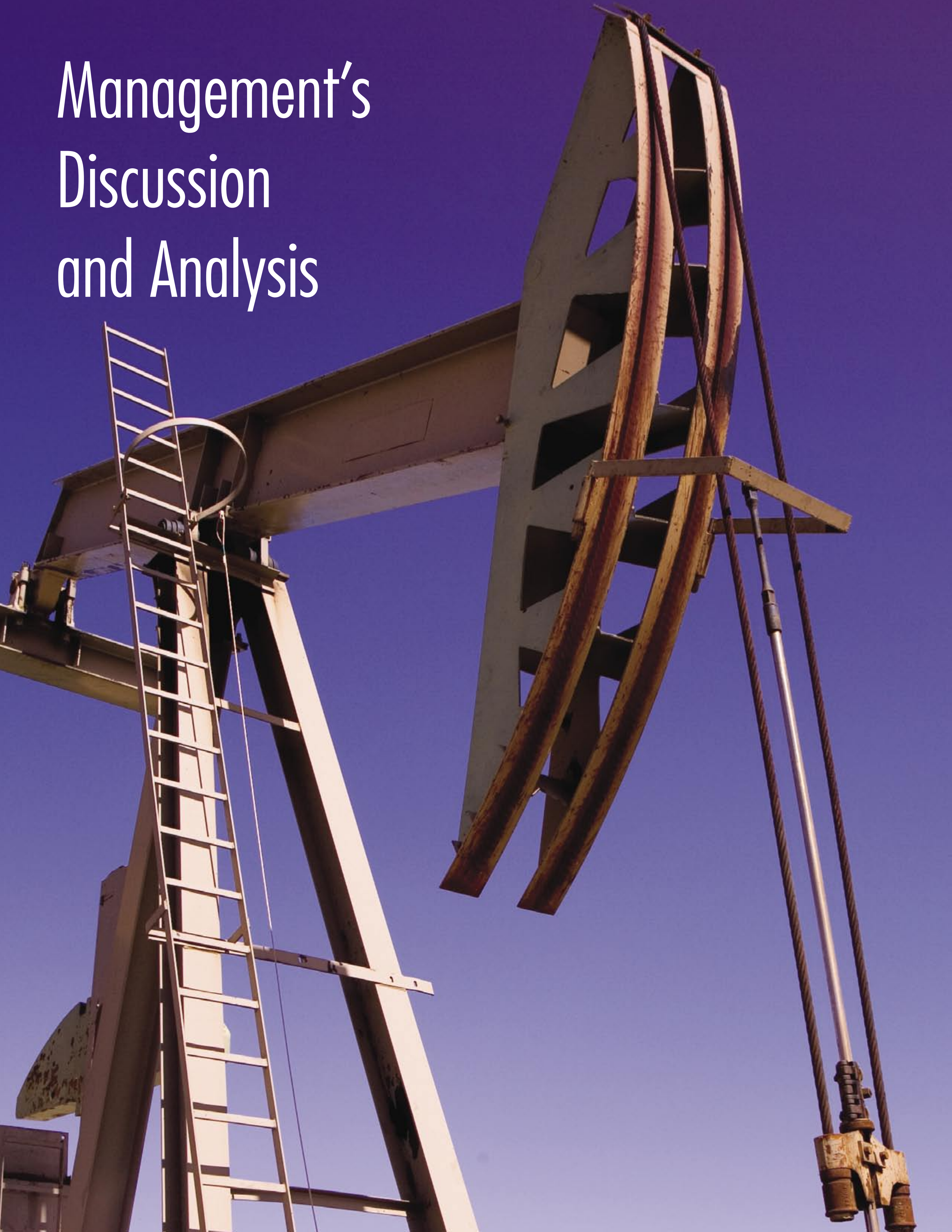
Management's Discussion and Analysis



INTRODUCTION

Management's Discussion and Analysis (MD&A) for Divestco Inc. (Divestco or the Company) focuses on key statistics from the financial statements and pertains to known risks and uncertainties relating to the oil and gas exploration and production industry. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political, and environmental conditions. This MD&A should be read in conjunction with the Company's audited Consolidated Financial Statements and accompanying notes for the years ended December 31, 2007 and 2006. Unless otherwise disclosed, all financial information in this section has been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and is reported in Canadian dollars.

This MD&A is dated March 18, 2008.

FORWARD LOOKING STATEMENTS

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

NON-GAAP MEASURES

This Annual Report uses the terms EBITDA (earnings before interest, income taxes, depreciation, and amortization), operating income, funds from operations, and funds from operations per share (basic and diluted); however, these terms are not measures that have any standardized meaning prescribed by Canadian GAAP and are considered non-GAAP measures. While these measures may not be comparable to similar measures presented by other issuers, they are described and presented in this Annual Report to provide shareholders and potential investors with additional information regarding the Company's results, liquidity, and its ability to generate funds to finance its operations.

EBITDA

Divestco uses EBITDA as a key measure to evaluate the performance of segments, divisions and the Company, with the closest GAAP measure being net income. EBITDA is a measure commonly reported and widely used by investors as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric. The Company believes EBITDA assists investors in comparing a company's performance on a consistent basis without regard to financing decisions, and depreciation and amortization, which are non-cash in nature and can vary significantly depending upon accounting methods or non-operating factors such as historical cost.

EBITDA is not a calculation based on Canadian GAAP and should not be considered an alternative to Operating Income or Net Income in measuring the Company's performance, nor should it be used as an exclusive measure of cash flow, because it does not consider the impact of working capital growth, capital expenditures, debt principal reductions and other sources and uses of cash, which are disclosed in the Consolidated Statements of Cash Flows. Investors should carefully consider the specific items included in Divestco's computation of EBITDA. While EBITDA has been disclosed herein to permit a more complete comparative analysis of the Company's operating performance and debt servicing ability relative to other companies, investors should be cautioned that EBITDA as reported by Divestco may not be comparable in all instances to EBITDA as reported by other companies. (EBITDA continued page 16)

The following is a reconciliation of EBITDA with net income and operating income:

EBITDA (Thousands)	THREE MONTHS ENDED DECEMBER 31		YEAR ENDED DECEMBER 31	
	2007	2006	2007	2006
Net Income	$5,116	$8,690	$17,541	$19,615
Income Tax Expense (Reduction)	(209)	4,101	5,768	8,867
Other Income (Loss) [1]	(30)	43	(260)	2,105
Operating Income	$4,937	$12,748	$23,569	$26,377
Interest	1,075	399	3,684	1,235
Depreciation and Amortization	15,743	3,706	34,424	36,051
EBITDA	$21,755	$16,853	$61,677	$63,663

[1] Other income (loss) includes foreign exchange gains or losses, gains or losses on sales of property, plant and equipment/investments, and equity investment income or loss.

