000 in 2005 to \$1,131,000 in 2006 due to the increases in stock compensation expense, professional fees, and occupancy costs due to the overall Company growth. Interest costs were \$275,000 in 2006 compared to \$201,000 in 2005. The increase of \$74,000 was primarily due to \$10 million in new long-term debt obtained in late September 2005, \$2.8 million drawn on a \$10 million facility obtained in February 2006 used to assist in financing the Company's seismic programs, and \$3.7 million outstanding on the Company's operating line for the duration of the fourth quarter. Amortization was \$41,000 in 2006 compared to \$63,000 in 2005, a decrease of \$25,000 (39%). Total expenditures amounted to \$2.4 million in 2006 compared to \$1.4 million in 2005, an increase of \$1.0 million (71%).

Year To Date Financial Results – 2006

Revenue is related to income earned from the Company's short-term investments. Salaries and wages increased by \$0.9 million (45%), from \$2.0 million 2005 to \$2.9 million in 2006. The increase was due to the addition of new accounting staff from Drilling Records, Focus, and Laser Software, and a new hire in HR. G and A costs were \$4.3 million in 2006 compared to \$2.5 million in 2005. The increase of \$1.8 million (72%) was primarily due to the fees related to the Company's graduation to the Toronto Stock Exchange in June 2006 as well as increases in stock compensation expense, professional fees, and occupancy costs due to the overall growth of the Company over the previous year. Interest costs were \$939,000 in 2006 compared to \$324,000 in 2005, an increase of \$615,000 (189%). The increase was primarily due to over \$10 million in long-term debt and revolving debt financing used to fund the Company's seismic programs and \$3.7 million outstanding on the Company's operating line. Amortization was \$146,000 in 2006 compared to \$227,000 in 2005, a decrease of \$81,000 (35%). Total expenditures amounted to \$8.2 million in 2006 compared to \$5.0 million in 2005, an increase of \$3.2 million (64%).



Survey Technician Plotting Field Coordinates

Segment Review Continued...

Outlook

The major focus of the Corporate segment over the past several months was on internal control documentation as the Company worked toward the first part of compliance with Multilateral Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings, and Internal Control over Financial Reporting (ICFR)." Divestco engaged a major accounting firm to assist in its ICFR Project and this work is expected to continue into 2007. Aside from growth related to acquisitions, the Corporate segment does not expect a material increase in expenses in 2007.

Depreciation and Amortization

Depreciation and amortization for the fourth quarter of 2006 was \$3.7 million compared to \$2.3 million in the same period in 2005, an increase of \$1.4 million (61%). The increase was primarily due to:

- 3D seismic participation survey delivered during the quarter with a total acquisition cost of \$3.5 million
- Purchase of the Geo-X Processing assets in May 2006 (\$10.2 million of the purchase price was allocated to tangible and intangible assets [excluding goodwill of \$1.8 million, which is not amortized])
- Acquisition of Cavalier Land in July 2006 (\$5.8 million of the purchase price was allocated to tangible and intangible assets [excluding goodwill of \$3.3 million, which is not amortized])
- \$142,000 in property and equipment additions



John Townsley: Product Manager Specialist

Depreciation and Amortization *Continued...*

Depreciation and amortization for 2006 was \$36.1 million compared to \$7.9 million in 2005, an increase of \$28.2 million (358%). The increase was primarily due to:

- Eight 3D seismic participation surveys delivered during the year with a total acquisition cost of \$74.4 million
- Purchase of the Geo-X seismic processing assets (\$10.2 million of the purchase price was allocated to tangible and intangible assets [excluding goodwill of \$1.8 million, which is not amortized])
- Acquisition of Cavalier Land (\$5.8 million of the purchase price was allocated to tangible and intangible assets [excluding goodwill of \$3.3 million, which is not amortized])
- \$1.4 million in property and equipment additions with \$1.0 million in computer hardware and software purchases, \$0.4 million related to leasehold improvements made to the premises of the Company's seismic processing division in downtown Calgary
- \$176,000 related to the purchase of software code

Income Taxes

Divestco recorded a current tax provision of \$312,000 in 2006. A future tax provision of \$8.6 million was also recorded compared to \$1.8 million in 2005 as a significant portion of the Company's income was earned through a partnership in 2006.

As at December 31, 2006, the Company had the following tax pools in Canada:

- \$6.5 million of non capital loss carry forwards (begin to expire in 2009)
- \$8.3 million in undepreciated capital cost pools
- \$4.8 million of Federal Scientific Research and Development (SR&ED) expenditures
- \$0.6 million of SR&ED Investment Tax Credits (begin to expire in 2016)

Divestco's U.S. subsidiary also had \$352,000 in net operating losses at the end of 2006 which begin to expire in 2025.



Table for Large Format GIS Mapping Output

Major Transactions

Seismic Related

During the fourth quarter of 2006, Divestco completed a 3D seismic survey covering an approximate area of 1,100 km² at a cost of \$3.6 million (excludes \$0.3 million of costs related to services provided by Divestco's survey audit, seismic processing and archive departments which is eliminated on consolidation).

During the year, Divestco completed eight 3D seismic surveys covering an approximate area of 2,000 km² at a cost of \$74.4 million (excludes \$1.6 million of costs related to services provided by Divestco's survey audit, seismic processing and archive divisions which is eliminated on consolidation).

Corporate

On May 1, 2006, the Company closed the purchase of the seismic processing business of Calgary-based Geo-X Systems Ltd. (Geo-X) for consideration of \$12.7 million. The difference from the previously announced purchase price of \$11.5 million was due to a purchase price adjustment of \$859,000 (calculated in accordance with the acquisition agreement), and the value of the Divestco common shares issued, which was calculated using a price of \$5.62 for accounting purposes (based on the trading value five days before and after the closing date and applying a 20% discount due to a four-month holding period on the shares).

On July 18, 2006, Divestco acquired all of the issued and outstanding shares of Cavalier Land Ltd. for total consideration of \$7.1 million. The difference from the previously announced purchase price of \$7.4 million was due to a purchase price adjustment of \$298,000 (calculated in accordance with the acquisition agreement), and the value of the Divestco common shares issued, which was calculated using a price of \$4.54 for accounting purposes (based on the trading value five days before and after the closing date).

On March 1, 2007, the Company announced that they have entered into an agreement contemplating the acquisition of BlueGrouse Seismic Solutions Ltd. (BlueGrouse) pursuant to a plan of arrangement (the Arrangement). Under the Arrangement, each 3.2 common shares of BlueGrouse will entitle the holder to receive one common share of the Company. The Arrangement is subject to the satisfaction of certain conditions, including court, shareholder and regulatory approvals. A meeting of holders of BlueGrouse shares will be called in due course to consider the Arrangement.



Kristen Muldoon: Accounting Administrator, Cavalier Land

Liquidity and Capital Resources

Working Capital

Excluding the current portion of deferred revenue, working capital was a positive \$648,000 at December 31, 2006 (Divestco's bank covenants exclude deferred revenue from the working capital calculation). Inclusive of deferred revenue, the working capital deficiency at December 31, 2006 was in part due to funding a number of 3D seismic surveys (long-term assets) completed in the last half of 2006 with short-term debt and working capital. Divestco is currently addressing the appropriate matching of long-term assets with long-term debt facilities and expects this to be rectified on a go forward basis. Divestco continues to meet all of its short-term and long-term debt obligations.

Operating Activities

Funds from operations for the fourth quarter of 2006 were \$16.9 million (47 cents per share — diluted) compared to \$5.2 million (17 cents per share — diluted) in 2005, an increase of \$11.7 million (227%). For 2006, funds from operations were \$63.3 million (1.88 cents per share — diluted) compared to \$15.9 million (59 cents per share — diluted) in 2005, an increase of \$47.4 million (298%). The increases were primarily due to a significant growth in seismic data revenue related to eight 3D surveys completed and delivered to clients during the period of 2006 (including one in the fourth quarter) as well as the acquisitions of Laser Software in 2005, Cavalier Land in July 2006 and the purchase of the seismic processing division from Geo-X in May 2006. This was offset by a rise in salaries and operating costs related to the acquisitions.

Financing Activities

The Company's financing activities for 2006 are highlighted as follows:

- \$12.1 million in gross proceeds from a public offering of 2.3 million common shares (\$11.2 million net proceeds)
- \$6.5 million in bank indebtedness including \$2.8 million drawn on a \$15 million credit facility obtained to assist the Company with financing its seismic programs and \$3.7 million drawn on the Company's operating line
- \$3.9 million in proceeds received from the exercise of stock options, broker compensation options and share purchase warrants (fourth quarter 2006 — \$2.7 million)
- \$2.9 million repayment of capital lease obligations, promissory notes and term debt (fourth quarter 2006 — \$0.7 million)



Kirstyn Mackie: Marketing Communications Specialist

Liquidity and Capital Resources Continued...

