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Annual
Report



Divestco Inc.

Exponential Growth

C o n t e n t s

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about Divestco Inc.

Divestco is a public oil and gas software, data, seismic brokerage, and technical services company committed to offering superior products and services to the oil and gas industry - and beyond. The Company is based in Calgary, Alberta.

Our leading software product lines include GeoVista, MapQ, WinPICS 2D/3D seismic interpretation system, Crosslog Suite, Synthetic Suite, GeoCarta Tools, Envision 3D, and Oil Expert mapping and enterprise data management system, together with a wide array of smaller utilities and support applications.

In addition, Divestco holds a U.S. patent on "The Rat" - a hardware device used widely for digitizing paper well logs and maps. The Rat is manufactured and marketed exclusively by Divestco.

Divestco also operates a significant database containing information relevant to oil and gas exploration. The oil and gas database includes general well information, production history, pressure data, reserves information, crown land leasing information, freehold land coverage, pipeline and facility information, grid, culture and transportation information and other oil and gas related information for selected areas of Canada and the United States. The comprehensive database is distributed primarily through its own software, however the company also directly licenses components of the database to customers that require raw data products. Divestco is the largest broker of seismic data in Canada with 16 independent brokers under contract. We hold an interest in a company that owns and operates a database pertaining to the location of historical seismic testing activity.

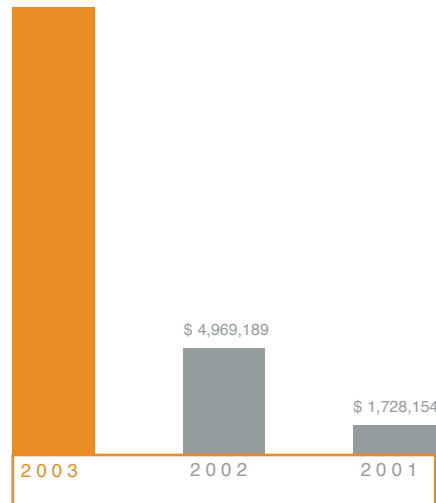
As well as seismic brokerage, Divestco is a leading provider of services to the oil and gas industry including seismic survey audits, records management, custom mapping services, and document scanning.

Financial Highlights

	For the year ended December 31	2003	2002	% of Change
Revenue		15,042,564	4,969,189	203%
Earnings before interest, taxes and amortization from continuing operations		1,696,557	698,587	143%
Net income from continuing operations		471,626	250,064	89%
Per share – basic and diluted		0.027	0.021	29%
Net income		719,132	250,064	188%
Per share – basic and diluted		0.042	0.021	100%
Cash flow from continuing operations		1,650,230	703,073	135%
Per share – basic and diluted		0.096	0.059	63%
Cash flow from operations		1,629,336	703,073	132%
Per share – basic and diluted		0.094	0.059	59%
Working Capital		2,219,813	(336,344)	760%
Total Assets		24,194,999	6,349,769	281%
Weighted average shares outstanding		17,228,894	11,783,568	

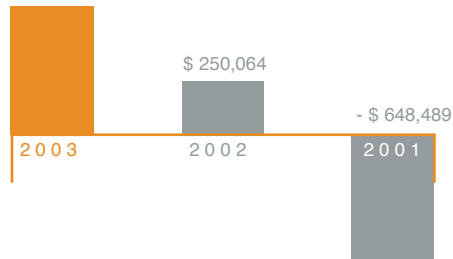
REVENUE

\$ 15,042,564



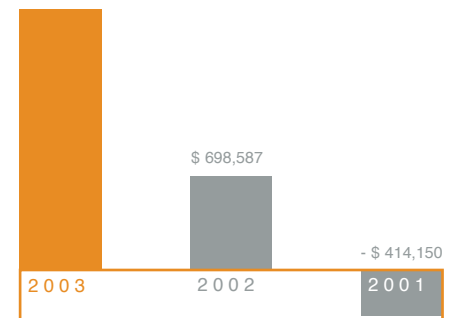
Net Income

\$ 719,132



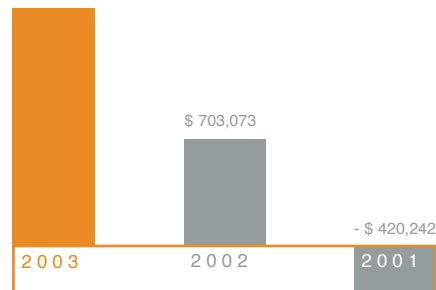
EBITDA

\$ 1,696,557



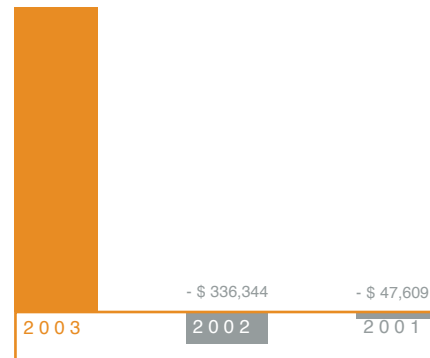
CASH FLOW from OPERATIONS

\$ 1,629,336



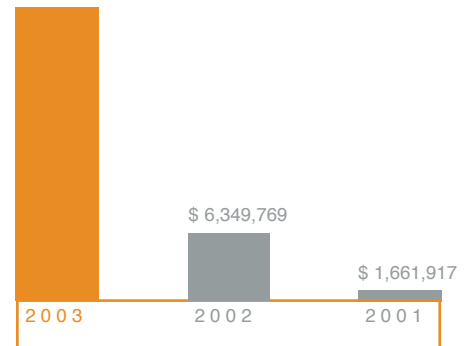
Working Capital

\$ 2,219,813



Total Assets

\$ 24,194,999



JAN 2001

DIVESTCO HELD ITS FIRST ONLINE LAND AUCTION



JAN 2001

WE AMALGAMATED WITH CD PUBCO & PETROMAP

and we began to grow...



E x X x P x O x N x E x N x T x I x A x L x L x Y

and we continue to grow...

International Datashare Corporation

The Excalibur-Gemini Group Ltd.

DigiRule Inc.

Dynamic Solutions Inc.

Kernel Technologies Ltd.

Rocky Mountain Data Ltd.

SeisView Ltd.

Seismic Brokerage Division of Request Seismic Surveys Inc.





CEO Stephen Popadynetz

Letter to the Shareholders

Results for the year 2003

Divestco Inc. is pleased to present its financial and operating results for the year ended December 31, 2003. The results achieved in 2003 reflect the skill and dedication of a highly motivated staff working within an extremely demanding environment. The acquisition of Excalibur-Gemini, the merger with International Datashare, and the listing of Divestco on the TSX Venture Stock Exchange, resulted in the reinvention of the entire company. We tripled employee count and expanded into several new business areas, many of which were unprofitable at the time of our corporate transactions.

Despite the uncertainties and corporate restructuring costs incurred, I am pleased to report the company achieved record 4th quarter revenues and earnings. More importantly, we have successfully turned around every division and have entered into 2004 enjoying a robust financial position with an organization poised for growth. Divestco has shown it is capable of large transactions and Divestco has shown it can grow. Now, Divestco is showing it can be profitable.