Funds from Operations

Divestco reports funds from operations because it is a key measure used by management to evaluate its performance and to assess the ability of the Company to finance operating activities and capital expenditures. Funds from operations excludes certain working capital changes and other sources and uses of cash, which are disclosed in the Consolidated Statements of Cash Flows. Funds from operations is not a calculation based on Canadian GAAP and should not be considered an alternative to the Consolidated Statements of Cash Flows. Funds from operations is a measure that can be used to gauge Divestco's capacity to generate discretionary cash flow. Investors should be cautioned that funds from operations as reported by Divestco may not be comparable in all instances to funds from operations as reported by other companies. While the closest GAAP measure is cash flows from operating activities, funds from operations is considered relevant because it provides an indication of how much cash generated by operations is available before proceeds from divested assets and changes in certain working capital items.

The following reconciles funds from operations with cash flows from operating activities:

FUNDS FROM OPERATIONS (Thousands)	THREE MONTHS ENDED DECEMBER 31		YEAR ENDED DECEMBER 31	
	2007	2006	2007	2006
Cash Flows from Operating Activities	$13,869	$18,695	$22,571	$66,405
Changes in Non-Cash Working Capital Balances	672	(2,512)	13,870	(2,884)
Increase (Decrease) in Non-Current Deferred Revenue	691	783	(270)	142
Decrease in Long-Term Accounts Receivable	(140)	(100)	(560)	(400)
Funds from Operations	$15,092	$16,866	$35,611	63,263

BUSINESS RISKS AND ENVIRONMENT

Demand for Products and Services

Divestco's business is tied primarily to the oil and gas exploration and production industry and as a result, the Company is exposed to all of the uncertainties that are associated with that industry. The demand and price for services and products offered by Divestco depends on the activity levels for oil and gas producers, which are determined by commodity prices, supply and demand for oil and natural gas, and to a lesser extent, government regulation (including regulation of environmental matters and material changes in taxation policies).

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

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

Seasonality

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

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

Competition

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

Skilled Labour

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

Government Regulations and Safety

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

FINANCIAL RESULTS (Thousands, Except Per Share Amounts)	THREE MONTHS ENDED DECEMBER 31			YEAR ENDED DECEMBER 31		
	2007	2006	% Change	2007	2006	% Change
Revenue	$35,528	$30,546	16%	$116,070	$106,463	9%
Operating Expenses	13,773	13,693	1%	54,393	42,800	27%
EBITDA (1)	21,755	16,853	29%	61,677	63,663	-3%
Interest	1,075	399	169%	3,684	1,235	198%
Depreciation and Amortization	15,743	3,706	325%	34,424	36,051	-5%
Operating Income (1)	4,937	12,748	-61%	23,569	26,377	-11%
Other Income (Loss)	(30)	43	n/a	(260)	2,105	n/a
Income Tax Expense (Reduction)	(209)	4,101	n/a	5,768	8,867	-35%
Net Income	$5,116	$8,690	-41%	$17,541	$19,615	-11%
Per Share - Basic	0.12	0.25	-52%	0.45	0.60	-25%
Per Share - Diluted	0.12	0.24	-50%	0.42	0.58	-28%
Funds from Operations (1)	$15,092	$16,866	-11%	$35,611	$63,263	-44%
Per Share - Basic	0.36	0.48	-25%	0.91	1.94	-53%
Per Share - Diluted	0.34	0.47	-28%	0.85	1.88	-55%
Shares Outstanding	41,579	35,399	17%	41,579	35,399	17%
Weighted Average Shares Outstanding						
Basic	41,471	34,912	19%	39,200	32,665	20%
Diluted	43,779	36,003	22%	41,763	33,704	24%

FINANCIAL POSITION (Thousands)	BALANCE AS AT DECEMBER 31		
	2007	2006	2005
Total Assets	$235,509	$132,942	$80,198
Working Capital (2)	(32,429)	(10,955)	3,515
Long-Term Debt Obligations (Including Current Portion)	44,289	9,931	11,604

(1) See the Non-GAAP Measures Section.

(2) Excluding the current portion of deferred revenue of $4.4 million, the Company's working capital deficiency was $28.1 million at December 31, 2007 related primarily to the following: reclassification of the convertible debentures assumed from the May 2007 BlueGrouse acquisition from long-term to current liabilities as they mature in November 2008, four 3D surveys completed in the fourth quarter at a cost of approximately $20 million and corporate income taxes of $7.3 million. The Company's main focus in 2008 is to strengthen its Balance Sheet and return to a positive working capital position.

CONSOLIDATED FOURTH QUARTER FINANCIAL RESULTS – 2007

Divestco generated 12 cents per share in earnings (diluted) for the fourth quarter of 2007 compared to 24 cents (diluted) in 2006. Net income was $5.1 million compared to $8.7 million in 2006, a decrease of $3.6 million (41%). Revenues were $35.5 million, an increase of $5 million (16%) from $30.5 million in 2006. Funds from operations decreased by $1.8 million (10%) from $16.9 million in 2006 ($0.47 per share – diluted) to $15.1 million ($0.34 per share – diluted) in 2007.

Highlights for the Fourth Quarter of 2007:

- An increase in revenue of $2.3 million (11%) in our Data segment to $22.4 million from $20.1 million for the same period in 2006. Seismic participation revenue increased by $8.8 million (254%) to $12.2 million from $3.4 million in 2006 as we completed four new 3D seismic surveys in the quarter compared to a single survey during the same period in 2006. Total aggregate library sales for the quarter were $10.1 million, down from $16.7 million in 2006, a decrease of $6.6 million (39%). However, library sales were up significantly on an annual basis.
- We acquired approximately 797 net square kilometres of 3D seismic valued at approximately $30.1 million, complementing our existing seismic datasets.
- Our Services business increased its revenue by $2 million (40%) mainly due to the completion of a large Archive project, from the work completed on Divestco's four new 3D seismic surveys, and from two acquisitions completed in 2007: Spectrum and the Geomatics business unit from Veritas.
- Software increased its revenue by $818,000 (44%), related to a large software consulting project that commenced in the second quarter, and to the acquisition of iLand in June 2007.

CONSOLIDATED ANNUAL FINANCIAL RESULTS – 2007

Divestco generated 42 cents per share in earnings (diluted) for the year ended December 31, 2007, compared to 58 cents (diluted) for fiscal 2006. Net income was $17.5 million compared to $19.6 million in 2006, a decrease of $2.1 million (11%). Revenues were a record $116.1 million, an increase of $9.6 million (9%) from $106.5 million in 2006. Funds from operations decreased by $27.7 million (44%) from $63.3 million in 2006 ($1.88 per share – diluted) to $35.6 million ($0.85 per share – diluted) in 2007.