Investing Activities

The Company's investing activities for 2006 are highlighted as follows:

- \$74.4 million to complete various seismic data surveys (fourth quarter 2006 — \$5.1 million). In addition, there were \$2.7 million spent on on-going surveys at the end of 2006
- \$11.5 million spent to acquire the Geo-X Processing assets (excluding \$1.2 million in shares issued)
- \$4.2 million in cash to acquire Cavalier Land and Agadir Resources (excluding \$1.7 million in shares issued and \$1.3 in deferred consideration. Includes cash acquired of \$0.6 million)
- \$7.8 million in proceeds related to the sale the Company's remaining short-term investments
- \$1.6 million in purchases of property and equipment as well as software code (fourth quarter 2006 — \$0.1 million)

Debt Instruments

Divestco has the following credit facilities in place with HSBC Bank Canada (HSBC):

- \$7 million operating line, bearing interest at HSBC bank prime plus 0.75%. In November 2006, the operating line was increased from \$4.0 million. The aggregate borrowing under this facility cannot exceed 75% of the Company's accounts receivable balance. As at December 31, 2006, \$3.7 million amount was drawn on this facility (December 31, 2005 — \$3.0 million).

• \$15 million short-term revolving demand loan used to help finance the Company's seismic participation surveys. In November 2006, the short-term loan was increased from \$10 million. The loan is due on demand and bears interest at bank prime rate plus 1.00% (increased from 0.75%). As at December 31, 2006, \$2.8 million was drawn on this facility.



Garry Cook: Director Land Services, Cavalier Land

Liquidity and Capital Resources Continued...

Debt Instruments Continued...

- \$150,000 corporate credit card facility reserved for senior management and officers. A nominal amount was drawn on this facility as at December 31, 2006.

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 of approximately \$7.5 million. The facilities are subject to the Company meeting certain debt covenants. As at December 31, 2006, the Company was in violation of its working capital covenant. At the request of the Company, the Bank has agreed to provide forbearance over the covenant breach as at December 31, 2006.

Divestco also has the following credit facility in place with Roynat Capital Inc. (Roynat):

- Term loan bearing interest at Roynat's floating base rate plus 3.00%. The loan is payable in monthly installments of \$165,500 plus interest, with a final installment of \$235,500. \$7.8 million of the loan was outstanding as at December 31, 2006 (December 31, 2005 — \$9.8 million).

Roynat is secured by a first charge on all fixed assets now owned and hereafter acquired by the Company and a floating charge on all other assets, subject to a prior charge (both fixed and floating) to the operating lender of approximately \$7.5 million. The facilities are subject to the Company meeting certain debt covenants. As at December 31, 2006, the Company was in violation of its debt service ratio covenant. The lender has acknowledged the covenant violation as at December 31, 2006 and granted a waiver on the aforementioned covenant breach. Additionally, for a period of 366 days from the December 31, 2006 violation date, the lender will not, as a specific result of the December 31, 2006 covenant violation, request repayment of their facility (other than the scheduled monthly repayment). In addition, the Company is currently in negotiations with Roynat to permanently amend the debt service ratio covenant on a go forward basis.

Expectations are that the expanded credit facilities and funds from operations will be sufficient in the short-and long-term to maintain the Company's current requirements. To meet planned growth, and to fund future capital expenditures, the Company may look at expanding existing credit facilities, obtaining additional debt or replacement sources of financing.



Kelly Boucher: Account Manager, Geophysical Services

Outstanding Share Data

Divestco's common shares trade on the TSX under the symbol "DVT." The Company is authorized to issue an unlimited number of voting common shares.

The following table provides details of the Company's equity instruments:

| Balance as at | Mar. 6, 2007 | Dec. 31, 2006 | Dec. 31, 2005 |
|------------------------------------|------------------|------------------|------------------|
| Common Shares | | | |
| Outstanding | 35,743,524 | 35,399,114 | 29,874,400 |
| Weighted Average Outstanding | | | |
| Basic | | 32,664,507 | 26,520,656 |
| Diluted | | 33,704,401 | 27,045,527 |
| Stock Options | | | |
| Outstanding | 2,668,164 | 2,765,706 | 2,219,403 |
| Exercise Price | \$1.00 to \$6.10 | \$0.83 to \$6.10 | \$0.83 to \$3.00 |
| Warrants | | | |
| Outstanding | 521,250 | 538,500 | 2,500,000 |
| Exercise Price | \$2.50 | \$2.50 | \$2.50 |
| Broker Compensation Options | | | |
| Outstanding | 553 | 220,553 | 349,342 |
| Exercise Price | \$2.00 | \$2.00 | \$2.00 |

Common Shares

On June 22, 2006, the Company closed an offering of 2.3 million shares at a price of \$5.25 per share. Certain insiders of Divestco and their spouses participated in the offering and acquired an aggregate of 160,000 shares. Gross proceeds to the company were \$12.1 million. The underwriters were paid a commission equal to 6% of the gross proceeds.

During 2006, 1,961,500 warrants were exercised for total proceeds of \$4.9 million, and 128,789 broker compensation options were exercised for total proceeds of \$0.3 million. Subsequent to December 31, 2006, 17,250 warrants were exercised for total proceeds of \$43,000 and 220,000 broker compensation options were exercised for the total proceeds of \$440,000.

On January 9, 2007 the Company received approval from the TSX to repurchase up to 1,770,000 of its common shares at prevailing market prices commencing on January 15, 2007 and terminating on the earlier of the January 14, 2008 and the date on which the maximum number of common shares are purchased pursuant to the Issuer Bid.

Outstanding Share Data Continued...

Stock Options

As at December 31, 2006 there were 3,147,035 (2005 – 2,650,000) common shares authorized for grants of stock options. The increase from 2,650,000 was due to a change from a fixed stock option plan to a floating stock option plan.

During 2006:

- 1,079,015 stock options were granted with exercise prices ranging from \$3.23 to \$6.10 (included 141,000 granted to officers)
- 392,921 stock options were exercised at exercise prices ranging from \$0.83 to \$1.69
- 139,791 stock options were cancelled with exercise prices ranging from \$1.25 to \$6.10

From January 1 to March 6, 2007:

- 45,650 options were granted at a exercise price of \$3.68
- 106,894 options were exercised with exercise prices ranging from of \$1.04 to \$3.00
- 36,302 options were cancelled with exercise prices of ranging from \$1.25 to \$6.10

Commitments

Except as discussed elsewhere, the Company has entered into various commitments primarily related to debt, building and equipment leases and multi-year data licences. The following table is a summary of the Company's contractual obligations as at December 31, 2006:

| Payments Due by Fiscal Year (Thousands) | 2007 | 2008 | 2009 | 2010 | 2011 | Total |
|---|--------------|--------------|--------------|--------------|--------------|---------------|
| Long-term Debt | \$1,986 | \$1,986 | \$1,986 | \$1,891 | \$- | \$7,849 |
| Promissory Notes | 798 | 625 | - | - | - | 1,423 |
| Capital Leases | 511 | 148 | - | - | - | 659 |
| Operating Leases ⁽¹⁾ | 3,382 | 3,223 | 3,021 | 2,642 | 1,749 | 14,017 |
| Total Contractual Obligations | 6,677 | 5,982 | 5,007 | 4,533 | 1,749 | 23,948 |

(1) Includes amounts paid for occupancy costs (net of subleases), data licences and office equipment leases

Related Party Transactions

Divestco had the following related party transactions:

- In 2006, the Company earned \$66,000 (2005 — \$38,000) in revenue related to data loading, workstation rentals and leasing of office space from companies with common directors. Included in accounts receivable as at December 31, 2006 was \$12,308 (December 31, 2005 — \$13,268) related to this revenue.
- In 2006, the Company paid \$337,000 (2005 — \$205,000) in brokerage commissions to a company controlled by a Director. Included in accounts payable as at December 31, 2006 was \$NIL (December 31, 2005 — \$4,000) related to these commissions.
- In 2006, the Company paid \$467,000 (2005 — \$185,000) in legal fees to the law firm at which the Company's Corporate Secretary is employed. Included in accounts payable as at December 31, 2006 was \$31,000 (December 31, 2005 — \$38,000) related to these legal fees.
- As at December 31, 2005, there was a promissory note due from an officer of the Company in the amount of \$22,000, bearing interest at 4% per annum, which was paid in 2006.
- In 2006, the Company paid \$59,000 (2005 — \$NIL) in legal fees to the law firm at which a Director is a Partner. Included in accounts payable at December 31, 2006 was \$55,000 (December 31, 2005 — \$NIL) related to these legal fees.

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

Critical Accounting Estimates

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 a 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. Some of the created seismic is acquired jointly with others. The Company's financial statements reflect only its proportionate share of the costs of the jointly created seismic data library.

The fair value of share options, broker compensation options, and warrants were estimated using the Black Scholes option pricing model with the following assumptions: an expected volatility of 60% (2005 — 60%), a risk free interest rate of 5.0%, and an expected life of five years for the stock options and two years for the broker compensation options and warrants. The value of the stock options is recorded in contributed surplus at the date of grant and recognized as a compensation expense over the two-year vesting period. In October 2005, the Company changed the vesting period of stock options granted going forward to three years from two years. The value for the broker compensation options is recorded in contributed surplus and is reduced as the broker options are exercised. The value of the warrants has been recorded as a separate line item under equity instruments and is reduced as the warrants are exercised.