- Revenue increased by 203% to \$15.0 Million
- EBITDA increased by 143% to \$1.7 Million
- Net Income increased by 188% to \$0.7 Million
- Cash flow from operations increased by 132% to \$1.6 Million
- Basic and diluted earnings per share increased 100% to 4.2 cents

Operating Results

2003 marked a year of change for Divestco. Historically, Divestco had been primarily an oil and gas software company. Our initial foray into the services sector came about by acquiring three seismic brokerage companies. These acquisitions were not only successful investments, but they also added significant exposure (and sales) to our software product lines. The services sector exposure expanded our product lines and contributed to the growth of our existing vertical markets. Divestco entered 2003 with three objectives:

- to acquire additional exposure in the services sector
- to augment our data products currently offered in our software lines
- to obtain a listing and begin to trade on one of the Canadian stock exchanges

In March of 2003, Divestco successfully completed its first objective with the purchase of the Excalibur-Gemini Group Ltd, a well-managed, highly regarded services company primarily offering survey-audit, mapping and specialized data management to oil and gas companies. The acquisition complimented our Seismic Brokerage division and added a strong management team capable of assisting the combined companies with its future acquisition objectives.

In April of 2003 our second and third objectives were met with the announcement that Divestco, through a reverse take-over, would merge with International Datashare Corporation (“IDC”). The resulting amalgamated entity, Divestco Inc., ultimately would trade on the TSX Venture Exchange. IDC had long been a coveted asset rich company with a superior log dataset in Canada. However, due to new securities legislation and accounting standards, it unfortunately took Divestco and IDC over five months to complete the contemplated merger. This “in-limbo” stage contributed to an environment where neither company could take advantage of the obvious synergies that would result from the merger. The regulatory bodies were eventually satisfied and the transaction was allowed to proceed. The merger was completed on September 23, 2003, and on September 29, 2003, Divestco began trading under the symbol DVT on the TSX Venture Exchange.

The delays, however, caused severe stress on IDC’s already declining operations. On the date of take-over, the operational losses at IDC had reached an unforeseen enormity and without quick actions, the losses could have overwhelmed the newly minted Divestco Inc. Divestco needed to absorb IDC’s operations rapidly and we needed to make changes immediately.

Several quick measures were undertaken at Divestco. Firstly, we instituted an austerity policy where we would only allocate funds

where absolutely necessary. Future growth expenditures were temporarily suspended. Secondly, we reduced staff immediately in areas of overlap and duplicity. Thirdly, we began an aggressive program to reduce office lease costs and reduce costs. IDC had four separate buildings leased, one building in particular having over 24,000 square feet of unused space. Finally, we examined all aspects of IDC's continuing operations and made decisions with regards to which areas were to be kept and fixed and which divisions of the company were to be sold. This resulted in the disposition of IDC's US operations for gross proceeds of \$9.0 million US. It also resulted in the commitment to spend an additional \$0.5 million to turn around our archiving division.

I am happy to say that we have been successful at integrating IDC's operations and at showing the shareholders the benefits of a merged entity. We achieved positive results a full quarter ahead of our internal forecast. At the end of fiscal 2003, Divestco had only one small division losing money with the overall company now being profitable. By the end of our first quarter of 2004, even that division started generating positive returns.

Outlook

In early January of 2004, Divestco announced a large seismic data transaction. This transaction was financed through the funds received from our US disposition and a \$4.25 million debenture issue in February 2004, adding a new and exciting dimension to Divestco's ongoing operations. We now have a large seismic database to leverage into our software and services operations and we plan to expand this dataset through additional data purchases and speculative seismic data shoots. Again, Divestco continues to exhibit an ability to expand its market breadth and take on new challenges.

Oil and gas prices are expected to remain strong and our customers are exhibiting robust appetites for new and exciting data and software products. We have been accepting the challenges placed before us by our customers, and I am elated to say our customer feedback is telling us we are passing with flying colours.

It has been a long and rewarding path for shareholders of Divestco. What began, as a fledgling software company in 2000 with 5 employees, has today become a dominant software and services provider with over 220 employees. Our monthly revenues have grown to exceed what annual revenues used to be and most importantly, we have developed a model for sustained profitability. Our strengths in software, services, and databases will allow Divestco to outperform the general industry, and as a result, allow us to offer superior returns for our shareholders going forward.

I would like to thank all of our dedicated employees and board members for their efforts and support in helping Divestco achieve its vision.

On behalf of the Board of Directors,



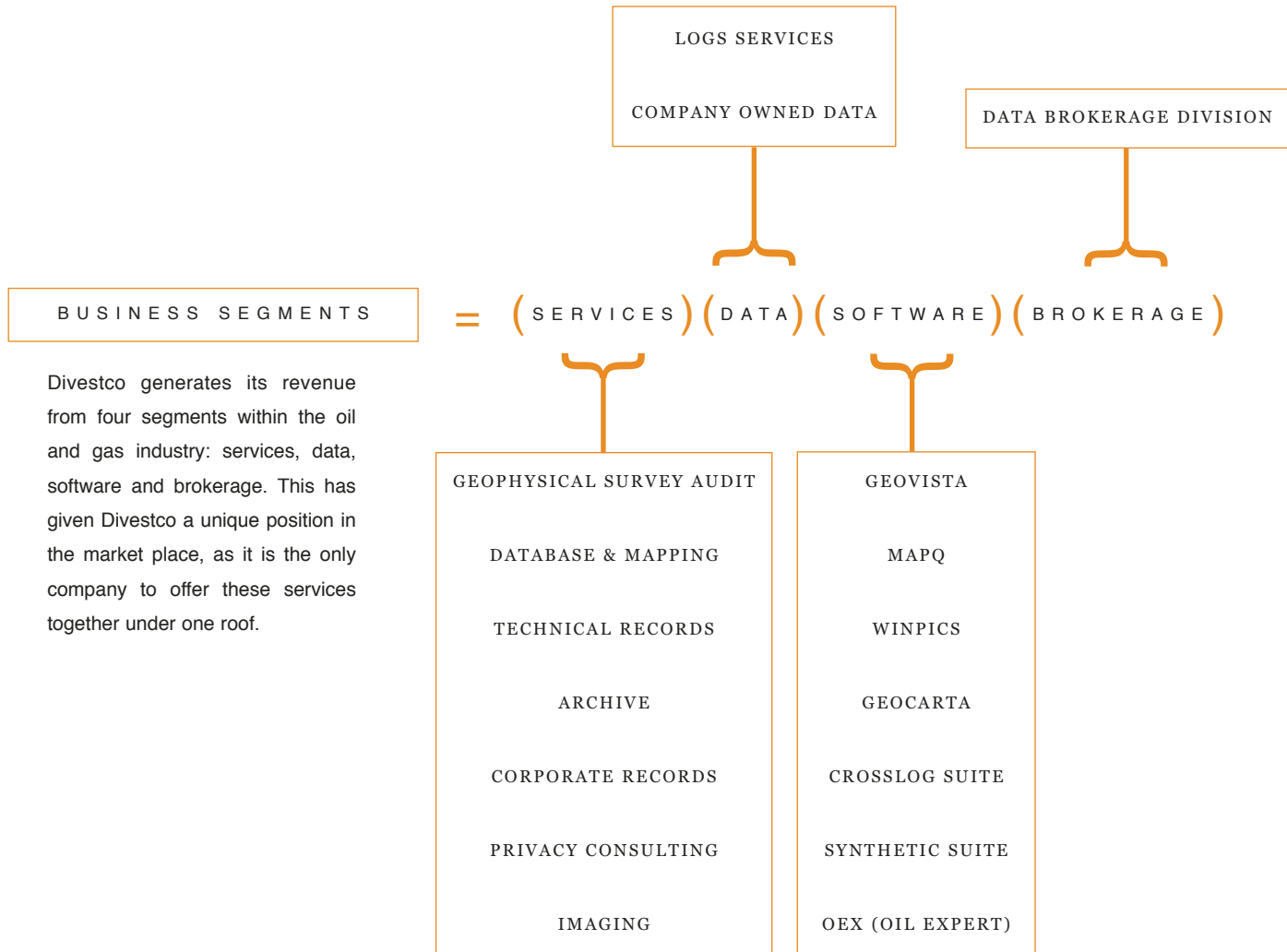
Stephen Popadynetz
Chief Executive Officer