Highlights for Fiscal 2007:

- Our aggregate data library (inventory) sales increased by $23.6 million (99%) to $47.6 million from $23.9 million for the same period in 2006, demonstrating the quality of the dataset the Company is building.
- Services increased its revenue by $7.6 million (45%) related mainly to the purchase of Veritas' Geomatics business unit and ancillary work captured on the Company's newly acquired seismic datasets.
- Consulting's revenue increased by $4.3 million (49%), primarily due to the acquisition of Cavalier Land in July of 2006, and the acquisition of Landmasters in November 2007.
- Our Software business increased its revenue by $1.4 million (20%), related to growth in its existing product lines and a consulting project that commenced in the second quarter.

OUTLOOK

Divestco is forecasting overall growth in 2008, however consistent with our industry peers we are cautiously optimistic. With the royalty changes announced by the Alberta government this fall and despite a recent but modest indication of strengthening natural gas prices, Divestco has witnessed a moderate slow-down in portions of its Service segments consistent with the overall reduction in its clients' cash flows. In January of 2009, when the new Alberta royalties are expected to take effect, Divestco is forecasting continued erosion of its Alberta customers' capital budgets and as such, a corresponding reduction in demand for some of its services in Alberta. As Divestco maintains a strong data and service presence outside of Alberta, the Company has witnessed an increase in activity in British Columbia and Saskatchewan, which is expected to partially offset the expected decreases in the Alberta related revenue. Divestco has positioned many of its assets in areas where oil and gas investments must be made, thus providing a hedge to potential slowing in general oil and gas business levels.

We achieved record aggregate data library sales in 2007 which is a validation of the quality of the library Divestco has been building over the last few years and our focus on a less cyclical area of the Western Canadian Sedimentary Basin (British Columbia) for acquiring new data. We expect this trend of increased demand to continue, especially in light of the new Alberta Royalty Review.

SELECTED QUARTERLY INFORMATION (Thousands, Except Per Share Amounts)	2007				2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	$35,528	$26,220	$27,529	$26,793	$30,546	$38,257	$18,056	$19,605
EBITDA (1)	21,755	13,120	14,053	12,752	16,853	26,572	8,049	12,192
Operating Income (1)	4,937	6,206	6,283	6,145	12,748	5,796	2,673	5,163
Net Income	5,116	4,188	4,166	4,071	8,690	3,783	3,550	3,591
Per Share - Basic	0.12	0.10	0.11	0.11	0.25	0.11	0.11	0.12
Per Share - Diluted	0.12	0.10	0.10	0.11	0.24	0.11	0.11	0.11
Funds from Operations (1)	15,092	1,083	13,776	5,662	16,866	26,440	8,215	11,751
Per Share - Basic	0.36	0.03	0.35	0.16	0.48	0.78	0.26	0.39
Per Share - Diluted	0.34	0.02	0.33	0.15	0.47	0.74	0.24	0.37

(1) See the Non-GAAP Measures Section.

The trend illustrated in the table above is a result of Divestco's organic and acquisition growth over the past two years and unanticipated negative market conditions including: low natural gas prices, a high Canadian dollar and the Alberta Royalty Review. Generally, our busiest quarters are the first and fourth, when significant drilling and exploration activities are underway in North America.

SEGMENT REVIEW
SUMMARY

THREE MONTHS ENDED DECEMBER 31, 2007 (Thousands)	Software	Services	Data	Consulting	Corporate & Other	Total
Revenue	$2,691	$7,174	$22,364	$3,299	$-	$35,528
EBITDA [1]	1,323	2,298	20,476	41	(2,383)	21,755
Interest (Net of Interest Revenue)	-	-	131	(9)	953	1,075
Depreciation and Amortization	403	677	14,215	399	49	15,743
Operating Income (Loss) [1]	920	1,621	6,130	(349)	(3,385)	4,937

THREE MONTHS ENDED DECEMBER 31, 2006 (Thousands)	Software	Services	Data	Consulting	Corporate & Other	Total
Revenue	$1,873	$5,142	$20,114	$3,417	$-	$30,546
EBITDA [1]	832	1,025	17,092	(39)	(2,057)	16,853
Interest (Net of Interest Revenue)	-	-	132	(8)	275	399
Depreciation and Amortization	325	498	2,562	282	39	3,706
Operating Income (Loss) [1]	507	527	14,398	(313)	(2,371)	12,748

YEAR ENDED DECEMBER 31, 2007 (Thousands)	Software	Services	Data	Consulting	Corporate & Other	Total
Revenue	$8,494	$24,731	$69,690	$13,155	$-	$116,070
EBITDA [1]	3,673	4,706	61,508	1,102	(9,312)	61,677
Interest (Net of Interest Revenue)	3	-	605	(47)	3,123	3,684
Depreciation and Amortization	1,467	2,466	28,963	1,350	178	34,424
Operating Income (Loss) [1]	2,203	2,240	31,940	(201)	(12,613)	23,569

YEAR ENDED DECEMBER 31, 2006 (Thousands)	Software	Services	Data	Consulting	Corporate & Other	Total
Revenue	$7,054	$17,083	$73,384	$8,847	$95	$106,463
EBITDA [1]	3,088	3,277	65,033	(576)	(7,159)	63,663
Interest (Net of Interest Revenue)	-	-	317	(22)	940	1,235
Depreciation and Amortization	1,180	1,529	32,610	586	146	36,051
Operating Income (Loss) [1]	1,908	1,748	32,106	(1,140)	(8,245)	26,377

[1] See the Non-GAAP Measures Section.

SEGMENT REVIEW → SOFTWARE

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

Fourth Quarter Financial Results – 2007

In the fourth quarter of 2007, revenue in Software amounted to $2.7 million compared to $1.9 million for the same quarter in 2006, generating 8% (Q4 2006 - 6%) of the Company's total revenue for the three month period. The increase of $0.8 million (44%) was due to a large custom development project for a major oil and gas producer that started late in the second quarter, organic growth in existing product lines (including LandRite, MapQ and WinPICS sales) and from the acquisition of iLand in June 2007.

EBITDA for the fourth quarter was $1.3 million compared to $0.8 million in 2006, an increase of $0.5 million (63%). General and administrative expenses (G&A) increased by 30% from 2006 due to a rise in software licenses and contractor costs tied to additional development activities and the purchase of iLand. Deferred development costs increased by 40% due to a large custom development project that commenced late in the second quarter. Amortization was $403,000 compared to $324,000 in 2006, an increase of $79,000 (24%) related to additional amortization of deferred development costs and due to leasehold improvements completed at the end of Q3. Operating income for Software was $920,000 compared to operating income of $507,000 in 2006, an increase of $413,000 (82%).

Annual Financial Results – 2007

During the year ended December 31, 2007, revenue in Software amounted to $8.5 million compared to $7.1 million for the same period in 2006, generating 7% (2006 - 7%) of the Company's total revenue for the year. The increase of $1.4 million (20%) was due to an increase in our LandRite, GeoCarta Tools, GeoVista and WinPICS product lines, the acquisition of iLand and a key custom development project.