New Accounting Pronouncements

Non-Monetary Transactions

In June 2005, the Accounting Standards Board (“AcSB”) issued Section 3831, Non-Monetary Transactions, which replaces Section 3830 and requires all non-monetary transactions to be measured at fair value unless:

- the transaction lacks commercial substance;
- the transaction is an exchange of a product or property held for sale in the ordinary course of business for a product or property to be sold in the same line of business to facilitate sales to customers other than the parties to the exchange;
- neither the fair value of the assets or services received nor the fair value of the assets or services given up is reliably measurable;
- the transaction is a non-monetary, non-reciprocal transfer to owners that represent a spin-off or other form of restructuring or liquidation.

The new requirements apply to non-monetary transactions initiated in periods beginning on or after January 1, 2006. Earlier adoption is permitted beginning on or after July 1, 2005. The Company does not expect that the adoption of this standard will have any material impact on its results of operations or financial position.

Financial Instruments

The AcSB has issued three sections on financial instruments; Section 1530, Comprehensive Income, Section 3855, Financial Instruments – Recognition and Measurement, and Section 3865, Hedges. These three sections will apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. They will require the following:

- all trading financial instruments will be recognized on the balance sheet and will be fair valued through the income statement;
- all remaining financial assets will be recorded at cost and amortized through the financial statements;
- a new statement for comprehensive income that will include certain gains and losses on translation of assets and liabilities;
- an update to Accounting Guideline 13 to incorporate the fair value changes currently recorded in the income statement to be recorded through the comprehensive income statement.

Management has not assessed the future impact on the financial statements of the Company at this time.

Securities Regulations Update

Disclosure Controls and Procedures

Disclosure Controls and Procedures are controls and procedures designed and implemented by, or under the supervision of Divestco's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) to ensure that material information relating to the Company is communicated to them by others in the organization as it becomes known and is appropriately disclosed as required under the continuous disclosure requirements of securities legislation. In essence, these types of controls are related to the quality and timeliness of financial and non-financial information in securities filings.

An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was conducted as at December 31, 2006, by and under the supervision of Divestco's management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures, as defined in the Canadian Securities Administrators' Multilateral Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", are effective to ensure that information required to be disclosed in reports that the Company files or submits under Canadian securities legislation is recorded, processed, summarized, and reported within the time periods specified in those rules and forms.

Internal Control Over Financial Reporting

Divestco maintains a set of internal controls and procedures over financial reporting which have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. Divestco evaluated the design of its controls and procedures over financial reporting as defined under Multilateral Instrument 52-109 for the year ended December 31, 2006. This evaluation was performed under the supervision of the CEO and the CFO with the assistance of other Divestco employees and independent consultants to the extent necessary and appropriate. Based on this evaluation, the CEO and the CFO concluded that the design of these internal controls and procedures provided reasonable assurance regarding the reliability of financial reporting for the year ended December 31, 2006.

There were no changes in Divestco's internal control over financial reporting that occurred during the year ended December 31, 2006 that have materially affected, or are reasonably likely to materially affect, Divestco's internal control over financial reporting.



(L to R) Gareth Martin: Account Manager, Geophysical Services
and Mark Parekh: Account Manager, Software and Data

Management's Responsibility for the Financial Statements

To the Shareholders of Divestco Inc.

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

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

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

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



Stephen Popadynetz
Chief Executive Officer

Calgary, Canada
March 6, 2007



Roderick Chisholm
Chief Financial Officer

Auditor's Report

To the Shareholders of Divestco Inc.

We have audited the consolidated balance sheets of Divestco Inc. as at December 31, 2006 and 2005 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada
March 6, 2007

Consolidated Balance Sheets

| As at December 31 (Thousands) | 2006 | 2005 |
|---|------------------|-----------------|
| Assets | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$1,437 | \$1,382 |
| Short-term Investments (Note 3) | - | 5,512 |
| Accounts Receivable (Note 11) | 21,875 | 27,053 |
| Prepaid Expenses, Supplies and Deposits | 923 | 427 |
| Investment and Tax Credits Recoverable | 651 | - |
| | 24,886 | 34,374 |
| Long-term Accounts Receivable | 560 | 960 |
| Investment in Affiliated Company (Note 4) | 68 | 79 |
| Data Libraries (Note 5) | 71,201 | 28,740 |
| Participation Surveys in Progress | 2,721 | 2,719 |
| Property and Equipment (Note 6) | 6,069 | 3,495 |
| Deferred Development Costs (Note 7) | 2,877 | 1,863 |
| Deferred Finance Costs (Note 8) | 323 | 409 |
| Intangible Assets (Note 9) | 15,719 | 4,128 |
| Goodwill (Note 2) | 8,518 | 3,431 |
| | \$132,942 | \$80,198 |
| Liabilities and Shareholders' Equity | | |
| Current Liabilities | | |
| Bank Indebtedness (Note 10) | \$6,451 | \$- |
| Accounts Payable and Accrued Liabilities (Note 11) | 14,492 | 17,624 |
| Current Portion of Deferred Revenue | 11,603 | 10,355 |
| Current Portion of Long-term Debt Obligations (Note 12) | 3,295 | 2,880 |
| | 35,841 | 30,859 |
| Deferred Revenue | 260 | 402 |
| Long-term Debt Obligations (Note 12) | 6,636 | 8,724 |
| Future Income Taxes (Note 13) | 12,968 | 2,989 |
| | 55,705 | 42,974 |
| Shareholders' Equity | | |
| Equity Instruments (Note 14(b)) | 46,854 | 27,195 |
| Contributed Surplus (Note 14(g)) | 2,008 | 1,269 |
| Retained Earnings | 28,375 | 8,760 |
| | 77,237 | 37,224 |
| | \$132,942 | \$80,198 |
| Commitments (Note 16) | | |
| Subsequent Event (Note 20) | | |

See notes to the Consolidated Financial Statements

Approved by the Board:



John Brussa, Chairman of the Board



Stephen Popadynetz, Director

Consolidated Statements of Income and Retained Earnings

| For the Year Ended December 31 (Thousands, Except per Share Amounts) | 2006 | 2005 |
|--|-----------------|----------------|
| Revenue | \$106,463 | \$38,754 |
| Operating Expenses | | |
| Salaries and Benefits | 26,810 | 16,172 |
| General and Administrative | 14,914 | 5,740 |
| Stock Compensation Expense (Note 14 (i)) | 1,076 | 365 |
| | 42,800 | 22,277 |
| Interest Expense | 1,235 | 324 |
| Depreciation and Amortization | 36,051 | 7,870 |
| Other Income | 2,105 | 32 |
| Income Before Income Taxes | 28,482 | 8,315 |
| Income Taxes (Note 13) | | |
| Current | 312 | 1,304 |
| Future | 8,555 | 1,833 |
| | 8,867 | 3,137 |
| Net Income for the Year | 19,615 | 5,178 |
| Retained Earnings, Beginning of Year | 8,760 | 3,918 |
| Purchase Price of Common Shares Repurchased in Excess of Book Value (Note 14(f)) | - | (336) |
| Retained Earnings, End of Year | \$28,375 | \$8,760 |
| Earnings per Share | | |
| Basic | \$0.60 | \$0.20 |
| Diluted | \$0.58 | \$0.19 |
| Weighted Average Number of Shares | | |
| Basic | 32,665 | 26,521 |