Management's Discussion and Analysis

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

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

OVERVIEW



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

Services

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

Geophysical Survey Audit

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

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

Database & Mapping

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

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

Technical Records

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

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

Archive

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

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

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

Corporate Records

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

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

Privacy Consulting

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

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

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

Imaging

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

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

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

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

Projects Planned for 2004

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

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



Data

Logs Services

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

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

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

Company Owned Data

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

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

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

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

Projects Planned for 2004

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

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

Software

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

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

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

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

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

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

Projects Planned for 2004

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

Brokerage

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

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

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

Business Environment

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

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

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

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

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

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

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

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

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

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

Business Strategies

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

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

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

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

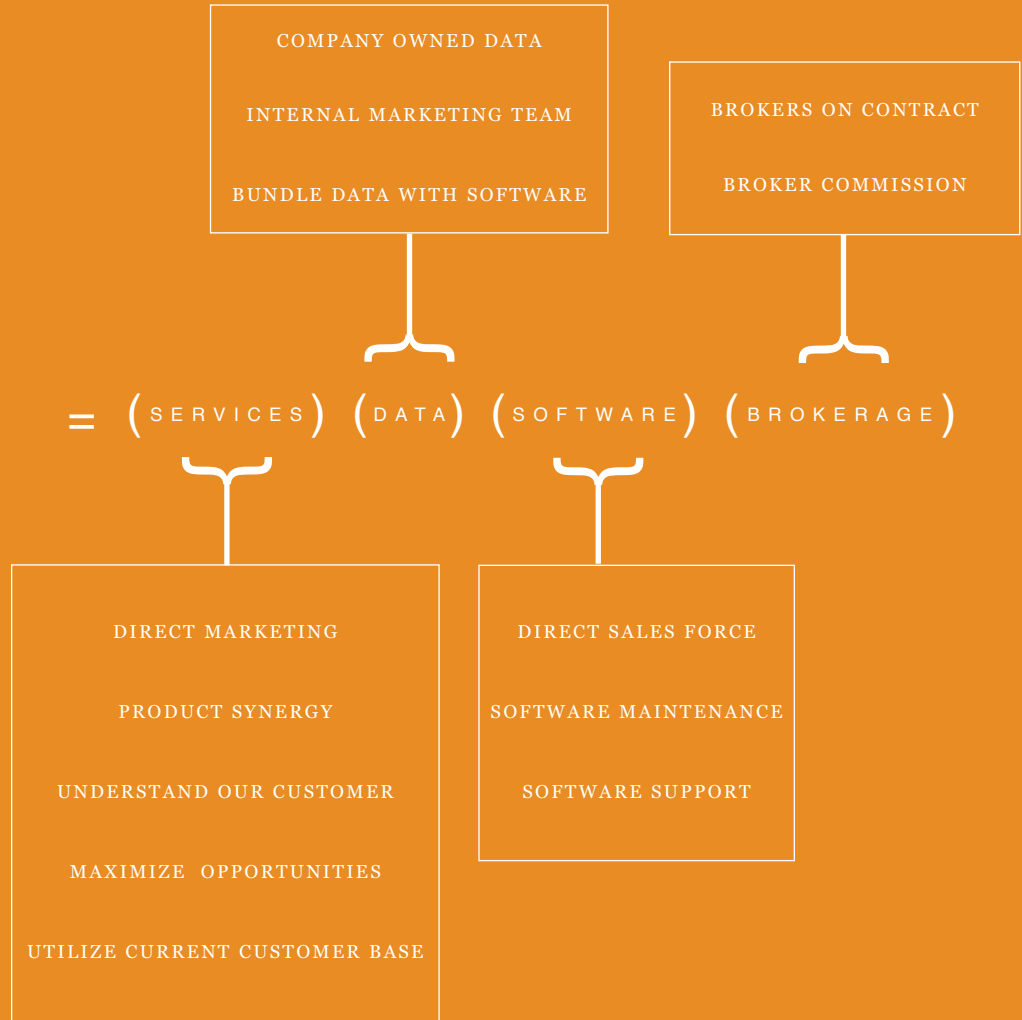
The Company's software products are primarily marketed to customers through the Company's direct sales force. The Company's customer support department, and the on-line help within the software, provide product maintenance and support, which is unparalleled in the industry.

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

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

Business Strategies

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



Acquisitions and Divestitures

OUR  ROOTS

Acquisitions

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

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



Discontinued Operations

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

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

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

Riley's was acquired through the IDC acquisition.

Overall Performance

Annual Results

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

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

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

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

2002 versus 2001

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

Quarterly Results

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

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

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

4th Quarter

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

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

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

Results of Operations

Services

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

Data

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

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

Software

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

Brokerage

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

Amortization

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

Interest

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

Income Taxes and Tax Pools

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

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

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

Liquidity and Capital Resources

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

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

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

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

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

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

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

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

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

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

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

Outstanding Share Data

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

On February 1, 2004 the Company initiated an employee share ownership plan whereby each employee may elect to contribute up to 25% of their regular salary towards the savings plan. The Company will match the employee's contribution up to 3% of their monthly regular salary to a maximum of \$300 per month. The common shares are purchased through the facilities of the TSX Venture Exchange.

Commitments and Contingencies

Commitments

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

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

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

Contingencies

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

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

Related Party Transactions

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

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

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

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

Accounting Policies and Estimates

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

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

Business Combinations

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

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

Investment in Affiliated Company

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

Brokerage revenue

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

Discontinued Operations

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

Change in the Company's Revenue Recognition Policy

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

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

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

Stock Based Compensation

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

Changes in accounting estimates

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

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

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

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

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

To the Shareholders of

Divestco Inc. (formerly Divestco.com Inc.)

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

Management has prepared Management's Discussion and Analysis ("MD&A"). The MD&A is based upon the Corporation's financial results prepared in accordance with Canadian GAAP. The MD&A compares the audited financial results for the twelve months ended December 31, 2003 to December 31, 2002.

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

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

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



Steve Popadynetz
Chief Executive Officer
April 5, 2004

AUDITOR'S REPORT

To the Shareholders of

Divestco Inc. (formerly Divestco.com Inc.)

We have audited the consolidated balance sheets of Divestco Inc. (formerly Divestco.com Inc.) at December 31, 2003 and 2002 and the consolidated statements of income and retained earnings (deficit) and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position for the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

BMO Dunwoody LLP

March 12, 2004

Divestco Inc. (formerly Divestco.com Inc.)

Consolidated Balance Sheets

Dec 31, 2003

Dec 31, 2002

Assets		(Restated - See Note 24)
Current		
Cash	\$ 2,125,381	\$ 754,615
Cash - funds held in trust	787,500	-
Accounts Receivable	4,374,080	565,510
Prepaid expenses, supplies and deposits	322,263	202,003
	7,609,224	1,522,128
Investment tax credits recoverable (Note 14(a))	1,020,129	810,129
Future income taxes (Note 14(c))	906,752	-
Investment in affiliated company (Note 5)	54,293	56,164
Databases (Note 6)	5,787,567	496,099
Property and equipment (Note 7)	2,354,338	657,836
Intangible assets (Note 8)	4,513,309	2,144,396
Goodwill (Note 9)	1,949,387	663,017
	\$ 24,194,999	\$ 6,349,769
Liabilities and Shareholders' Equity		
Current		
Bank indebtedness (Note 10)	\$ 140,000	\$ -
Accounts payable and accrued Liabilities	1,647,874	304,694
Accounts payable - brokerage (Note 11)	1,797,244	511,928
Income taxes payable	-	15,219
Deferred revenue	1,662,865	986,667
Current portion of long-term debt (Note 12)	70,182	39,964
Current portion of capital leases (Note 13)	71,246	-
	5,389,411	1,858,472
Long-term debt (Note 12)	171,534	-
Future income taxes (Note 14(c))	-	661,554
	5,560,945	2,520,026
Equity instruments (Note 15)	18,475,890	4,487,303
Contributed surplus (Note 19)	96,592	-
Retained earnings (deficit)	61,572	(657,560)
	18,634,054	3,829,743
	\$ 24,194,999	\$ 6,349,769
On behalf of the Board:	 	
	Stephen Popadynetz, Director John Brussa, Director	

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

Divestco Inc. (formerly Divestco.com Inc.)