EBITDA for 2007 was $3.7 million compared to $3.1 million in 2006, an increase of $0.6 million (19%). Salaries and benefits increased by 16% due to the acquisition of iLand, new hires due to future product initiatives and annual salary increases. General and administrative expenses (G&A) increased by 42% from 2006 due to a rise in contractor and software license costs related to a large internal development project, a large external customer development project and the acquisition of iLand. Deferred development costs decreased by 11% as internal development was scaled back to allow internal resources to be reallocated to external projects. Amortization was $1.5 million compared to $1.2 million in 2006, an increase of $0.3 million (25%), related to the acquisition of iLand, the additional amortization of deferred development costs, and the purchase of computer hardware and leasehold improvements. Operating income for Software was $2.2 million compared to operating income of $1.9 million in 2006, an increase of $0.3 million (16%).

Outlook

Software development activity at Divestco remains strong with development of our key product lines continuing on all fronts. Our GeoCarta Tools customization and functional development continues. We are working with a key Divestco customer, and over the summer we are looking to release to this client a version that includes significant refinements and next generation functionality. The second quarter of 2008 will see the release of GeoVista 4.7 (which includes several new key features), and the next version of EarthTools nearing completion. LandRite development is ongoing, and we've had great success in recent months growing this product's install base and revenue line. We are excited about the prospects for this best-of-breed tool over the next 12 months. We are equally excited about our WinPICS/EnvisionVSX offering, as we are working on several fronts to introduce these tools to new segments of our market.

SERVICES

Our Services segment offers data quality assurance and processing as well as data management services for geophysical and geological related information. More specifically, we provide geomatics (seismic survey audit, custom mapping and database management services), archive, seismic brokerage and seismic processing services.

Fourth Quarter Financial Results – 2007

In the fourth quarter of 2007, revenue in Services amounted to $7.2 million compared to $5.1 million for the same quarter in 2006, generating 20% (Q4 2006 – 17%) of the Company's total revenue for the three month period. The increase of $2.1 million (41%) was primarily due to the purchase of the Veritas Geomatics business unit in May 2007, completion of a large archive project and work related to new seismic data acquired in the quarter. This was offset by a decrease in expected geomatics, processing and brokerage revenue due to the general slow-down in the oil and gas industry experienced in the latter half of 2007.

EBITDA for the fourth quarter was $2.3 million compared to $1.0 million in 2006, an increase of $1.3 million (130%). Salaries and benefits increased by 21% and G&A expenses increased by 10% related to the acquisition of Veritas Geomatics and addition of BlueGrouse's brokerage business unit. Amortization was $677,000, an increase of $178,000 (36%) from $498,000 in 2006, related to the Geomatics purchase and the replacement of old equipment subsequent to the acquisition. Operating income for Services was $1.6 million as compared to $0.5 million in 2006, an increase of $1.1 million (220%).

Annual Financial Results – 2007

During the year ended December 31, 2007, revenue in Services amounted to $24.7 million compared to $17.1 million for fiscal 2006, generating 21% (2006 – 16%) of the Company's total revenue for the year. The increase of $7.6 million (45%) was primarily due to a full year of seismic processing revenue as a result of the acquisition of Processing in May 2006, and the capture of previously outsourced new and existing seismic processing on Divestco's shot and owned seismic database. In addition, the acquisition of Veritas' Geomatics business unit added another $1 million in revenue while Archive increased its revenue $1.8 million due to the completion of two large projects in 2007. This was offset by a $0.5 million decrease in brokerage revenue as well as expected geomatics and processing revenues related to a general slow-down in the industry in the latter half of 2007.

EBITDA for 2007 was $4.7 million compared to $3.3 million in 2006, an increase of $1.4 million (42%). Salaries and benefits increased by 50% and G&A expenses increased by 29% due to the acquisition of the Processing in 2006 and the acquisitions of Veritas' Geomatics business unit and Spectrum in 2007. Amortization was $2.5 million, an increase of $1 million (67%) from $1.5 million in 2006, mainly related to acquisitions. Operating income for Services was $2.2 million as compared to $1.7 million in 2006, an increase of $0.5 million (29%).

Outlook

Divestco recently commenced a reprocessing project to re-audit and re-process all the 100%-owned 2D seismic lines we acquired in the BlueGrouse acquisition. This project will allow Divestco to factor a market premium onto its dataset by creating value for customers through improving the integrity of the data. Based on customer reaction and demand for the completed reprocessing on our first large 2D dataset, purchased in 2004, we are confident there will be significant interest in the reprocessed dataset.

We created a new Geomatics division by merging our existing Survey Audit, GIS Mapping, and Database services with our recently acquired from Veritas, allowing us to offer an unparalleled geomatics product and service offering to the industry. Our sustained focus on the NAD83 suite of services has allowed many customers to take the first step towards the CAPP recommended compliance through an upgrade of their grid version, and through preparation to move to the new datum. Significant movement has been recognized in this area with many clients now engaging our Company to develop a plan of action. Geological Modeling, a group within Geomatics, has also seen greater activity due to increased exploitation efforts on customers' current assets. The expectation is that this trend will continue as Divestco has secured a significant flagship contract with many other projects on the horizon. (Outlook continued page 24)

With the acquisition of Spectrum in 2007, the Processing division has been able to fast track development to modernize our processing platform. Our employee expertise and customer contacts in the industry are also contributing to our ability to maintain activity levels within our Processing division. With the emergence of structural and international processing capabilities, we are starting to see increased activity levels in areas traditionally not associated with our Processing division. We are confident that expansion outside of the Western Canadian Sedimentary Basin will continue as our presence outside this area has been steadily increasing.

DATA

Our Data segment acquires, licenses, and maintains Divestco's proprietary seismic data and a full suite of support data layers (log, well and drilling data as well as ancillary services).

BALANCE AS AT DECEMBER 31		
Seismic Library	2007	2006
2D in Gross Kilometres	99,463	58,273
2D in Net Kilometres	79,283	46,273
3D in Gross Kilometres	15,772	7,279
3D in Net Kilometres	13,750	5,770

Fourth Quarter Financial Results – 2007

In the fourth quarter of 2007, revenue in Data amounted to $22.4 million compared to $20.1 million for the same quarter in 2006, generating 63% (Q4 2006 – 66%) of the Company's total revenue for the three month period. The growth was due to an $8.9 million (254%) increase in 3D participation revenue to $12.2 million from $3.5 million in fourth quarter of 2006, as we completed four new surveys in the quarter compared to a single survey during the same period in 2006. In the quarter, aggregate library sales decreased by $6.5 million (39%) from $16.7 million in 2006 to $10.2 million in 2007 as we concentrated on acquiring new data which is typical for this time of year due to ideal weather conditions. However, on an annualized basis, library sales grew significantly. Our U.S. division experienced a decline of $245,000 in revenue from 2006 mainly related to foreign currency fluctuations while BlueGrouse added $231,000 in revenue.