See notes to the Consolidated Financial Statements

Consolidated Statements of Cash Flows

| For the Year Ended December 31 | 2006 | 2005 |
|--|-----------------|-----------------|
| (Thousands) | | |
| Cash Flows from Operating Activities | | |
| Net Income for the Year | \$19,615 | \$5,178 |
| Items Not Affecting Cash: | | |
| Equity Investment Loss | 11 | 6 |
| Depreciation and Amortization of Data Libraries, Property and Equipment and Intangibles | 35,448 | 7,510 |
| Amortization of Deferred Development Costs | 603 | 360 |
| Amortization of Deferred Finance Costs | 86 | 22 |
| Future Income Taxes | 8,555 | 1,833 |
| Investment Tax Credits Utilized | - | 631 |
| Gain on Sale of Investment Securities | (2,132) | - |
| Gain on Sale of Property and Equipment | - | (26) |
| Unrealized Foreign Exchange Loss | 1 | - |
| Stock Compensation Expense | 1,076 | 365 |
| Funds from Operations | 63,263 | 15,879 |
| Changes in Non-cash Working Capital Balances (Note 15) | 2,884 | (4,218) |
| Decrease in Non-current Deferred Revenue | (142) | (334) |
| Increase (Decrease) in Long-term Accounts Receivable | 400 | (648) |
| | 66,405 | 10,679 |
| Cash Flows from Financing Activities | | |
| Bank Indebtedness | 6,451 | (2,687) |
| Issue of Common Shares, Net of Related Expenses (Note 14 b)) | 16,085 | 9,584 |
| Repayment of Long-term Debt Obligations | (2,923) | (1,540) |
| Repayment of Shareholder Loans | - | (213) |
| Deferred Financing Costs | - | (142) |
| Proceeds Received from Long-term Debt Obligations | - | 10,783 |
| Repurchase of Common Shares (Note 14 f)) | - | (822) |
| | 19,613 | 14,963 |
| Cash Flows from Investing Activities | | |
| Purchase of Data Libraries | (74,428) | (12,588) |
| Increase in Participation Surveys in Progress | (2) | (2,719) |
| Purchase of Property and Equipment | (1,405) | (1,132) |
| Purchase of Intangibles | (176) | - |
| Acquisitions (Note 2) | (15,001) | (6,641) |
| Purchase of Investment Securities | (109) | (5,512) |
| Proceeds on Sale of Investment Securities | 7,753 | - |
| Proceeds on Sale of Property and Equipment | - | 44 |
| Deferred Development Costs | (1,616) | (1,072) |
| Changes in Non-cash Working Capital Balances (Note 15) | (978) | 5,376 |
| | (85,962) | (24,244) |
| Foreign Exchange Loss on Cash Held in a Foreign Currency | (1) | (16) |
| Increase in Cash and Cash Equivalents | 55 | 1,382 |
| Cash and Cash Equivalents, Beginning of Year | 1,382 | - |
| Cash and Cash Equivalents, End of Year | \$1,437 | \$1,382 |

See notes to the Consolidated Financial Statements

Notes to Consolidated Financial Statements

December 31, 2006 (Tabular amounts in thousands, unless otherwise stated)

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

1. Significant Accounting Policies

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles within the framework of the following significant accounting policies:

- (a) **Principles of consolidation:** The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned from the date of acquisition. All significant intercompany accounts and transactions have been eliminated upon consolidation.
- (b) **Use of estimates:** The preparation of financial statements requires management to make estimates based on currently available information. In particular, management makes estimates for the amounts recorded for the amortization of data libraries, property and equipment as well as the valuation of intangible assets. 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.
- (c) **Comparative figures:** Certain figures with respect to the year ended December 31, 2005 have been reclassified to conform to the current year's presentation.
- (d) **Cash and cash equivalents:** Cash and cash equivalents consists of cash on hand, bank balances (including temporary bank overdrafts), term deposits and investments with maturities of three months or less.
- (e) **Short-term investments:** Short-term investments represent portfolio investments in marketable securities that are accounted for using the cost method. The initial investment is recorded at cost and any earnings from the investment are recognized only to the extent received or receivable. When there is a loss in value of the investment that is other than a temporary decline, the investment is written down to recognize the loss. The Company's management reviews the underlying value of the investment on a regular basis by reference to estimated fair value based on established criteria including trading value, anticipated cash flows and profitability of the investee.



(L to R) Lyndsey Nicholas: Group Leader, Divestco Processing
and Tom Morin: Senior Processor, Divestco Processing

1. Significant Accounting Policies Continued...

- (f) **Investment in affiliated company:** The Company uses the equity method to account for an affiliated entity in which the Company exercises significant influence, but does not control. Under the equity method of accounting, the investment is initially recorded at cost and the carrying value of the investment is adjusted to recognize the Company's proportionate share of the net earnings (losses) of the entity.
- (g) **Data libraries:** The cost associated with purchasing or creating the seismic data library is capitalized. Purchases of existing seismic data are capitalized and amortized on a straight-line basis over 10 years. The Company also creates seismic data and capitalizes the costs paid to third-parties for the acquisition of data, permitting, surveying and other related costs. Created seismic may be acquired without pre-sale commitments or with pre-sale commitments that include an exclusive data use period. Created seismic, without pre-sale commitments, is amortized on straight-line basis over a seven-year period. Created seismic with pre-sale commitments is initially amortized at 40% on delivery of the data to the customer with the remaining balance on a straight-line basis over the next six-year period commencing a year from the delivery date. Certain of the created seismic is acquired jointly with others. These financial statements reflect only the Company's proportionate share of the costs of the jointly created seismic data library. The costs associated with purchasing or creating the log library, reference library, data sets and map library are recorded at cost less accumulated amortization.

Amortization is provided for as follows:

| | Amortization Method | Rate |
|--|----------------------------|---------------|
| Seismic Data Library (Excluding Participation Surveys) | Straight-line | 7 to 10 years |
| Datasets | Straight-line | 10 years |
| Log and Drilling library | Straight-line | 20 years |
| Reference Library | Declining balance | 20% |
| Map Library | Straight-line | 15 years |

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

Notes to Consolidated Financial Statements

December 31, 2006 (Tabular amounts in thousands, unless otherwise stated)

1. Significant Accounting Policies Continued...

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

| | Amortization Method | Rate |
|--------------------------------|---------------------|---------------|
| Computer Hardware and Software | Declining balance | 30% |
| Office Furniture and Equipment | Declining balance | 20-30% |
| Leasehold Improvements | Straight-line | Term of lease |

The Company records one half year's worth of amortization in the year of acquisition. Periodically, the Company reviews the appropriateness of its amortization policies. Changes in management's estimates are recognized in the current and future periods.

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

| | Amortization Method | Rate |
|----------------------------------|---------------------|-------------------|
| Non-competition Agreements | Straight-line | Term of agreement |
| Customer Related Intangibles | Straight-line | 6 years |
| Proprietary Software | Declining balance | 50% |
| Software Code | Straight-line | 10 years |
| Office Leases Below Market Value | Straight-line | Term of lease |
| Well Logs License Agreement | Straight-line | 10 years |

- (j) **Deferred finance costs:** Deferred finance costs are amortized over the term of the related loans.
- (k) **Participation in joint ventures:** Certain of the Company's seismic data acquisition activities are conducted jointly with others. These consolidated financial statements reflect only the Company's proportionate interest in such activities.
- (l) **Revenue recognition and deferred revenue:**

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

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

1. Significant Accounting Policies *Continued...*

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

- (i) Revenue earned from the sale of perpetual software licences is recognized upon delivery. Maintenance and support, included with the product, is recognized rateably over the term defined in the purchase agreement. Revenue earned from the renewal of maintenance and support contracts is recognized rateably over the term of the agreement. Revenue from software licences, including maintenance and support, which are sold on a monthly, quarterly and annual basis, is recognized rateably over the term of the licence.
- (ii) Data sales are recognized when the customer receives the file containing the images. In the cases where the Company sells a copy of its entire log library, revenue is recognized on the sale as milestones are achieved. The revenue recognized is determined based on the total contract value and the milestones achieved to the end of the reporting period. If a loss on contract is probable, the loss will be recognized at the date of determination.
- (iii) Revenue with respect to the seismic brokerage division represents brokerage commissions earned from selling goods on behalf of others and is recognized on a net basis upon the closing of the transaction. As a matter of practice, the Company generally settles brokerage payables after the related receivables are collected.
- (iv) Seismic data licence revenue is recognized on the date the customer receives the data. This occurs when the seismic work, including data processing, is complete and delivery to the customer has occurred.
- (v) Consulting revenue is recorded as milestones are achieved whereby customers are billed as phases of a project are completed.



Brent Hornquist: Geophysical Technician

Notes to Consolidated Financial Statements

December 31, 2006 (Tabular amounts in thousands, unless otherwise stated)

1. Significant Accounting Policies Continued...

- (vi) Revenue with respect to providing all other products and services is recognized under the completed contract method such that revenue is recognized only when the rendering of services and/or provision of the product under a contract is completed or substantially completed, as performance does not consist of the execution of more than one act.

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

- (m) **Future income taxes:** The asset and liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between financial reporting and the tax bases of assets and liabilities which are measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. Future income tax assets are recognized to the extent that they are more likely than not to be realized.

- (n) **Stock-based compensation plan:** The Company applies the fair value method for valuing stock options, broker options and warrant grants. Under this method, compensation cost attributable to all stock options, broker options and warrants are measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the stock options, broker options and warrants, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Corporation does not incorporate an estimated forfeiture rate for stock options that will not vest, rather actual forfeitures are accounted for as they occur.

- (o) **Employee share ownership plan:** The Company has an employee share ownership plan (ESOP) whereby each employee may elect to contribute up to 25% of their regular salary towards the savings plan. The Company matches the employee's contribution up to 3% of their monthly regular salary to a maximum of \$300 per month. The common shares are purchased through the facilities of the TSX. The Company's contributions under the ESOP for 2006 were \$376,000 (2005 - \$165,000).



Josh Coles: Technical Support Analyst

1. Significant Accounting Policies Continued...

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

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

- (q) **Earnings per share:** The Company utilizes the treasury stock method of reporting earnings per share amounts which assumes that any proceeds obtained on the exercise of options would be used to purchase common shares at the average market price during the year. Basic earnings per share amounts are calculated by dividing net income by the weighted average number of common shares outstanding for the year. Diluted earnings per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments.