Consolidated Statement of Income and Retained Earnings (Deficit)

For the year ended

Dec 31, 2003

Dec 31, 2002

	Dec 31, 2003	Dec 31, 2002 (Restated - See Note 24)
Revenue	\$ 15,042,564	\$ 4,969,189
Operating Expenses		
Salaries and benefits	8,369,771	2,766,623
General and administrative	4,158,210	1,116,211
Research and development	721,434	387,768
Stock compensation expense (Note 19)	96,592	-
	<u>13,346,007</u>	<u>4,270,602</u>
Earnings before interest, taxes and amortization from continuing operations	1,696,557	698,587
Interest Expense	70,305	-
Amortization	1,472,956	500,311
Income from continuing operations before other income	<u>153,296</u>	<u>198,276</u>
Other income (loss) from continuing operations		
Foreign exchange loss	(11,237)	-
Equity investment loss	(12,704)	(46,422)
Interest income	-	4,486
	<u>(23,941)</u>	<u>(41,936)</u>
Income from continuing operations before income taxes	<u>129,355</u>	<u>156,340</u>
Income taxes (recovery), continuing operations (Note 14 (b))		
Current	3,229	-
Future	(345,500)	(93,724)
	<u>(342,271)</u>	<u>(93,724)</u>
Net income for the year from continuing operations	<u>471,626</u>	<u>250,064</u>
Loss from discontinued operations	(249,150)	-
Gain on sale from discontinued operations, net of future income taxes of \$277,500	496,656	-
Net income from discontinued operations	<u>247,506</u>	<u>-</u>
Net income for the year	<u>719,132</u>	<u>250,064</u>
Deficit, beginning of year	(347,776)	(518,931)
Adjustment for change in accounting policy (Note 24)	(309,784)	(388,693)
As restated	<u>(657,560)</u>	<u>(907,624)</u>
Retained earnings (deficit), end of year	\$ 61,572	\$ (657,560)
Earnings per share - basic from continuing operations	\$ 0.027	\$ 0.021
Earnings per share - basic and diluted ⁽¹⁾	\$ 0.042	\$ 0.021
Weighted average number of shares	17,228,894	11,783,568

⁽¹⁾ Diluted earnings per share are not materially different

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

Divestco Inc. (formerly Divestco.com Inc.)

Consolidated Statement of Cash Flows

For the year ended

Dec 31, 2003

Dec 31, 2002

		(Restated - See Note 24)
Cash Flows from operating activities		
Net income from continuing operations	\$ 471,626	\$ 250,064
Add (deduct) items not affecting cash:		
Equity pick-up on long-term investment	12,704	46,422
Amortization	1,472,956	500,311
Future income taxes	(345,500)	(93,724)
Unrealized foreign exchange loss	(58,148)	-
Stock compensation expense	96,592	-
	<u>1,650,230</u>	<u>703,073</u>
Net income from discontinued operations	247,506	-
Add (deduct) items not affecting cash:		
Gain on sale of discontinued operations	(774,156)	-
Amortization	153,559	-
Future income taxes	277,500	-
Unrealized foreign exchange loss	74,697	-
	<u>(20,894)</u>	<u>-</u>
Changes in non-cash working capital balance (Note 16(b))	(2,697,961)	475,624
	<u>1,068,625</u>	<u>1,178,697</u>
Cash flows from financing activities		
Bank indebtedness	(413,277)	-
Advance to affiliated company	(10,833)	-
Repayment of long-term debt	(792,348)	(53,286)
Repayment of capital lease obligations	(152,353)	-
Repayment of debentures	(857,000)	-
Repayment of notes payable	(4,222,214)	-
Proceeds received from share subscriptions	4,272,331	1,921,300
	<u>(2,175,694)</u>	<u>1,868,014</u>
Cash flows from investing activities		
Purchase of property and equipment	(177,768)	(506,418)
Acquisition of Excalibur-Gemini Group Ltd.	(1,331,673)	-
Acquisition of International Datashare Corp.	(74,581)	-
Acquisition of Kernel Technologies Ltd.	-	(874,735)
Acquisition of Dynamic Solutions Inc.	-	(392,688)
Acquisition of Digi-Rule Inc.	-	(485,073)
Investment in SDLS Inc.	-	(102,586)
	<u>(1,584,022)</u>	<u>(2,361,500)</u>
Proceeds on sale of discontinued operations (Note 4)	6,210,817	-
Purchase of capital assets	(11,710)	-
	<u>6,199,107</u>	<u>-</u>
	<u>4,615,085</u>	<u>(2,361,500)</u>
Increase in cash	1,370,766	685,211
Cash, beginning of year	754,615	69,404
Cash, end of year	<u>\$ 2,125,381</u>	<u>\$ 754,615</u>

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

Divestco Inc. (formerly Divestco.com Inc.)

Notes to Consolidated Financial Statements

1) Nature of Operations

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

Divestco Inc. provides software and web-based data retrieval services to companies primarily in the oil and gas industry. In addition, the Company specializes in oil and gas mapping, seismic data and interpretation services, map auditing and mineral rights divestment assistance.

2) Significant Accounting Policies

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

A Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned from the date of acquisition. All significant intercompany accounts and transactions have been eliminated upon consolidation.

B Databases

Databases are recorded at cost. The data sets and log library were amortized on straight-line basis over a period of 10 to 20 years. Amortization for the reference library is provided using the declining balance basis at a rate of 20%.

In 2003, the Company changed its estimated useful life of the data sets from 6 to 10 years as certain parts of the data sets are more than 40 years old and are still being used by the Company's customers.

C Property and Equipment

Property and equipment are recorded at cost. Amortization is provided using the declining balance basis at the following rates:

Computer equipment	20-30%
Computer software	30%
Equipment	20%
Office furniture and equipment	15-20%

Leasehold improvements are being amortized on a straight-line basis over the term of the lease.

D Investment in affiliated company

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

E Cash and cash equivalents

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

F Revenue recognition and deferred revenue

The Company's revenue is generated from the sale of software and software licenses, software maintenance and support, data sets, seismic brokerage commissions and other oil and gas related services including: seismic surveys, map audit and processing, database management and auction services.

Revenue for contracts with multiple obligations, (e.g. deliverable and undeliverable products, support obligations and product and data updates), is allocated by the Company the Company allocates revenue to each element of the contract based on objective evidence, specific to the Company, of the fair value of the element.

Revenue earned from the sale of software products is recognized upon delivery. Maintenance and support, included with the product, is recognized rateably over the term defined in the purchase agreement. Revenue earned from the renewal of maintenance and support contracts is recognized rateably over the term of the agreement.

Software licenses are sold on a monthly, quarterly and annual basis. Revenue from software licenses is recognized rateably over the term of the agreement.