EBITDA for the fourth quarter was $20.5 million compared to $17.1 million in 2006, an increase of $3.4 million (20%). Salaries and benefits decreased by 34% from 2006 mainly due to a fall in seismic data commissions, log data work being transferred offshore, and the increased strength of the Canadian dollar pushing salaries in our U.S. division lower. G&A expenses decreased by 42% from the same period in 2006 due to a one-time royalty payout charge in 2006. This was offset by the acquisition of BlueGrouse and an increase in consulting fees due to a change in pay structure. Amortization increased by $11.6 million (446%) to $14.2 million in 2007 from $2.6 million in 2006 as a result of the completion of four 3D participation programs which are amortized at a rate of 40% upon delivery to the client and the purchase of two existing 3D seismic datasets. During the quarter, we acquired approximately 797 net square kilometres of 3D seismic valued at approximately $31.5 million. Operating income was $6.1 million compared to $14.4 million in 2006.

Annual Financial Results – 2007

During the year ended December 31, 2007, revenue in Data amounted to $69.7 million compared to $73.4 million for the same period in 2006, generating 60% (2006 – 69%) of the Company's total revenue for the twelve month period. The decrease of $3.7 million (5%) was due to participation revenue being down by $27.3 million (55%) as the Company switched its focus to acquiring existing, off the shelf datasets due to the general slow-down in the industry that decreased demand for new participation programs. This was offset by an increase in aggregate library (inventory) sales to a record $47.6 million in 2007 from $23.9 million in 2006, a total increase of $23.7 million (99%). The increase in aggregate library sales was due in part to the data acquired in the BlueGrouse acquisition as well as other 2007 acquired datasets. In addition, foreign exchange fluctuations accounted for the decline in revenue in Canadian dollars for our U.S. division while revenue in U.S. dollars was up slightly from 2006 as a rise in Drilling Records subscriptions was offset by a decrease in Production Data subscriptions.

EBITDA for the twelve months of 2007 was $61.5 million compared to $65.0 million in 2006, a decrease of $3.5 million (5%). Salaries and benefits remained flat from 2006, while G&A expenses increased by 22% primarily due to the acquisition of BlueGrouse. Amortization decreased by $3.6 million (11%) to $29.0 million in 2007 from $32.6 million in 2006 due to an increase in the purchase of existing seismic assets which do not attract the initial 40% amortization rate associated with participation surveys. Operating income was $31.9 million compared to $32.1 million in 2006, a decrease of $0.2 million (1%).

Outlook

The Company has achieved record aggregate data library sales in 2007. The increases in data library sales are a validation of the quality of the library Divestco has been building over the last few years and the focus of the Company's library on a less cyclical area of the Western Canadian Sedimentary Basin (British Columbia). Divestco expects this trend of increased demand to continue, especially in light of the new Alberta Royalty Review.

We are currently in the field on a number of seismic participation surveys that are expected to be completed and delivered in the first and second quarter of 2008. Although the seismic acquisition pipeline remains relatively strong, as a result of the new Alberta Royalty Review, Divestco has had customers cancel two large seismic programs contemplated in the Grande Prairie region that were slated for completion early in 2008. To mitigate this, the Company will continue to focus on areas of the WCSB that are less cyclical such as British Columbia.

Our Support Data division will continue to build on its strong foundation and continue to focus on streamlining data management processes geared to enable more efficient management and consolidation of Divestco's support data libraries into more centralized data structures. Executing on key strategic objectives, ongoing data clean-up projects coupled with the addition of several key datasets will provide customers with even better data coverage and choices. Support Data will continue to work with our Software division to ensure continuity in the development of data access tools, infrastructure and the provision of data through Divestco's applications. In stride with the industry's move to GIS ready data, the Support Data Division will use its vast GIS data, software and geomatics expertise to position Divestco's data libraries as an available and preferred choice for exploration and production customers working in North America.

Our Logs division will continue to focus on three key areas: cost reductions, quality improvement and increasing coverage. We will also seek to complement existing datasets with new ones as the market demands.

CONSULTING

Our Consulting segment offers end-to-end technology solutions including business consulting services, Enterprise Resource Planning (ERP) and Customer Relations Management (CRM) system implementations, custom software development, hardware devices and network infrastructure. We also offer land management services for oil and gas industry through Cavalier Land and Landmasters.

Fourth Quarter Financial Results – 2007

In the fourth quarter of 2007, revenue in Consulting amounted to $3.3 million compared to $3.4 million for the same quarter in 2006, generating 9% (Q4 2006 – 11%) of the Company's total revenue for the three month period. Revenue in Business Consulting was up due to a large-scale software consulting project it was working on with our Software division, and another significant contract that commenced in the third quarter. This was offset by a decrease in revenue related to the closure of the Edmonton and Vancouver consulting offices. Revenue in Land Management Services was up slightly due to the acquisition of Landmasters, however the division felt the effects of the industry slow-down in Alberta which started in the second half of 2007.

EBITDA for the fourth quarter was $41,000 compared to a negative $39,000 in 2006, an increase of $80,000. Salaries and benefits in Business Consulting decreased due to the closure of the two offices, internal efficiencies and cost reductions. This was offset by an increase in salaries and wages in Land Management Services due to the acquisition of Landmasters. G&A expenses were down 12% due to the same reasons. Amortization was $399,000, an increase of $117,000 (41%) from $282,000 in 2006 due to the purchase of computer equipment in Business Consulting and the Landmasters acquisition. Operating income was a negative $349,000 compared to a negative $313,000 in the same quarter of 2006.

Annual Financial Results – 2007

During the year ended December 31, 2007, revenue in Consulting amounted to $13.1 million compared to $8.8 million for the same period in 2006, generating 11% (2006 – 8%) of the Company's total revenue for the year. The acquisition of Cavalier Land and Landmasters increased revenue in Land Management Services by $5 million. Revenue for Business Consulting was down by $0.6 million mainly due to the closure of the Vancouver and Edmonton offices while two new significant projects helped to mitigate the decline.

EBITDA for 2007 was $1.1 million compared to a negative $0.6 million in 2006, an increase of $1.7 million. Salaries and benefits increased by 17% due to the addition of Cavalier Land and Landmasters which was offset by a decrease in Business Consulting with the closure of the two offices. G&A expenses were up 26% due to the acquisition of Cavalier Land in 2006 and Landmasters in 2007, offset by a reduction in costs due to the closure of the two offices in Business Consulting and the reduction in software sales. Amortization was $1.4 million for the year up $0.8 million from $0.6 million for the same period in 2006, mainly due to acquisitions. Operating income was a negative $201,000 compared to a loss of $1.1 million in the same period of 2006.

Outlook

The Company is very pleased with the November 2007 acquisition of Landmasters, and we believe the opportunities it provides for further expansion into Saskatchewan, in light of the increased industry activity in this region, will prove beneficial. The company is well situated to respond to market conditions and continues to work towards improving efficiency in order to capitalize on future growth opportunities.