Emergency Medical Services on Call in the Field

Notes to Consolidated Financial Statements

December 31, 2006 (Tabular amounts in thousands, unless otherwise stated)

1. Significant Accounting Policies *Continued...*

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

- (s) **Research and development:** Research costs are charged to net income in the period in which they are incurred. Development costs are charged to earnings in the period they are incurred unless they meet the criteria for deferral under the accounting standard for research and development costs. Amortization of development costs deferred to future periods commences with the commercial production of the product and is charged to earnings based on anticipated sales or use of the product over a period not exceeding three years. Deferred development costs are presented net of amortization. The Company periodically reviews these costs for possible impairment and recognizes changes in estimates in the period of the change.

- (t) **Foreign currency:** The Company translates amounts of foreign currency into Canadian dollars on the following basis:
 - (i) monetary assets and liabilities — at the rate of exchange prevailing at the period end
 - (ii) non-monetary items — at the rate of exchange prevailing at the dates of the transactions
 - (iii) revenues and expenses — at the monthly average rate of exchange

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



(L to R) Neil Thompson: Manager, Mapping and Database Services and Zubeda Ramji: Audit Data Administrator

2. Acquisitions

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

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

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

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

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

Notes to Consolidated Financial Statements

December 31, 2006 (Tabular amounts in thousands, unless otherwise stated)

2. Acquisitions Continued...

During the year ended December 31, 2005, the Company acquired 100% of the issued and outstanding shares of the following companies and have included earnings of the acquiree in the Company's income for 2005 since the date of acquisition:

- (a) On April 27, 2005, the Company acquired Petro Data Source, Inc. (PDS), a U.S. based company. PDS provides database well header and production data for oil and gas wells located in the U.S.
- (b) On September 2, 2005, the Company acquired Canamera Equities Ltd. (Canamera Equities). Canamera Equities provides historical offset drilling data, rig activity maps and reports, and well permit and licence data for oil and gas wells located in Canada.
- (c) On September 2, 2005, the Company acquired Canamera Corporation, a U.S. based company. Canamera Corporation provides historical offset drilling data, rig activity maps and reports, and well permit and licence data for oil and gas wells located in the U.S.
- (d) On October 5, 2005, the Company acquired Focus Holdings and Investments Ltd. (Focus). Focus provides business consulting services, ERP and CRM systems implementations, custom software development, hardware devices and network infrastructure.
- (e) On October 31, 2005, the Company acquired Laser Software Ltd. (Laser). Laser offers a land management system, LandRite, to the oil and gas industry. Laser also offers a financial accounting package that enables its smaller oil and gas clients to connect remotely via the Internet to access and maintain their data.

2. Acquisitions Continued...

The following reflects the final purchase price allocation for the acquisitions:

| | PDS | Canamera Equities | Canamera Corporation | Focus | Laser | Total |
|--|-------|----------------------|-------------------------|-------|---------|---------|
| Allocation of Purchase Price: | | | | | | |
| Cash | \$- | \$22 | \$17 | \$- | \$100 | \$139 |
| Bank Indebtedness | (67) | - | - | (304) | - | (371) |
| Other Working Capital Items | (48) | 4 | (54) | 414 | 274 | 590 |
| Data Libraries | 1,447 | 1,936 | 3,102 | - | - | 6,485 |
| Property and Equipment | - | 102 | 513 | - | - | 615 |
| Customer Lists | 125 | 410 | 563 | 100 | 200 | 1,398 |
| Proprietary Software and Code | - | - | - | - | 751 | 751 |
| Goodwill | - | - | - | 879 | 603 | 1,482 |
| Due to Former Shareholders | - | - | - | (213) | - | (213) |
| Long-term Debt Obligations | (125) | - | (25) | (11) | - | (161) |
| Future Income Tax Asset (Liability) | (490) | (797) | (1,605) | 82 | (304) | (3,114) |
| | \$842 | \$1,677 | \$2,511 | \$947 | \$1,624 | \$7,601 |
| Consideration: | | | | | | |
| Cash (Including Acquisition Costs) | \$343 | \$1,677 | \$2,511 | \$625 | \$1,624 | \$6,780 |
| Promissory Notes | 499 | - | - | 322 | - | 821 |
| | \$842 | \$1,677 | \$2,511 | \$947 | \$1,624 | \$7,601 |

3. Short-Term Investments

In 2006, the Company disposed of its short-term investments which consisted of shares in a publicly listed company at a gain of \$2,132,000. The market value of the shares as at December 31, 2005 was \$5,825,000.

4. Investment in Affiliated Company

The Company owns 36.11% of the common shares of SDLS Inc. (SDLS), a private company. The investment has been accounted for using the equity basis. The Company's pro-rata share of the net loss of SDLS for the year ended December 31, 2006 was \$11,000 (2005 — net loss of \$6,000). The fair value of the balances due from SDLS and the investment in SDLS approximate the carrying value as at December 31, 2006.

Notes to Consolidated Financial Statements

December 31, 2006 (Tabular amounts in thousands, unless otherwise stated)

5. Data Libraries

| Balance as at December 31 | 2006 | | 2005 | |
|---------------------------|-----------|--------------------------|----------|--------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Seismic Data Library | \$96,982 | \$37,130 | \$22,918 | \$5,863 |
| Data Sets | 632 | 339 | 632 | 275 |
| Log and Drilling Library | 12,018 | 1,346 | 11,670 | 788 |
| Reference Library | 445 | 260 | 445 | 214 |
| Map Library | 239 | 40 | 239 | 24 |
| | \$110,316 | \$39,115 | \$35,904 | \$7,164 |
| Net Book Value | | \$71,201 | | \$28,740 |

6. Property and Equipment

| Balance as at December 31 | 2006 | | 2005 | |
|--------------------------------|----------|--------------------------|---------|--------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Computer Hardware and Software | \$6,707 | \$2,825 | \$2,980 | \$1,570 |
| Office Furniture and Equipment | 1,517 | 475 | 1,512 | 608 |
| Leasehold Improvements | 706 | 290 | 309 | 171 |
| Assets Under Capital Lease | 1,746 | 1,047 | 1,746 | 703 |
| Land | 30 | - | - | - |
| | \$10,706 | \$4,637 | \$6,547 | \$3,052 |
| Net Book Value | | \$6,069 | | \$3,495 |

7. Deferred Development Costs

| Balance as at December 31 | 2006 | 2005 |
|---|----------------|-----------------|
| Balance, Beginning of Year | \$1,863 | \$1,151 |
| Salaries and Benefits (Net of Investment Tax Credits) | 1,321 | 875 |
| General and Administrative | 296 | 197 |
| Total Additions | \$1,617 | \$ 1,072 |
| Amortization ⁽¹⁾ | (603) | (360) |
| Balance, End of Year | \$2,877 | \$1,863 |

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

8. Deferred Finance Costs

| Balance as at December 31 | 2006 | 2005 |
|----------------------------------|--------------|--------------|
| Balance, Beginning of Year | \$409 | \$- |
| Additions ⁽¹⁾ | - | 431 |
| Amortization ⁽²⁾ | (86) | (22) |
| Balance, End of Year | \$323 | \$409 |

(1) Includes 100,000 shares of the Company issued in 2005 at value of \$289,000.

(2) Included in interest expense on the Statements of Income and Retained Earnings.

9. Intangibles

| Balance as at December 31 | Cost | 2006 Accumulated Amortization | Cost | 2005 Accumulated Amortization |
|----------------------------------|-----------------|--|----------------|--|
| Non-competition Agreements | \$2,638 | \$264 | \$- | \$- |
| Customer Related Intangibles | 7,695 | 1,640 | 2,456 | 731 |
| Proprietary Software and Code | 5,865 | 1,418 | 2,943 | 1,033 |
| Office Leases Below Market Value | 2,700 | 225 | - | - |
| Well Logs License Agreement | 750 | 382 | 750 | 257 |
| | \$19,648 | \$3,929 | \$6,149 | \$2,021 |
| Net Book Value | | \$15,719 | | \$4,128 |

Notes to Consolidated Financial Statements

December 31, 2006 (Tabular amounts in thousands, unless otherwise stated)

10. Bank Indebtedness

The Company has a revolving demand loan bearing interest at bank prime rate plus 0.75%, with a maximum credit available of \$7.0 million. There was \$3.7 million drawn on this facility as at December 31, 2006 (December 31, 2005 - \$3.0 million). The line is used for daily operating requirements.

The Company also has a \$15 million short-term revolving demand loan to assist it with the completion of its seismic data surveys. The loan is due on demand, bears interest at bank prime rate plus 1.00% (increased from 0.75%) and is secured with certain seismic data sales contracts. At no time can this loan exceed 50% of the remaining payments under these seismic data sale contracts which have been assigned to the bank. There was \$2.8 million drawn on this facility as at December 31, 2006.

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 of approximately \$7.5 million. The facilities are subject to the Company meeting certain debt covenants. As at December 31, 2006, the Company was in violation of its working capital covenant. At the request of the Company, the Bank has agreed to provide forbearance over the covenant breach as at December 31, 2006.