Revenue with respect to the brokerage division represents brokerage commissions earned and is recognized on a net basis upon the closing of the transaction. The Company records all accounts receivable and payable for the brokerage division on a net basis as it has the right to offset accounts payable against amounts due as receivables for the related transaction. In addition, the Company settles brokerage payables after the related receivables are collected.

Revenue with respect to providing seismic surveys, map audit and processing, database management and auction services, is recognized under the completed contract method such that revenue is recognized only when the rendering of services under a contract is completed or substantially completed.

The Company also sells copies of its log library. In these cases, the Company recognizes revenues on the sale on a percentage of completion basis as the data may require reworking. The revenue recognized is determined based on the total contract value and the percentage of the contract completed to the end of the reporting period.

G Financial instruments

The Company's balance sheet financial instruments consist of cash, investment tax credits recoverable, accounts receivable, accounts payable and accrued liabilities, deferred revenue and loans payable. The fair value of the financial instruments is equal to their carrying values unless otherwise noted.

H Future income taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

I Stock-based compensation plan

The Company has established a stock option plan whereby the Company may grant options to purchase common shares to directors, officers, employees and consultants. The options vest have a five year term and are exercisable pursuant to a vesting schedule of one-third upon the date of grant (the "grant date"), one-third following the first anniversary of the grant date and the remaining one third following the second anniversary of the grant date.

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

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

J Employee Share Ownership Plan

On February 1, 2004 the Company initiated an employee share ownership plan whereby each employee may elect to contribute up to 25% of their regular salary towards the plan. The Company will match the employee's contribution up to 3% of their monthly regular salary to maximum of \$300 per month. The common shares are purchased through the facilities of the TSX Venture Exchange Inc. There are no amounts included in general and administrative expenses related to this plan for 2003.

K Prepaid expenses

Prepaid expenses consist of security deposits, prepaid rent, licenses, supplies and maintenance and support contracts.

L Goodwill

In accordance with CICA Handbook requirements, the Company has applied the new CICA standard on Goodwill and Other Intangible Assets and Impairment of Long-Lived Assets. is to be applied to fiscal year beginning on or after January 1, 2002. Under this accounting standard, goodwill is no longer amortized, but is tested for impairment at least annually. Goodwill was recorded as the excess purchase price paid over carrying value and was initially being amortized over a five-year period.

The valuation of goodwill is based on future estimates of profitability and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements in future periods could be significant. The effect on the financial statements resulting from revised estimates, if any, will be accounted prospectively.

M Treasury stock method

The Company adopted the treasury stock method of reporting earnings per share amounts. Basic earnings per common share are computed by dividing earnings from operations by the weighted average number of common shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments.

N Investment tax credits

The Company records investment tax credits on the cost reduction basis whereby investment tax credits related to current expenditures are included in the determination of net income in the year the tax credits are earned. Investment tax credits related to the acquisition of property and equipment are deducted from the related asset values. These claims are subject to audit by the science advisors from the Canada Revenue Agency and as a result the amounts recorded as investment tax credits recoverable are subject to specific measurement uncertainty.

When the estimate is known to be materially different from the actual recovery, an adjustment is made to net income in the period the determination is made. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements could be significant.

O Research and development

Research and development costs are charged to net income in the period in which they are incurred, except for significant development costs meeting Canadian generally accepted criteria for deferral. The Company has not deferred any research and development costs to date.

P Intangible Assets

Intangible assets consist of acquired customer lists, management contracts, non-competition agreements, proprietary software, software code, a well logs license agreement and a web based, well log retrieval system. Intangible assets are recorded at cost and amortized over the straight-line method over the term of the management contracts or expected benefit to the Company of 24 months, expected benefit of the customer list of 72 months, expected benefit of the software code of 10 years, length of the license agreement of 10 years and the estimated useful life of the delivery system of 10 years. Amortization for proprietary software is provided at the declining balance basis at a rate of 50%.

In 2003, the Company changed its estimate of the expected benefit of the software code from 6 to 10 years, as the code has remained virtually unchanged since being developed.

The valuation of intangible assets is based on future estimates of profitability and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements in future periods could be significant. The effect on the financial statements resulting from revised estimates, if any, will be accounted prospectively.

Q Foreign Currency

The Company translates amounts of foreign currency into Canadian dollars on the following basis:

- (i) monetary assets and liabilities - at the rate of exchange prevailing at the period end;
- (ii) non-monetary items - at the rate of exchange prevailing at the dates of the transactions;
- (iii) revenues and expenses - at the monthly average rate of exchange;
- (iv) and gains and losses on translation of current monetary assets and liabilities are included in income.

3) Business Combinations

A The Company entered into an agreement on April 29, 2002 whereby it agreed to purchase 100% of the shares of Kernel Technologies Ltd. The acquisition of Kernel Technologies Ltd. was accounted for by the purchase method, with the Company being the deemed acquire, based on the fair values of the assets or liabilities acquired, as follows:

	Book Value	Fair Value
Cash	\$ 95,723	\$ 95,723
Other current assets	262,007	262,007
Current liabilities	(251,024)	(251,024)
Working capital	106,706	106,706
Capital assets	93,736	860,536
Intangible assets	-	87,600
Goodwill	-	260,676
Future income taxes	-	(345,060)
Net assets acquired	<u>\$ 200,442</u>	<u>\$ 970,458</u>
Purchase Price		
- Cash		<u>\$ 970,458</u>

B The Company entered into an agreement on May 31, 2002 whereby it agreed to purchase 100% of the shares of Dynamic Solutions Inc. The acquisition of Dynamic Solutions Inc. was accounted for by the purchase method, with the Company being the deemed acquire, based on the fair values of the assets or liabilities acquired, as follows:

	Book Value	Fair Value
Cash	\$ 107,312	\$ 107,312
Other current assets	143,509	143,509
Current liabilities	(18,246)	(18,246)
Working capital	232,575	232,575
Property and equipment	-	579,925
Intangible assets	-	75,000
Goodwill	-	197,897
Future income taxes	-	(272,897)
Net assets acquired	<u>\$ 232,575</u>	<u>\$ 812,500</u>
Purchase Price		
- Value attributed to 300,219 common shares issued		\$ 312,500
- Cash		500,000
		<u>\$ 812,500</u>

C The Company entered into an agreement on November 4, 2002 whereby it agreed to purchase 100% of the shares of Digi-Rule Inc. The acquisition of Digi-Rule Inc. was accounted for by the purchase method, with the Company being the deemed acquire, based on the fair values of the assets or liabilities acquired, as follows:

	Book Value	Fair Value
Bank indebtedness	\$ (84,823)	\$ (84,823)
Other current assets	312,035	312,035
Current Liabilities	(144,195)	(144,195)
Working capital	83,017	83,017
Property and equipment	33,197	642,233
Intangible assets	-	92,000
Goodwill	-	45,321
Future income taxes	-	(137,321)
Net assets acquired	<u>\$ 116,214</u>	<u>\$ 725,250</u>
Purchase Price		\$ 325,000
- Value attributed to 260,190 common shares issued		400,250
- Cash		<u>\$ 725,250</u>

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

	Book Value	Fair Value
Cash	\$ 58,412	\$ 58,412
Other current assets	1,141,703	1,141,703
Bank indebtedness	(553,277)	(553,277)
Current liabilities	(236,341)	(236,341)
Working capital	410,497	410,497
Property and equipment	695,343	695,343
Intangible assets	-	1,064,757
Goodwill	-	1,250,916
Long-term debt	(47,003)	(47,003)
Capital leases	(169,479)	(169,479)
Future income tax asset	-	79,000
Net assets acquired	<u>\$ 889,358</u>	<u>\$ 3,284,031</u>
Purchase price		
-Value attributed to 1,655,850 common shares issued ⁽¹⁾		\$ 1,764,951
-Assumption of shareholder loans		(170,084)
-Cash		1,390,085
-Notes payable		299,079
		<u>\$ 3,284,031</u>

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

E On September 23, 2003, the Company amalgamated with International Datashare Corporation (“IDC”). The transaction was accounted for by the purchase method, with the Company being the deemed acquirer, based on the fair values of the assets or liabilities acquired, as follows:

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

4) Discontinued Operations

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

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

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

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

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

The Company also sold access to a copy of its Log Library and a 2-year update service to the purchaser for \$3,000,000 US.