Business Consulting's focus is primarily on effective project management, cost reductions and increasing revenue. We are also exploring product integration strategies, particularly between Records Information Management and Business Intelligence. Our ERP and Technical Services areas will continue to grow as we close many opportunities that are currently in progress.

CORPORATE AND OTHER

Our Corporate segment includes costs from our corporate general and administrative functions associated primarily with setting Divestco's overall strategic plan including: finance, accounting, marketing, human resources (HR), and information technology (IT) functions. Salaries and benefits, audit, legal, travel, investor relations, stock compensation and interest on long-term debt are also included in this segment.

Fourth Quarter Financial Results – 2007

In the fourth quarter of 2007, salaries and benefits increased by 16% primarily due to new hires in Corporate and IT. G&A expenses increased by 15% to $1.5 million in 2007 from $1.3 million in 2006 due in large part to an increase in occupancy costs and professional fees (legal, audit and tax fees) due to company growth. These were offset by a decrease in bad debts due to improved collection efforts. Interest expense was $953,000 in 2007 compared to $275,000 in 2006. The increase of $678,000 (244%) was primarily due to the new debt facility secured from WFFCC of which $42.8 million was outstanding as at December 31, 2007. Amortization was $50,000 in 2007 compared to $39,000 in 2006, an increase of $11,000 (28%). Total expenditures on property and equipment amounted to $41,000 in 2007 compared to $32,000 in 2006, a slight increase of $9,000 (28%).

Annual Financial Results – 2007

Salaries and benefits increased by 20% from the prior year due to increase in total compensation due to increased staffing levels through acquisition, new hires and salary revisions. G&A expenses increased by 33% to $5.7 million in 2007 from $4.3 million in 2006 due to increases in stock compensation expense, professional fees related to our internal control certification process, implementation of a new ERP system, higher insurance premiums from increasing our coverage and occupancy cost increases. Interest expense was $3.1 million in 2007 compared to $0.9 million in 2006. The increase of $2.2 million (244%) was primarily due to the new debt facility secured from WFFCC of which $42.8 million was outstanding as at December 31, 2007 and the assumption of the convertible debentures as a result of the BlueGrouse acquisition. Amortization was $178,000 in 2007 compared to $146,000 in 2006, an increase of $32,000 (22%). The increase is attributed to the purchase of computer equipment and leasehold improvements. Total expenditures on property and equipment amounted to $303,000 in 2007 compared to $313,000 in 2006, a decrease of $10,000 (3%).

Outlook

We have moved into the next phase of our ERP implementation project which is expected to last until the end of 2008. Aside from growth related to acquisitions, the Corporate segment does not expect a material increase in expenses in 2008.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization for the fourth quarter of 2007 was $15.7 million compared to $3.7 million for the same period in 2006. The increase of $12 million (325%) was due to five corporate acquisitions completed in 2007, four 3D seismic surveys completed in the quarter, the purchase of two existing seismic datasets and $518,000 in computer hardware and software purchases including $327,000 under capital lease.

Depreciation and amortization for the year ended December 31, 2007 was $34.4 million compared to $36.1 million in the same period in 2006, a decrease of $1.7 million (5%). The increase from our five corporate acquisitions completed in 2007, as well as from $2.1 million in computer hardware and software purchases (including $637,000 purchased under capital lease) and leasehold improvements, was offset by completing fewer participation surveys in 2007 compared to 2006. Divestco acquired a number of existing seismic assets in 2007 including the acquisition of BlueGrouse. Participation surveys are amortized 40% upon delivery and existing purchased datasets are amortized straight-line over a ten-year period.

INCOME TAXES

For the fourth quarter of 2007, Divestco recorded a current tax expense of $0.4 million and a future tax reduction of $0.6 million for a net reduction of $0.2 million on $4.9 million (-4.1%) of income before taxes (2006 – 32.1%) related mainly to corporate income tax rate reductions in the quarter.

For the year ended December 31, 2007, we recorded a current tax expense of $8.7 million and a future tax reduction of $2.9 million for a net expense of $5.8 million on $23.3 million (24.7%) of income before taxes (2006 – 31.1%) with the decrease due to corporate income tax rate cuts enacted before the end of 2007.

As at December 31, 2007, Divestco's Canadian subsidiaries had $2.9 million in non capital loss carry-forwards in Canada which were assumed through various acquisitions in 2007 and which begin to expire in 2027. The Company had $6.5 million in non capital loss carry-forwards as at December 31, 2006 which were used to reduce taxable income in 2007. Our U.S. subsidiary had approximately $80,000 in net operating losses which begin to expire in 2025. In addition, the Company and its subsidiaries had $6.4 million in undepreciated capital cost pools in Canada.

MAJOR TRANSACTIONS

Seismic Related

During the fourth quarter of 2007, Divestco completed four 3D seismic surveys covering an approximate area of 587 square kilometres at a cost of $23.8 million (excluding $0.8 million in costs related to services provided by Divestco's survey audit, seismic processing and archive departments which are eliminated on consolidation). We also acquired four existing datasets totalling approximately 210 net square kilometres of 3D seismic for approximately $7 million.

During the year ended December 31, 2007, Divestco completed seven 3D seismic surveys covering an approximate area of 1,084 square kilometres at a cost of $41.5 million (excluding $3.2 million of costs related to services provided by Divestco's survey audit, seismic processing and archive departments which are eliminated on consolidation). Divestco acquired a number of existing datasets totalling approximately 1,581 net square kilometres of 3D seismic and 290 net linear kilometres of 2D data for approximately $26.4 million. We also acquired the remaining ownership interest in two 3D data libraries for $9.6 million, covering approximately 825 net square kilometres and assumed approximately 32,000 net kilometres of 2D and 3,500 net square kilometres of 3D seismic data through the acquisition of BlueGrouse.

Corporate

On April 20, 2007, Divestco entered into a new $60 million financing arrangement with Wells Fargo Financial Corporation Canada. We replaced its previous operating and term credit facilities with five-year committed revolving and term facilities.

On May 3, 2007, the Company closed its Plan of Arrangement (the Arrangement) with BlueGrouse which was approved by BlueGrouse's shareholders on May 1, 2007. Pursuant to the Arrangement, BlueGrouse shareholders received 0.3125 Divestco shares for each BlueGrouse share held. BlueGrouse has four main components to its business model: Data Library, Multi-Client Services, Data Brokerage and Data Management.

On May 24, 2007, the Company acquired the Geomatics business unit of Veritas. Total consideration was $3.2 million with $2.6 million paid in cash on closing (including acquisition costs) and the remaining $0.6 million to be paid by December 31, 2007. The business delivers survey audit and geospatial data management services to the seismic industry.