11. Accounts Receivable and Accounts Payable and Accrued Liabilities

Included in accounts receivable at December 31, 2006 is \$3.5 million (December 31, 2005 - \$7.4 million) in brokerage receivables. Included in accounts payable and accrued liabilities at December 31, 2006 is \$3.5 million (December 31, 2005 - \$6.4 million) in brokerage payables. 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.



(L to R) Randa Bakir: Scan Technician and Joanne Daniel: Log Data Technician

12. Long-Term Debt Obligations

| Balance as at December 31 | 2006 | 2005 |
|-------------------------------|---------|---------|
| Capital Lease Obligations (a) | \$659 | \$1,181 |
| Promissory Notes (b) | 1,423 | 643 |
| Term Loan (c) | 7,849 | 9,780 |
| Total Balance Outstanding | 9,931 | 11,604 |
| Current Portion | (3,295) | (2,880) |
| Long-term Portion | \$6,636 | \$8,724 |

- (a) **Capital lease obligations:** 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:

| | |
|------|-------|
| 2007 | \$511 |
| 2008 | 148 |
| | \$659 |

Capital leases relate to equipment with a net book value of \$701,000 (2005 - \$1,043,000) as at December 31, 2006.



Brad McDonald: Account Manager, Software and Data

Notes to Consolidated Financial Statements

December 31, 2006 (Tabular amounts in thousands, unless otherwise stated)

12. Long-Term Debt Obligations *Continued...*

(b) Promissory Notes:

| Balance as at December 31 | 2006 | 2005 |
|---|--------------|--------------|
| Unsecured promissory notes issued on the acquisition of PDS, bearing interest of 7% Per annum, repayable in quarterly installments of U.S. \$50,000 until March 31, 2007 (Note 2). (Balance as at December 31, 2006 - US \$50,000.) | \$56 | \$292 |
| Unsecured promissory notes issued on the acquisition of Focus, bearing interest of 6% per annum, repayable in quarterly installments of \$50,000 plus interest until September 30, 2007 (Note 2). | 117 | 272 |
| Unsecured promissory notes issued on the acquisition of Cavalier Land, non-interest bearing, repayable in two installments of \$625, 000 on July 18, 2007 and July 18, 2008 (Note 2). | 1,250 | - |
| Unsecured promissory notes issued on the acquisition of The Excalibur-Gemini Group Ltd., bearing interest of 8% per annum, repayable in blended quarterly installments of \$22,000. The notes were fully repaid in November 2006. | - | 79 |
| Total Balance Outstanding | 1,423 | 643 |
| Less Current Portion | (798) | (434) |
| Long-term Portion | \$625 | \$209 |

Principal payments are as follows:

| | |
|------|----------------|
| 2007 | \$798 |
| 2008 | 625 |
| | \$1,423 |

- (c) **Term loan:** The Company obtained \$10 million in long-term debt pursuant to an Offer of Finance from Roynat Capital Inc. (Roynat) dated July 26, 2005. As part of the arrangement, the Company paid Roynat a \$100,000 commitment fee and issued Roynat 100,000 common shares of the Company at no cost. The deemed price of the shares was \$2.89. The commitment fee, deemed value of the shares and other legal costs are included in deferred financing costs, which is being amortized over the debt period. The debt is non-revolving and bears interest at Roynat's floating base rate plus 3% per annum.

12. Long-Term Debt Obligations Continued...

Principal payments are as follows:

| | |
|------|----------------|
| 2007 | \$1,986 |
| 2008 | 1,986 |
| 2009 | 1,986 |
| 2010 | 1,891 |
| | \$7,849 |

Roynat is secured by a first charge on all fixed assets now owned and hereafter acquired by the Company and a floating charge on all other assets, subject to a prior charge (both fixed and floating) to the operating lender of approximately \$7.5 million (Note 10). The facilities are subject to the Company meeting certain debt covenants. As at December 31, 2006, the Company was in violation of its debt service ratio covenant. The lender has acknowledged the covenant violation as at December 31, 2006 and granted a waiver on the aforementioned covenant breach. Additionally, for a period of 366 days from the December 31, 2006 violation date, the lender will not, as a specific result of the December 31, 2006 covenant violation, request repayment of their facility (other than the scheduled monthly repayment).

13. Income Taxes

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

| For the Year Ended December 31 | 2006 | 2005 |
|---|----------------|----------------|
| Income Before Income Taxes | \$28,482 | \$8,315 |
| Statutory Rate | 32.5% | 33.6% |
| Computed Tax Provision: | \$9,257 | \$2,794 |
| Effects of Differences: | | |
| Non-deductible Expenses | 411 | 161 |
| Non-taxable Income | (501) | - |
| Adjustments for Enacted Changes in Income Tax Rates | (216) | - |
| Other | (84) | 182 |
| | \$8,867 | \$3,137 |

Notes to Consolidated Financial Statements

December 31, 2006 (Tabular amounts in thousands, unless otherwise stated)

13. Income Taxes Continued...

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

| Balance as at December 31 | 2006 | 2005 |
|---|-------------------|------------------|
| Databases, Property and Equipment and Intangibles | \$463 | (\$3,701) |
| Non-capital Loss Carry-forwards | 2,121 | 535 |
| SR&ED Expenditures | (71) | (132) |
| Share Issue and Financing Costs | 470 | 309 |
| Deferred Partnership Income | (15,951) | - |
| Future Tax Liability | (\$12,968) | (\$2,989) |

- (c) The Company files Scientific Research and Experimental Development (SR&ED) claims with the Canada Revenue Agency in respect of certain research and development expenditures. Although the claims were filed on the basis of the regulations, the recoverability of the amounts recorded in these financial statements is subject to confirmation by the Canada Revenue Agency. As at December 31, 2006, the Company had approximately \$4.8 million (December 31, 2005 - \$4.1 million) of SR&ED expenses available to reduce future taxable income. In addition, the Company had approximately \$651,000 of unclaimed investment tax credits available as at December 31, 2006 to reduce income taxes payable in future years (December 31, 2005 - \$NIL). The future tax benefits of the SR&ED expenses and investment tax credits have been recognized in these consolidated financial statements as the Company expects to utilize the investment tax credits before they expire in 2016.
- (d) As at December 31, 2006, the Company had non-capital loss carry-forwards in Canada of approximately \$6.5 million (December 31, 2005 - \$2.0 million), which are available to reduce taxable income in future periods and begin to expire in 2009. The Company's U.S. subsidiary also had \$352,000 in net operating losses in the U.S. which begin to expire in 2025.

14. Equity Instruments

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

(b) Issued:

| Balance as at December 31 | | 2006 | 2005 | |
|---|--------------------|----------|--------------------|----------|
| Common Shares | Number of Shares | Amount | Number of Shares | Amount |
| Balance, Beginning of Year | 29,874 | \$25,631 | 24,985 | \$17,779 |
| Issued on Private Placement | - | - | 5,000 | 8,162 |
| Issued on Public Offering (Note 14 (d)) | 2,300 | 12,075 | - | - |
| Issued on Long-term Debt | - | - | 100 | 289 |
| Issued as Retention Bonuses on Acquisition for Loans Receivable | 581 | 2,871 | - | - |
| Exercise of Share Purchase Warrants - Cash Consideration | 160 | 750 | - | - |
| Exercise of Share Purchase Warrants - Reclassification of Fair Value | 1,962 | 4,904 | - | - |
| Exercise of Broker Compensation Options - Cash Consideration | - | 1,227 | - | - |
| Exercise of Broker Compensation Options - Reclassification from Contributed Surplus | 129 | 258 | 1 | 1 |
| Exercise of Stock Options - Cash Consideration | - | 101 | - | 1 |
| Exercise of Stock Options - Reclassification of Contributed Surplus | 393 | 488 | 462 | 405 |
| Repurchased For Cancellation | - | 236 | - | 30 |
| Share Issue Costs (Net of Future Taxes of \$365,888 (2005 - \$272,000)) | - | (789) | (674) | (486) |
| | 35,399 | 47,752 | 29,874 | 25,631 |
| Less Share Purchase Loans (Note 14 (c)) | - | (1,235) | - | - |
| Balance, End of Year | 35,399 | \$46,517 | 29,874 | \$25,631 |
| Share Purchase Warrants | Number of Warrants | Amount | Number of Warrants | Amount |
| Balance, Beginning of Year | 2,500 | \$1,564 | - | - |
| Issued On Private Placement | - | - | 2,500 | \$1,564 |
| Exercised | (1,962) | (1,227) | - | - |
| Balance, End of Year | 538 | \$337 | 2,500 | \$1,564 |
| Total Equity Instruments | | \$46,854 | | \$27,195 |

Notes to Consolidated Financial Statements

December 31, 2006 (Tabular amounts in thousands, unless otherwise stated)

14. Equity Instruments Continued...

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

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

As at December 31, 2006, outstanding share purchase loans were as follows:

| Balance as at December 31 | 2006 | 2005 |
|----------------------------|---------|------|
| Balance, Beginning of Year | \$- | \$- |
| Issued on Acquisitions | 1,250 | - |
| Forfeited | (15) | - |
| Balance, End of Year | \$1,235 | \$- |

(d) **Broker compensation options:** As at December 31, 2006, outstanding broker compensation options to purchase common shares were as follows:

| Balance as at December 31 | 2006 | 2005 |
|-----------------------------|-------|-------|
| Balance, Beginning of Year | \$349 | \$- |
| Issued on Private Placement | - | 350 |
| Exercised | (129) | (1) |
| Balance, End of Year | \$220 | \$349 |

14. Equity Instruments *Continued...*

The broker compensation options entitle the option holder to acquire one common share of the Company at an exercise price of \$2.00 per share until August 18, 2007.