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

	2003	2002
Revenue	\$ 494,084	\$ -
Amortization	153,599	-
Interest expense	15,111	-
Salaries and benefits	294,054	-
General and administrative expenses	204,813	-

5) Investments in and Advances to an Affiliated Company

In 2002, the Company acquired 36.11% of the common shares of SDLS Inc. ("SDLS") for \$1. The Company made advances in 2003 of \$10,833 (2002 - \$102,585). The investment has been accounted for using the equity basis as disclosed in Note 2(d). An equity pick-up (loss) has been accounted for in the year of \$12,704 (2002 - \$46,442) whereby the advances were reduced by the Company's share of the affiliate's loss. The fair value of the balances due from SDLS and the investment in SDLS is currently not determinable as the company is in the development stage. It is management's opinion that the carrying value of the investment at December 31, 2003 and 2002 reflects amounts less than the expected net recoverable amount from the investment.

6) Databases

	Cost	2003 Accumulated Amortization	Cost	2002 Accumulated Amortization
Data sets	\$ 438,288	\$ 186,872	\$ 438,288	\$ 128,629
Log library	5,311,644	135,278	-	-
Reference library	444,630	84,845	210,593	24,153
	<u>\$ 6,194,562</u>	<u>\$ 406,995</u>	<u>\$ 648,881</u>	<u>\$ 152,782</u>
Net book value		<u>\$ 5,787,567</u>		<u>\$ 496,099</u>

7) Property and Equipment

	Cost	2003 Accumulated Amortization	Cost	2002 Accumulated Amortization
Computer equipment	\$ 1,727,880	\$ 557,085	\$ 514,953	\$ 244,659
Computer software	191,014	114,609	150,021	72,273
Equipment	619,502	85,541	-	-
Leasehold improvements	127,177	57,633	40,674	19,997
Office furniture and equipment	580,208	175,668	379,632	90,515
Assets under capital lease	127,010	27,917	-	-
	<u>\$ 3,372,791</u>	<u>\$ 1,018,453</u>	<u>\$ 1,085,280</u>	<u>\$ 427,444</u>
Net book value		<u>\$ 2,354,338</u>		<u>\$ 657,836</u>

8) Intangibles

	Cost	2003 Accumulated Amortization	Cost	2002 Accumulated Amortization
Customer lists	\$ 1,064,757	\$ 260,360	\$ 254,600	\$ 58,741
Non-competition agreements	254,600	132,999	-	-
Proprietary software	1,241,420	86,230	-	-
Software code	2,180,761	559,338	2,180,761	232,224
Well log retrieval system	91,204	23,756	-	-
Well logs license agreement	750,000	6,750	-	-
	<u>\$ 5,582,742</u>	<u>\$ 1,069,433</u>	<u>\$ 2,435,361</u>	<u>\$ 290,965</u>
Net book value		<u>\$ 4,513,309</u>		<u>\$ 2,144,396</u>

9) Goodwill

	Cost	2003 Accumulated Amortization	Cost	2002 Accumulated Amortization
Goodwill	\$ 2,111,226	\$ 161,839	\$ 824,856	\$ 161,839
Net book value		<u>\$ 1,949,387</u>		<u>\$ 663,017</u>

10) Bank Indebtedness

As at December 31, 2003, the Company had a revolving demand loan, bearing interest at bank prime plus 1.5% with a maximum available of \$1,100,000. As at December 31, 2003, \$140,000 was drawn on this facility. The facility is secured by a general security agreement covering all assets and an assignment of accounts receivable. As at December 31, 2002, the Company did not have a credit facility in place.

11) Accounts Payable - Brokerage

As disclosed in Note 2(f), 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. The net brokerage liability is a result of a timing difference between collection and settlement of the liability.

12) Long-Term Debt

	2003	2002
Western Economic Diversification loan is unsecured and non-interest bearing and repayable in quarterly payments of \$13,322	\$ -	\$ 39,964
Blue Moon Survey Ltd. is an unsecured, non-interest-bearing loan repayable in monthly payments of \$2,824 and an additional payment of \$619 upon maturity. The loan matured on January 31, 2004	8,718	-
Promissory notes payable, issued on the acquisition of Excalibur (Note 3(d)), unsecured, bearing interest at 8% per annum, repayable in blended quarterly installments of \$22,027. The promissory notes mature on May 31, 2007	232,998	-
	241,716	39,964
Current portion	(70,182)	(39,964)
	\$ 171,534	\$ -

Principle payments are as follows:

2004	\$ 70,182
2005	84,715
2006	82,229
2007	4,590
	\$ 241,716

13) Obligations Under Capital Lease

The following is a schedule of future minimum lease payments under the capital leases expiring January 1, 2004, August 1, 2004, and September 1, 2004. The capital leases bear interest between 6.9% and 18.2% and have monthly principal and interest payments of \$693 to \$5,849.

December 31, 2004	\$ 73,840
Less: imputed interest	(2,594)
Balance of obligation	71,246
Less: current portion	(71,246)
Long-term portion of obligation	\$ -

The above leases relate to computer equipment with a net book value of \$65,453 and office equipment with a net book value of \$33,640 as disclosed in Note 7.

14) Taxes

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

	2003	2002
2001	\$ -	\$ 150,000
2002	480,000	480,000
2003	360,000	-
Assumed as a result of acquisition	180,129	180,129
	<u>\$ 1,020,129</u>	<u>\$ 810,129</u>

The Company has filed claims with Canada Revenue Agency for Scientific Research and Experimental Development (“SR&ED”) Credits in respect of certain of the research expenditures incurred in 2002 and 2001. The Company has made an accrual for the expected filing in 2003 with respect to certain research expenditures incurred. Although the claims will be filed on the basis of the regulations, the recoverability of the amounts recorded in these financial statements is subject to confirmation by Canada Revenue Agency.

In addition, the Company has approximately \$490,000 (2002 - \$886,000) of SR&ED expenses available to reduce future taxable income. Should the Company's SR&ED claims be successful, the SR&ED expenses available will be reduced by \$nil (2002 - \$421,000).

The Company also has approximately \$172,000 (2002 - \$89,000) of unclaimed investment tax credits (ITC's) available to reduce income taxes payable in future years. If not utilized, these ITC's will begin to expire in 2005. The future tax benefit of the ITC's has been recognized in these financial statements as the Company expects to utilize the ITC's before they expire.

B The Company has an effective tax rate, which differs from the expected Canadian income tax rate.