On June 19, 2007, the Company acquired all of the issued and outstanding shares of JMG Seismic Processing Ltd. and KRJ Seismic Processing Ltd., partners of Spectrum. Total consideration was $1.9 million with $0.4 million paid in cash on closing (including acquisition costs), $0.6 million in Divestco common shares and the remaining $0.9 million to be paid over a two-year period commencing on June 19, 2008. Spectrum provides a full range of onshore seismic data processing services in western Canada.

On June 19, 2007, the Company acquired all of the issued and outstanding shares of iLand. Total consideration was $816,000 with $380,000 paid in cash on closing (including acquisition costs), $361,000 in Divestco common shares and the remaining $75,000 to be paid on June 19, 2008. iLand provides data management related software to the oil and gas industry.

On November 28, 2007, the Company acquired all of the issued and outstanding shares of Landmasters. Total consideration was $1.1 million with $0.4 million paid in cash on closing (including acquisition costs), $0.6 million in Divestco common shares and the remaining $0.2 million to be paid over a three-year period commencing on December 31, 2008. Landmasters acquires surface and mineral rights on behalf of its clients.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

Excluding the current portion of deferred revenue of $4.4 million (December 31, 2006 – $11.6 million), Divestco exited the fourth quarter of 2007 with a $28.1 million working capital deficiency compared to a positive $0.6 million at the end of 2006 due to: reclassification of the convertible debentures assumed from BlueGrouse from long-term to current liabilities as they mature in November 2008, four 3D surveys completed in the fourth quarter at a cost of approximately $20 million and corporate income taxes of $7.3 million. Our main focus in 2008 is to strengthen the Company's the Balance Sheet and return to a positive working capital balance.

As announced on April 20, 2007, Divestco entered into a new $60 million financing arrangement with a new lender. The Company replaced its previous operating and term credit facilities with five-year committed revolving and term facilities which are classified as long-term liabilities on the Company's Balance Sheet (excluding the current portion of the term debt facilities). Divestco has the appropriate structure in place to match the acquisition of long-term assets with long-term debt.

Operating Activities

Funds from operations for the fourth quarter of 2007 were $15.1 million (34 cents per share – diluted) compared to $16.9 million (47 cents per share – diluted) in 2006, an decrease of $1.8 million (11%). Revenue increased by $5 million (16%) related to the five corporate acquisitions we completed in 2007. This was offset by $5.7 million in regards to the non-cash component of a data exchange in which cash flows from investing activities and operating activities reflect only the net cash portion. In addition, we had a $0.7 million increase in interest expense related to our new credit facility and a $0.3 million increase in current tax expenses.

Funds from operations for the year ended December 31, 2007, were $35.6 million ($0.85 per share – diluted) compared to $63.3 million ($1.88 per share – diluted) in 2006, a decrease of $27.7 million (44%). While revenue increased by $9.6 million (9%) related to the five corporate acquisitions we completed in 2007. This was offset by $16.3 million in regards to the non-cash component of a small number of data exchanges in which cash flows from investing activities and operating activities reflect only the net cash portion. In addition, we had an $8.4 million increase in current tax expense related to the allocation of income to Divestco from its limited partnership and an increase in operating expenses of $11.6 million (27%) related to our corporate acquisitions.

Financing Activities

The Company's financing activities for the three months and year ended December 31, 2007 are highlighted as follows:

- $43.6 million in new bank financing from WFFCC used to extinguish approximately $16 million in prior revolving and term debt facilities, with the remainder used to fund corporate acquisitions and current working capital shortfalls.
- $3.3 million in retired BlueGrouse term debt.
- $2.6 million in proceeds received from the exercise of stock options, broker compensation options and share purchase warrants (Q4 2007 – $0.1 million).
- $1.9 million repayment of capital lease obligations and promissory notes (Q4 2007 – $0.7 million).
- $0.6 million incurred by the Company to repurchase its shares.

Investing Activities

The Company's investing activities for the three months and year ended December 31, 2007 are highlighted as follows:

- $77.7 million to purchase existing seismic data and acquire new data libraries through multi-client surveys (Q4 2007 – $30.2 million).
- $3.9 million in cash consideration (net of cash acquired) related to the five corporate acquisitions completed in 2007.
- $1.4 million in purchases of computer hardware and software as well as leasehold improvements (Q4 2007 – $0.2 million) excluding $637,000 in computer equipment acquired under lease (Q4 2007 – $327,000).

Debt Instruments

Divestco has a $60 million credit facility in place with WFFCC, an affiliate of U.S.-based Wells Fargo & Company (Wells Fargo). The WFFCC bank facilities are committed with a five year maturity. The facility is available in three tranches: a $25 million committed revolver, a $20 million term loan facility and a $15 million term loan facility. On December 20, 2007, the facilities were amended to increase the committed revolver to from $20 to $25 million and reduce one of the committed term loan facilities from $20 to $15 million.

The committed revolver draws are not required to be repaid until maturity; however, if advances are paid down in advance they can be redrawn at a later date. Each draw on the term loan facilities is amortized over six years from the date of draw down and repaid on a monthly basis. The Company has two pricing options on all the credit facilities: floating Canadian Base Rate plus 2.00%, or Canadian LIBOR (London InterBank Offer Rate) plus 3.25%. The Canadian LIBOR options are available with locked-in interest rate periods of 1, 2, or 3 months. As at December 31, 2007, $42.8 million was drawn on this facility including $20.2 million on the revolver, $18.1 million on the first term loan and $4.5 million on the second term loan. The facilities are subject to the Company meeting certain debt covenants. As at December 31, 2007, the Company was not in violation of any of its covenants.

The WFFCC bank facilities are secured by a first floating charge on all the Company's assets. Expectations are that the recently acquired WFFCC credit facilities and funds from operations will be sufficient in the short-term and long-term to meet planned growth and to fund future capital expenditures.

OUTSTANDING SHARE DATA

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

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

BALANCE AS AT	Mar 18, 2008	Dec 31, 2007	Dec 31,2006
Common Shares			
Outstanding	41,652,827	41,579,904	35,399,114
Weighted Average Outstanding			
Basic		39,200,314	32,664,507
Diluted		41,673,015	33,704,401
Stock Options			
Outstanding	2,440,209	2,743,248	2,765,706
Exercise Price Range	$1.00 to $6.10	$1.00 to $6.10	$0.83 to $6.10
Warrants			
Outstanding	-	-	538,500
Exercise Price	-	-	$2.50
Broker Compensation Options			
Outstanding	-	-	220,553
Exercise Price	-	-	$2.00

Common Shares

During the year ended December 31, 2007, 538,500 warrants were exercised for total proceeds of $1,346,250 and 220,553 broker compensation options were exercised for total proceeds of $441,106.