The fair value of the share purchase warrants and broker compensation options were estimated using the Black-Scholes option-pricing model with the following assumptions: an expected volatility of 60%, a risk-free interest rate of 5.0%, no dividend rate and an expected life of two years.

- (e) **Equity offerings:** On June 22, 2006, the Company closed an offering of 2.3 million shares at a price of \$5.25 per share. Certain insiders of Divestco and their spouses participated in the offering and acquired an aggregate of 160,000 shares. Gross proceeds to the company were \$12.1 million. The underwriters were paid a commission equal to 6% of the gross proceeds.

On August 18, 2005, the Company closed a brokered private placement whereby the Company sold 5 million Units at a price of \$2.00 per Unit, for aggregate gross proceeds to the Company of \$10 million. Each Unit consisted of one common share and one half of one share purchase warrant. Each whole purchase warrant entitles the holder to acquire a common share at a price of \$2.50 at any time on or before August 18, 2007. The Underwriters were paid a commission equal to 7% of the gross proceeds and were granted 350,000 broker compensation options to acquire common shares of the Company at an exercise price of \$2.00 per share. Each option entitles the holder to acquire one common share of the Company and expires on August 18, 2007.

- (f) **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 commencing on June 10, 2004 and terminating on the earlier of June 9, 2005 and the date on which the maximum number of common shares are purchased pursuant to the Issuer Bid. During 2005, the Company repurchased 674,000 shares at a purchase cost of \$822,000 (\$1.22 average price per share) resulting in a \$336,000 reduction to retained earnings for year ended December 31, 2005.

On January 9, 2007 the Company received approval from the TSX to repurchase up to 1,770,000 of its common shares at prevailing market prices commencing on January 15, 2007 and terminating on the earlier of the January 14, 2008 and the date on which the maximum number of common shares are purchased pursuant to the Issuer Bid.



Margie Bontogon: Junior Computer Operator, Divestco Processing

Notes to Consolidated Financial Statements

December 31, 2006 (Tabular amounts in thousands, unless otherwise stated)

14. Equity Instruments Continued...

(g) Contributed surplus:

| Balance as at December 31 | 2006 | 2005 |
|--|---------|---------|
| Balance, Beginning of Year | \$1,269 | \$662 |
| Stock compensation Expense | 1,076 | 365 |
| Reclassification to Common Shares on Exercise of Options | (236) | (30) |
| Broker Compensation Options Issued | - | 273 |
| Reclassification to Common Shares on Exercise of Broker Compensation Options | (101) | (1) |
| Balance, End of Year | \$2,008 | \$1,269 |

(h) **Stock Options:** The Company has established a stock option plan (the Plan) whereby the Company may grant options to purchase common shares to directors, officers, employees and consultants. The options have a five-year term and are exercisable pursuant to a vesting schedule of one-third following the first anniversary of the grant date, one-third following the second anniversary of the grant date, and the remaining one-third following the third anniversary of the grant date. 3,147,035 Common Shares of the Company have been reserved under the Plan.

| | Number of Options | Option Price | Weighted Average Price |
|--|-------------------|-----------------|------------------------|
| Options Outstanding, December 31, 2004 | 1,845 | \$0.54 - \$1.40 | \$1.10 |
| Options Granted | 1,062 | \$1.25 - \$3.00 | \$2.00 |
| Exercised | (462) | \$0.54 - \$1.69 | \$0.87 |
| Cancelled | (226) | \$1.00 - \$3.00 | \$1.32 |
| Options Outstanding, December 31, 2005 | 2,219 | \$0.83 - \$3.00 | \$1.55 |
| Options Granted ⁽¹⁾ | 1,079 | \$3.23 - \$6.10 | \$5.05 |
| Exercised | (393) | \$0.83 - \$3.00 | \$1.24 |
| Cancelled | (139) | \$1.25 - \$6.10 | \$3.39 |
| Options Outstanding, December 31, 2006 | 2,766 | \$0.83 - \$6.10 | \$2.87 |

(1) Includes 141,000 options granted to officers with exercise prices ranging from \$4.70 to \$6.00.

14. Equity Instruments Continued...

Stock Options which were outstanding and vested as at December 31, 2006, are summarized as follows:

| Options Outstanding | Option Price | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life | Number of Options Currently Exercisable Currently | Weighted Average Exercise Price of Options Exercisable |
|---------------------|------------------|---------------------------------|---|---|--|
| 591 | \$0.83 - \$1.20 | \$1.10 | 1.53 | 591 | \$1.10 |
| 675 | \$1.21 - \$ 1.40 | \$1.28 | 2.48 | 536 | \$1.28 |
| 1,021 | \$1.41 - \$4.70 | \$3.46 | 3.99 | 211 | \$2.40 |
| 479 | \$4.71 - \$6.10 | \$6.01 | 4.33 | - | - |
| 2,766 | \$0.83 - \$6.10 | \$2.87 | 3.16 | 1,338 | \$1.38 |

The per share weighted average fair value of the stock options granted in the year ended December 31, 2006, was \$2.83 (2005 – \$1.12). This was estimated using the Black Scholes option pricing model with the following assumptions: an expected volatility of 60% (2005 – 60%), a risk free interest rate of 5.0%, no dividend rate and an expected life of five years. The compensation expense is recognized over the three-year vesting period of the stock options.

- (i) **Earnings per share:** Basic earnings per share is computed using the weighted-average number of common shares outstanding during the year, being 32,665,000 for 2006 (2005 – 26,521,000). Diluted earnings per share is computed using the “treasury stock” method whereby outstanding stock options, broker compensation options and share purchase warrants are only dilutive if, and to the extent, that they are “in the money”. In computing diluted earnings per share, 1,039,000 shares (2005 – 525,000) were added to the weighted average number of common shares outstanding for the dilution from the stock options, broker compensation options, share purchase warrants, and the Geo-X share purchase loans. Options to purchase 1,354,000 (2005 – 195,000) common shares have been excluded from the calculations of diluted earnings per share due to their anti-dilutive effect.

For shares issued with respect to the Geo-X share purchase loans, the common shares of the Company securing these loans were not being treated as outstanding for purposes of calculating basic earnings per share. The common shares securing the Geo-X share purchase loans are considered to be contingently returnable for purposes of calculating diluted earnings per share. Since all necessary conditions were not satisfied as at December 31, 2006, the number of contingently issuable shares included in diluted earnings per share should be based on the number of shares, if any, that would be issuable if the end of the reporting period were the end of the contingency period (for example, the number of shares that would be issuable based on current period earnings or period-end market price) and if the result would be dilutive.

Notes to Consolidated Financial Statements

December 31, 2006 (Tabular amounts in thousands, unless otherwise stated)

15. Statement of Cash Flows

| Balance as at December 31 | 2006 | 2005 |
|--|---------|-----------|
| Interest and Income Taxes Paid | | |
| Income Taxes Paid | \$- | \$124 |
| Interest Paid (Net of Interest Revenue) | \$1,112 | \$292 |
| Changes In Non-cash Working Capital Balances | | |
| Accounts Receivable | \$9,042 | (\$2,627) |
| Investment Tax Credits Recoverable | (651) | 500 |
| Prepaid Expenses, Supplies and Deposits | 499 | 4 |
| Accounts Payable and Accrued Liabilities | (8,232) | 2,673 |
| Deferred Revenue | 1,248 | 608 |
| | \$1,906 | \$1,158 |
| Changes In Non-cash Working Capital Balances Related to Operating Activities | \$2,884 | (\$4,218) |
| Changes In Non-cash Working Capital Balances Related to Investing Activities | (978) | 5,376 |
| | \$1,906 | \$1,158 |

As at December 31, 2006 the Company held \$131,000 (December 31, 2005 - \$190,000) of cash and cash equivalents denominated in a foreign currency.