The differences are as follows:

	2003	2002
Income from continuing operations before income taxes	\$ 129,355	\$ 156,340
Statutory rate	37%	39%
Computed expected tax provision	47,861	60,973
Non-deductible equity loss	4,700	18,105
Stock compensation expense	35,739	-
Rate reduction	(34,413)	-
Valuation allowance	(426,471)	(181,108)
Other permanent differences	30,313	8,306
Income tax recovery from continuing operations	<u>\$ (342,271)</u>	<u>\$ (93,724)</u>

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

	2003	2002
Capital assets	\$ (1,080,410)	\$ (925,267)
Non-capital loss carry forwards	3,107,382	17,591
Cumulative eligible capital	71,393	22,408
SR&ED pools	354,788	223,414
Share issue and financing costs	261,699	-
	2,714,852	(661,854)
Valuation allowance	(1,808,100)	-
Future tax asset (liability)	\$ 906,752	\$ (661,854)

D Subject to confirmation by the income tax authorities, the Company has non-capital losses of approximately \$8,400,000 (2002 - \$135,000), which are available to reduce taxable income in future periods. The non-capital losses were transferred to the Company as a result of the merger with IDC (Note 3(e)). The losses begin to expire in 2005.

15) Equity Instruments

A Common Shares

Authorized

An unlimited number of voting common shares

An unlimited number of non-voting common shares

B Issued

	December 31, 2003		December 31, 2002	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year ⁽¹⁾	12,596,112	\$ 4,487,303	10,402,510	\$ 1,834,753
Issued for cash	463,429	578,887	1,903,390	1,981,250
Issued for cash via private placement ⁽²⁾	2,905,079	3,675,551	-	-
Repurchased for cash	-	-	(360,263)	(59,950)
Issued on acquisition of:				
Dynamic Solutions (Note 3(b))	-	-	300,219	312,500
Digi-Rule (Note 3(c))	-	-	260,190	325,000
TEGGL (Note 3(d))	1,655,850	1,764,951	-	-
IDC (Note 3(e))	7,500,000	7,500,000	-	-
Issued in exchange for data sets, property and equipment ⁽³⁾	204,149	255,000	90,066	93,750
Exercise of options	38,428	29,729	-	-
Issued for settlement of loans payable to various shareholders	60,044	75,000	-	-
Balance, end of year ⁽⁴⁾	25,423,091	\$ 18,366,421	12,596,112	\$ 4,487,303

	December 31, 2003		December 31, 2002	
	Number of Warrants	Amount	Number of Warrants	Amount
Warrants				
Balance, beginning of year	-	\$ -	-	\$ -
Issued on private placement ⁽²⁾	1,452,540	316,017	-	-
Broker warrants ⁽²⁾	145,254	31,602	-	-
Balance, end of year	1,597,794	\$ 347,619	-	\$ -
Share issue costs, net of future taxes	-	\$ (238,150)	-	\$ -
Total equity instruments	-	\$ 18,475,890	-	\$ 4,487,303

⁽¹⁾ Effective September 23, 2003, the Company amalgamated with acquired IDC via an amalgamation agreement (Note 3(e)). As part of the amalgamation agreement, the shares of the Company were exchanged for 1,200,876 shares in the newly post-amalgamated company. All share and per share information in these consolidated financial statements and notes have been retroactively adjusted to reflect this change.

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

⁽³⁾ During 2003 and 2002, the Company purchased certain data sets, property and equipment of where a portion of the consideration was paid in common shares of the Company.

⁽⁴⁾ As at December 31, 2003, there were 8,112,064 shares held in escrow. 6,656,429 shares were held by officers, directors and companies controlled by a director. The shares are to be released from escrow on September 23, 2004.

C Stock Options

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

	Number of Shares	Options Price per share	Weighted Average Exercise Price
Options outstanding, December 31, 2001	285,221	\$ 0.54 - \$0.83	\$ 0.63
Options granted	573,447	\$ 1.04 - \$1.25	\$ 1.07
Options outstanding, December 31, 2002	858,668	\$ 0.54 - \$1.25	\$ 0.92
Options granted	755,810	\$ 1.25 - \$3.19	\$ 1.25
Expired	(141,513)	\$ 0.54 - \$3.19	\$ 2.27
Exercised	(38,429)	\$ 0.54 - \$1.25	\$ 0.85
Options outstanding, December 31, 2003 ⁽¹⁾	1,434,536	\$ 0.54 - \$3.19	\$ 1.20

⁽¹⁾ Subsequent to the year-end, 571,172 options were granted at an exercise price of \$1.20 and 86,209 options were cancelled with an exercise price of \$3.19

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

Option Outstanding	Option Price	Weighted Average Exercise Price	Weighted Average Remaining Contractual	Number of Options Currently Exercisable	Weighted Average Exercise Price of Options Currently Exercisable
183,139	\$ 0.54	\$ 0.54	1.30	183,139	\$ 0.54
69,056	\$ 0.83	\$ 0.83	2.15	66,054	\$ 0.83
465,960	\$ 1.04	\$ 1.04	3.44	310,640	\$ 1.04
522,409	\$ 1.25	\$ 1.25	4.15	201,758	\$ 1.25
107,763	\$ 1.40	\$ 1.40	2.62	71,842	\$ 1.40
86,209	\$ ⁽¹⁾ 3.19	\$ 3.19	2.77	86,211	\$ 3.19
1,434,536				919,644	\$ 1.20

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

The options that have been vested at December 31, 2002 are summarized as follows:

Option Outstanding	Option Price	Weighted Average Exercise Price	Weighted Average Remaining Contractual	Number of Options Currently Exercisable	Weighted Average Exercise Price of Options Currently Exercisable
207,158	\$ 0.54	\$ 0.54	2.30	183,139	\$ 0.54
78,063	\$ 0.83	\$ 0.83	3.15	46,037	\$ 0.83
490,581	\$ 1.04	\$ 1.04	4.44	155,320	\$ 1.04
82,866	\$ 1.25	\$ 1.25	5.15	29,223	\$ 1.25
858,668				413,719	\$ 0.81

16) Statement of Cash Flows

A Interest and income taxes paid

	2003	2002
Interest paid	\$ 103,786	\$ -
Income taxes paid	\$ 18,848	\$ -
B Changes in non-cash working capital balances		
Funds held in trust	\$ (787,500)	\$ -
Account receivable	(1,941,320)	194,018
Investment tax credits recoverable	(210,000)	(357,736)
Prepaid expenses, supplies and deposits	122,697	(124,163)
Accounts payable and accrued liabilities	(1,209,164)	157,964
Accounts payable and accrued liabilities - brokerage	1,285,316	511,928
Income taxes payable	(15,219)	-
Deferred revenue	57,229	93,613
	\$ (2,697,961)	\$ 475,624

C The Company's non-cash transactions have been excluded from the statement of cash flows and have been described elsewhere in the notes to the consolidated financial statements.

17) Commitments

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

2004	\$ 1,462,790
2005	1,528,081
2006	1,435,791
2007	949,196
2008	505,925

18) Related Party Transactions

Except as noted elsewhere in these consolidated financial statements, the Company was involved in the following related party transactions

- A In 2002, the Company was advanced \$75,000 by an officer and director, which is included in accounts payable. The amount is unsecured and non-interest bearing. During the year, the loan was repaid via the issue of 50,000 common shares.
- B In 2002, 25% of the investment purchased in SDLS (Note 5) was from a company controlled by an officer and director. The transaction was measured at the carrying amount.
- C In 2003, the Company earned \$nil (2002 - \$18,030) of revenue from a company controlled by the spouse of a director and officer of the Company. The entire amount is included in accounts receivable.
- D In 2003, the Company earned \$134,770 of revenue from a company with common directors.
- E In 2003, the Company purchased capital assets of \$255,000 in exchange for 204,149 common shares from a company controlled by a director of the Company. The transaction was measured at the exchange amount as the fair values of the assets acquired were supported by independent evidence.
- F In 2003, of the common shares issued for cash, 193,941 common shares were issued to officers and directors of the Company for gross proceeds of \$242,250.