On January 9, 2007, the Company received approval from the TSX to repurchase up to 1,770,000 of its common shares at prevailing market prices commencing on January 15, 2007, and terminating on the earlier of the January 14, 2008, and the date on which the maximum number of common shares are purchased pursuant to this Normal Course Issuer Bid (NCIB). During the year ended December 31, 2007, 276,900 shares were repurchased under this NCIB for a total cost of $609,828 ($2.20 average price per share) resulting in a $153,189 reduction to retained earnings.

On January 24, 2008 the Company announced a Notice of Intention to make a NCIB was filed with and accepted by the Toronto Stock Exchange to purchase up to 2,092,853 (a maximum of 5%) of its issued and outstanding Common Shares (41,857,070 Common Shares as at January 14, 2008) in a twelve-month period. The NCIB commenced January 28, 2008, and will terminate on the earlier of January 27, 2009 and the date on which the maximum number of common shares are purchased pursuant to this NCIB.

Stock Options

As at December 31, 2007, there were 4,041,369 common shares reserved for grants of stock options.

During the year ended December 31, 2007:

- 959,321 stock options were granted with exercise prices ranging from $2.40 to $8.58 including 336,986 BlueGrouse options that were exchanged for Divestco options and 385,000 options granted to officers and a director.
- 565,920 stock options were exercised at exercise prices ranging from $1.00 to $3.00 including 168,657 exercised by officers and a director.
- 415,859 stock options were forfeited with exercise prices ranging from $1.00 to $8.58 including 50,105 options held by officers and a director.

Subsequent to December 31, 2007:

- 72,657 options were exercised with exercise prices ranging from $1.20 to $1.25
- 230,386 options were forfeited with exercise prices ranging from $2.51 to $6.10

Convertible Debentures

As at December 31, 2007 there was $8,142,000 in convertible debentures assumed through the acquisition of BlueGrouse. Each debenture bears interest at a rate of 10% per annum and is convertible, in whole or in part, into common shares at a conversion price of $4.48 per common share (Conversion Price) at any time on or before November 21, 2008 (Maturity Date). On or before the Maturity Date, the holders of the debentures shall have the option of either converting their debentures into common shares at the Conversion Price or receiving the cash value of the principal amount of the debentures, plus any accrued and unpaid interest. As at December 31, 2007, $609,000 represented the equity component of the convertible debentures and is classified in Shareholders' Equity section of the Consolidated Balance Sheets.

Commitments

Divestco has entered into various commitments primarily related to debt, building and equipment leases and multi-year data licences. The following table is a summary of the Company's contractual obligations as at December 31, 2007:

PAYMENTS DUE BY FISCAL YEAR (Thousands)

	2008	2009	2010	2011	2012+	Total
Long-Term Debt Obligations	$4,245	$4,245	$4,245	$4,245	$25,868	$42,848
Promissory Notes	1,316	417	67	-	-	1,800
Capital Leases	328	181	110	81	-	700
Operating Leases (1)	3,968	3,759	7,351	8,909	95,514	119,501
Total Contractual Obligations	$9,857	$8,602	$11,773	$13,235	$121,382	$164,849

(1) Includes amounts paid for occupancy costs (net of subleases) and office equipment leases. On May 31, 2007, Divestco entered into a new 15-year office space lease that is scheduled to commence in May 2010.

RELATED PARTY TRANSACTIONS

Divestco had the following related party transactions:

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

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

CRITICAL ACCOUNTING ESTIMATES

The costs associated with purchasing or creating the seismic data library are capitalized. Purchases of existing seismic data are capitalized and amortized on a straight-line basis over 10 years. The Company also creates seismic data and capitalizes the costs paid to third parties for the acquisition of data, permitting, surveying, and other related costs. Created seismic may be acquired without pre-sale commitments or with pre-sale commitments that include an exclusive data use period. Created seismic, without pre-sale commitments, is amortized on a straight-line basis over a seven-year period. Created seismic with pre-sale commitments is initially amortized at 40% on delivery of the data to the customer with the remaining balance on a straight-line basis over the next six-year period. Some of the created seismic is acquired jointly with others. The Company's financial statements reflect only its proportionate share of the costs of the jointly created seismic data library.

The fair value of share options, broker compensation options, and warrants were estimated using the Black-Scholes option pricing model with the following assumptions: an average expected volatility of 69% (2006 – 60%), an average risk free interest rate of 4.2% (2006 – 5.0%), and an expected life of five years for the stock options and two years for the broker compensation options and warrants. The value of the stock options is recognized as a compensation expense over the three-year vesting period. In October 2005, the Company changed the vesting period of stock options granted going forward to three years from two years. The value for the broker compensation options is recorded in contributed surplus and is reduced as the broker options are exercised. The value of the warrants has been recorded as a separate line item under equity instruments and is reduced as the warrants are exercised.

NEW ACCOUNTING PRONOUNCEMENTS

Financial Instruments

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

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

- Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost determined using the effective interest rate method. Transaction costs attributable to financial instruments classified as other than held-for-trading are included in the recognized amount of the related financial instrument and recognized over the life of the resulting financial instrument. Prior to January 1, 2007, transaction costs were recorded as deferred charges and recognized in net earnings on a straight-line basis over the life of the financial instrument. On adoption, transaction costs are recognized as if the effective interest rate method had always been applied whereby the amount recognized varies over the life of the financial instrument based on principal outstanding. Amortization of premiums or discounts and losses due to impairment are included in current period net income.

- Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income and reclassified to net income when derecognized or impaired.

- Held-for-trading financial instruments are measured at fair value. All gains and losses on derivatives that are not designated or do not qualify for hedge accounting are included in net income in the period in which they arise.

- All derivative financial instruments are classified as held-for-trading financial instruments and are measured at fair value. All gains and losses are included in net income in the period in which they arise.

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

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

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

Future Accounting Pronouncements

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

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

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

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

SECURITIES REGULATIONS UPDATE

Disclosure Controls and Procedures

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

An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was conducted as at December 31, 2007, by and under the supervision of Divestco's management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures, as defined in the Canadian Securities Administrators' Multilateral Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", are effective to ensure that information required to be disclosed in reports that the Company files or submits under Canadian securities legislation is recorded, processed, summarized, and reported within the time periods specified in those rules and forms.

There were no changes in Divestco's disclosure controls and procedures that occurred during the year ended December 31, 2007, that have materially affected, or are reasonably likely to materially affect, Divestco's internal control over financial reporting.

Internal Control Over Financial Reporting

Divestco maintains a set of internal controls and procedures over financial reporting which have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. Divestco evaluated the design of its controls and procedures over financial reporting as defined under Multilateral Instrument 52-109 for the year ended December 31, 2007. This evaluation was performed under the supervision of the CEO and the CFO with the assistance of other Divestco employees and independent consultants to the extent necessary and appropriate. Based on this evaluation, the CEO and the CFO concluded that the design of these internal controls and procedures provided reasonable assurance regarding the reliability of financial reporting for the year ended December 31, 2007.

There were no changes in Divestco's internal control over financial reporting that occurred during the period ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, Divestco's internal control over financial reporting.