16. Commitments

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

| | |
|------|---------|
| 2007 | \$3,382 |
| 2008 | 3,223 |
| 2009 | 3,021 |
| 2010 | 2,642 |
| 2011 | 1,749 |

17. Related Party Transactions

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

- (a) In 2006, the Company earned \$66,000 (2005 - \$38,000) in revenue related to data loading, workstation rentals and leasing of office space from companies with common directors. Included in accounts receivable as at December 31, 2006 was \$12,308 (December 31, 2005 - \$13,268) related to this revenue.
- (b) In 2006, the Company paid \$337,000 (2005 - \$205,000) in brokerage commissions to a company controlled by a director. Included in accounts payable as at December 31, 2006 was \$NIL (December 31, 2005 - \$4,000) related to these commissions.
- (c) In 2006, the Company paid \$467,000 (2005 - \$185,000) in legal fees to the law firm at which the Company's Corporate Secretary is employed. Included in accounts payable as at December 31, 2006 was \$31,000 (December 31, 2005 - \$38,000) related to these legal fees.
- (d) As at December 31, 2005, there was a promissory note due from an officer of the Company in the amount of \$22,000, bearing interest at 4% per annum, which was paid in 2006.
- (e) In 2006, the Company paid \$59,000 (2005 - \$NIL) in legal fees to the law firm at which a Director is a Partner. Included in accounts payable at December 31, 2006 was \$55,000 (December 31, 2005 - \$NIL) related to these legal fees.

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

18. Financial Instruments

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to industry credit, interest rate, and foreign currency risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. The carrying amounts of the Company's monetary assets and liabilities approximate their fair values.



Bob Macht: Group Leader, Divestco Processing

Notes to Consolidated Financial Statements

December 31, 2006 (Tabular amounts in thousands, unless otherwise stated)

18. Financial Instruments Continued...

- (a) **Credit risk management:** A significant portion of the Company's trade accounts receivable are from companies in the oil and gas industry and, as such, the Company is exposed to all the risks associated with that industry. As at December 31, 2006, three companies accounted for 22% of the total accounts receivable. For the year ended December 31, 2006, three companies accounted for 41% of the Company's total revenue.
- (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 is 5.8%. If these transactions were entered into today, the interest expense would not be materially different.
- (c) **Foreign currency rate risk management:** A portion of the Company's sales are made to customers in the United States. Accordingly, the related financial assets and liabilities are subject to fluctuations in exchange rates. The Company does not have any exposure to highly inflationary foreign currencies.

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

19. Segmented Information

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

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



(L to R) Peter Zyla: VP of Strategy, Logs, Archive and Consulting and Bob Saunders: Manager, Archive

19. Segmented Information Continued....

The accounting policies of the segments are the same as those described in significant accounting policies (Note 1). Inter-segment sales and transfers, which are accounted for at market value, are eliminated on consolidation. Operating income (loss) is measured as revenue less operating expenses, interest and depreciation and amortization. Other income (loss) items and income taxes reported on the Company's Consolidated Statement of Income and Retained Earnings are not allocated to the reportable segments.

| As at and for the Year Ended December 31, 2006 | | | | | | |
|--|----------|----------|----------|------------|---------------------|-----------|
| | Software | Services | Data | Consulting | Corporate and Other | Total |
| Revenue From External Customers | \$7,054 | \$17,083 | \$73,384 | \$8,847 | \$95 | \$106,463 |
| Inter-segment Revenue | - | 1,613 | - | - | - | 1,613 |
| Operating Income (Loss) ⁽¹⁾ | 1,908 | 1,748 | 32,106 | (1,140) | (8,245) | 26,377 |
| Interest Expense (Net of Interest Revenue) | - | - | 317 | (22) | 940 | 1,235 |
| Depreciation and Amortization | 1,180 | 1,529 | 32,610 | 586 | 146 | 36,051 |
| Total Assets | 9,189 | 19,801 | 91,101 | 10,975 | 1,876 | 132,942 |
| Goodwill | 1,266 | 3,081 | - | 4,171 | - | 8,518 |
| Capital Expenditures ⁽³⁾ | 397 | 440 | 74,861 | - | 313 | 76,011 |
| Deferred Development Costs | 1,271 | 345 | - | - | - | 1,616 |

| As at and for the Year Ended December 31, 2005 | | | | | | |
|--|----------|----------|----------|------------|---------------------|----------|
| | Software | Services | Data | Consulting | Corporate and Other | Total |
| Revenue from External Customers | \$5,195 | \$10,453 | \$21,752 | \$1,289 | \$65 | \$38,754 |
| Inter-segment Revenue | - | - | - | - | - | - |
| Operating Income (Loss) ⁽¹⁾ | 580 | 1,825 | 11,025 | (71) | (5,076) | 8,283 |
| Interest Expense (Net of Interest Revenue) | - | - | - | - | 324 | 324 |
| Depreciation and Amortization | 794 | 637 | 6,187 | 25 | 227 | 7,870 |
| Total Assets ⁽²⁾ | 8,676 | 16,686 | 46,410 | 1,669 | 6,757 | 80,198 |
| Goodwill | 1,266 | 1,286 | - | 879 | - | 3,431 |
| Capital Expenditures ⁽³⁾ | 161 | 399 | 15,635 | 19 | 225 | 16,439 |
| Deferred Development Costs | 1,072 | - | - | - | - | 1,072 |

(1) Calculated as revenue less operating expenses, interest expense, depreciation and amortization.

(2) Excludes future income tax asset of \$2,317,000.

(3) Excludes acquisitions (Note 2).



| As at and for the Year Ended December 31, 2006 | | | |
|--|---------------|-------------|--------------|
| | Canada | U.S. | Total |
| Revenue | \$103,786 | \$2,677 | \$106,463 |
| Data Libraries, Participation Surveys in Progress, Property and Equipment, Intangible Assets and Goodwill | 98,578 | 5,650 | 104,227 |

| As at and for the Year Ended December 31, 2005 | | | |
|--|---------------|-------------|--------------|
| | Canada | U.S. | Total |
| Revenue | \$37,261 | \$1,493 | \$38,754 |
| Data Libraries, Participation Surveys in Progress, Property and Equipment, Intangible Assets and Goodwill | 36,955 | 5,558 | 42,513 |

20. Subsequent Event

On March 1, 2007, the Company announced that they have entered into an agreement contemplating the acquisition of BlueGrouse Seismic Solutions Ltd. (BlueGrouse) pursuant to a plan of arrangement (the Arrangement). Under the Arrangement, each 3.2 common shares of BlueGrouse will entitle the holder to receive one common share of the Company. The Arrangement is subject to the satisfaction of certain conditions, including court, shareholder and regulatory approvals. A meeting of holders of BlueGrouse shares will be called in due course to consider the Arrangement.

Corporate Information

Head Office

700, 707 – 7th Avenue SW
Calgary, Alberta, Canada T2P 3H6
Phone: 403.237.9170
Toll free: 1.888.294.0081
Fax: 403.229.4853

Website:

www.divestco.com

For more information:

info@divestco.com

Investor Relations:

investor.relations@divestco.com

Sales:

sales@divestco.com

Seismic Processing

500, 440 – 2nd Avenue SW
Calgary, Alberta, Canada T2P 5E9
Phone: 403.298.5600
Fax: 403.264.1057

Cavalier Land Services

300, 1324 – 11th Avenue SW
Calgary, Alberta, Canada T3C 0M6
Phone: 403.264.5188
Fax: 403.264.5185

Consulting, Logs and Archiving

1223, 31st Avenue NE
Calgary, Alberta, Canada T2E 7W1
Phone: 403.248.7755
Fax: 403.250.1853

USA

Denver Office

1100, 999 - 18th Street

Denver, Colorado, USA 80202

Phone: 303.571.1942

Toll free: 1.800.900.5737

Fax: 303.860.0066

Houston Office

200, 3838 North Sam Houston Parkway
East

Houston, Texas, USA 77032

Phone: 281.449.6533

Fax: 281.449.6755

Board of Directors

Stephen Popadynetz

John A. Brussa^{1,3}

Wade Brillon

M. Scott Ratushny^{2,4}

Edward L. Molnar^{2,3}

Brent Gough^{2,3,4}

¹ Chairman of the Board

² Member of the Audit Committee

³ Member of the Compensation Committee

⁴ Member of the Corporate
Governance Committee

Officers

Stephen Popadynetz

Chief Executive Officer

Terry Barnhart

President

Roderick Chisholm

Chief Financial Officer

Steve Sinclair-Smith

Senior VP Services

Mathew Hepton

VP Software Development

Shannon Niemi

VP Sales and Marketing

Cary Sabraw

VP U.S. Operations

Oliver Kuhn

VP Processing

Peter Zyla

VP Strategy, Logs, Archiving and Consulting

Corporate Secretary

Faralee A. Chanin

Controller

Danny Chiarastella

Stock Exchange Listing

TSX: DVT

Lending Institutions

HSBC Bank Canada

Roynat Capital Inc.

Registrar and Transfer Agent

CIBC Mellon Trust Company

Auditors

KPMG LLP

Legal Counsel

Field LLP

2007 Annual General Meeting

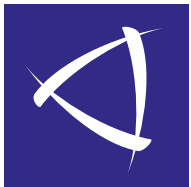
May 7, 2007, 2:30pm

Calgary TELUS Convention Centre

North Building, Glen Room 206

120 - 9th Avenue SE

Calgary, Alberta, Canada T2G 0P3



Divestco

700, 707 - 7 Avenue SW
Calgary, AB, Canada T2P 3H6
P: 403.237.9170
www.divestco.com

Printed In Canada