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

19) Stock Compensation

The impact of adopting the new accounting recommendations for stock based compensation (Note 2(i)) on the consolidated balance sheets and statements of income is:

Change in consolidated balance sheet as at		December 31, 2003	December 31, 2002
		Increase Contributed surplus	\$ 96,592
Change in consolidated statement of operations for the year ended		December 31, 2003	December 31, 2002
		Increase Stock based compensation	\$ 96,592

The fair value of share options was estimated using the Black-Scholes option-pricing model with the following assumptions: Dividend yield (Nil), expected volatility (0.20), risk-free interest rate (5.0%), and weighted average life of 5 years. The compensation expense is recognized over the 3-year vesting period of the stock options.

In the prior year, the Company did not record compensation expense when stock options were issued to employees.

Had compensation expense related to employees been determined based on the fair value at the grant dates, the net income and earnings per share for the year ended December 31, 2002 would have been reduced to the pro forma amounts indicated below:

Net income	- as restated	\$ 250,064
	- pro forma	\$ 80,028
Earnings per share	- as restated	\$ 0.021
	- pro forma	\$ 0.007

20) Financial Instruments

As disclosed in Note 2(g), the Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to industry credit, interest rate and foreign currency risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

A Credit risk management

A significant portion of the Company's trade accounts receivable is from companies in the oil and gas industry and, as such, the Company is exposed to all the risks associated with that industry. The Company nets all its brokerage receivables against brokerage payables as detailed in Note 2(f). At December 31, 2003 \$4,659,228 (2002 - \$5,525,403) of brokerage receivables are netted against brokerage payables (Note 11). These receivables are due from third parties in the oil and gas industry and therefore the Company is exposed to the credit and concentrations of the risks associated with this industry. The Company manages and minimizes its risk by exercising its right to settle the related brokerage payables after the collection of the related receivable. All of the Company's cash is held at one institution and as a result of this and the nature of its operations, the Company has concentration of credit risk.

B Interest rate risk management

The Company's short-term borrowings are subject to floating rates. The floating rate debt is 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.

As at December 31, 2003, the increase or decrease in net income before taxes for each 1% change in interest rates on floating rate debt amounts to approximately \$1,400. In prior years, the Company was not subject to interest rate risk. The related disclosures regarding these debt instruments are included in Notes 10 and 12 of these consolidated financial statements.

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.

As at December 31, 2003, the increase or decrease in income before taxes for each 1% change in the value of the Canadian dollar against the US dollar amounts to approximately \$26,349.

21) Segmented Information

The Company operates in four segments within the oil and gas industry. The services division provides geophysical survey audit, information management, mapping and archiving services, imaging and privacy consulting. The data division provides log services and a full suite of support data layers. This division also sells copies of the Company's log library and seismic data sets. The software division provides software sales and licenses, maintenance and support. The brokerage division offers full service seismic brokerage. The accounting policies of the segments are the same as those described in the summary of significant accounting policies (Note 2). The Company eliminates inter-segment sales and transfers. Segment profit (loss) is measured as net profit (loss) before consideration of income taxes and discontinued operations.

	December 31, 2003				
	Services	Data	Software	Brokerage	Total
Revenue	\$ 4,693,692	\$ 1,925,183	\$ 5,102,285	\$ 3,321,404	\$ 15,042,564
Operating income from continuing operations before income taxes	(262,336)	639,751	(275,941)	51,822	153,296
Amortization	525,909	160,618	717,362	69,067	1,472,956
Research and development	-	-	721,434	-	721,434
Total assets	4,137,023	8,737,741	9,839,089	574,394	23,288,247
Capital expenditures ⁽¹⁾	29,325	755,282	143,161	255,000	1,182,768

	December 31, 2002				
	Services	Data	Software	Brokerage	Total
Revenue	\$ -	\$ -	\$ 3,196,856	\$ 1,772,333	\$ 4,969,189
Operating income from continuing operations before income taxes	-	-	130,716	67,560	198,276
Amortization	-	-	455,936	44,375	500,311
Research and development	-	-	387,768	-	387,768
Total assets	-	-	5,561,500	788,269	6,349,769
Capital expenditures ⁽¹⁾	-	-	156,418	443,750	600,168

⁽¹⁾ excludes business acquisitions

Reconciliations

Assets

	2003	2002
Total assets for reportable segments	\$ 23,288,247	\$ 6,349,769
Future income taxes not allocated to segments	906,752	-
Total assets for the Company	\$ 24,194,999	\$ 6,349,769
Capital Expenditures		
Total capital expenditures for reportable segments	\$ 1,182,768	600,168
Less: non-cash additions	(1,005,000)	-
Total capital expenditures per Consolidated Statement of Cash Flows	\$ 177,468	\$ 6,349,769

During the year, the Company had foreign sales of \$2,055,300 (December 31, 2002 - \$280,900).

22) Contingencies

- A** As a result of the purchase of the Excalibur (Note 3(d)) the Company assumed a claim filed against the Company by a former employee. In management's opinion, the claim is not determinable at this time so no estimate of loss has been made. However, should any loss result from the resolution of this claim, such loss would be accounted for in the period in which such a resolution occurs.
- B** As a result of the amalgamation with IDC (Note 3(e)), the Company assumed a claimed filed by a vendor in the amount of \$126,000. In a searate action, the Company has claimed \$610,000 in damages from the vendor for services rendered by IDC. The Company has agreed to settle the assumed claim and has accrued for this amount in the year. It is management's opinion, the Company will recover the full amount it has claimed from the vendor.

23) Subsequent Event

On February 19, 2004, the Company issued \$4,250,000 in secured debentures bearing interest at 12% per annum and subject to a 2.5% set-up fee. \$4,000,000 of the debentures were issued to certain directors of the Company. The debentures mature on December 30, 2004.

The proceeds were used to partially finance the purchase of seismic data made by the Company on February 19, 2004.

The debentures are secured by the Company's present and after acquired personal property pursuant to the Personal Property Security Act (Alberta). The Company has also assigned proceeds from the database license granted as described in Note 4.

On March 4, 2004, \$868,500 of the principal amount outstanding was repaid.

24) Change in Accounting Policy

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

The financial statements of the prior year have been restated to reflect this change in accounting policy as follows:

	As Stated December 31, 2002	Adjustments	Restated December 31, 2002
Deferred revenue	\$ 695,437	\$ 291,230	\$ 986,667
Future income tax liability	643,000	18,554	661,554
Revenue	4,871,726	97,463	4,969,189
Future income tax recovery	(112,278)	18,554	(93,724)
Net income	171,155	78,909	250,064
Retained earnings - beginning of year	(518,931)	(388,693)	(907,624)
Retained earnings - end of year	(347,776)	(309,784)	(657,560)

25) Comparative Figures

Certain figures with respect to fiscal 2002 have been reclassified to conform to the current year's presentation.

Company Information

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⁽²⁾ Chairman of the Board

Officers

Stephen Popadynetz - Chief Executive Officer

Terry Barnhart - President

Steve Sinclair-Smith - VP Technical Services

Shannon Niemi - VP Sales and Marketing

Clare Bowie - VP Databases

Peter Ciavarella - VP Geological Software

Mat Hepton - VP Software Development

Corporate Secretary

Faralee Chanin

Stock Exchange Listing

TSX Venture Exchange: DVT

Bankers

Royal Bank of Canada

Auditors

BDO Dunwoody LLP

Registrar and Transfer Agent

CIBC Mellon Trust Company

Annual General Meeting

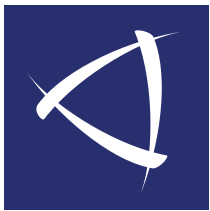
June 3rd, 2004. 9:00 am

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120, 9th Avenue SW

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