

Management's Responsibility for the Financial Statements


To the Shareholders of Divestco Inc.

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

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

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

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



Stephen Popadynetz
Chief Executive Officer



Roderick Chisholm
Chief Financial Officer

April 4, 2006
Calgary, Canada

Auditors' Report

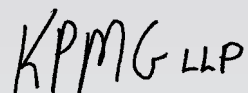
To the Shareholders of Divestco Inc.

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

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

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

The consolidated financial statements as at December 31, 2004 and for the year then ended were audited by other auditors, who expressed an opinion without reservation on those statements in their report, dated March 4, 2005.



Chartered Accountants
Calgary, Canada

April 4, 2006

Consolidated Balance Sheets

As at December 31 (\$Thousands)	2005	2004
Current Assets		
Cash	\$ 1,382	\$ -
Short-term investments (Note 3)	5,512	-
Accounts receivable (Note 10)	27,053	13,981
Prepaid expenses, supplies and deposits	427	337
Investment tax credits recoverable (Note 12(c))	-	500
	34,374	14,818
Long-term accounts receivable	960	312
Future income taxes (Note 12(b))	-	2,317
Investment in affiliated company (Note 4)	79	85
Data libraries (Note 5)	31,459	15,337
Property and equipment (Note 6)	3,495	2,933
Deferred development costs (Note 7)	1,863	1,151
Deferred finance costs	409	-
Intangibles (Note 8)	4,128	2,652
Goodwill	3,431	1,949
	\$ 80,198	\$ 41,554
Liabilities and Shareholders' Equity		
Current Liabilities		
Bank indebtedness (Note 9)	\$ -	\$ 2,321
Accounts payable and accrued liabilities (Note 10)	17,624	10,197
Current portion of deferred revenue	10,355	4,565
Current portion of long-term debt obligations (Note 11)	2,880	727
	30,859	17,810
Deferred revenue	402	737
Long-term debt obligations (Note 11)	8,724	648
Future income taxes (Note 12(b))	2,989	-
	42,974	19,195
Shareholders' Equity		
Equity instruments (Note 13(b))	27,195	17,779
Contributed surplus (Note 13(g))	1,269	662
Retained earnings	8,760	3,918
	37,224	22,359
Commitments (Note 15)		
	\$ 80,198	\$ 41,554

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

On behalf of the Board:



John Brussa, Chairman of the Board



Stephen Popadynetz, Director

Consolidated Statements of Income and Retained Earnings

For the Year Ended December 31 (\$Thousands, except per share amounts)	2005	2004
Revenue	\$ 38,754	\$ 25,912
Operating expenses		
Salaries and benefits	16,172	13,103
General and administrative	5,740	5,643
Research and development	360	203
Stock compensation expense (Note 13(g))	365	217
	22,637	19,166
Earnings before interest, taxes, depreciation and amortization	16,117	6,746
Interest expense	324	371
Depreciation and amortization	7,510	2,855
Operating income	8,283	3,520
Other income (loss)		
Foreign exchange gain	12	126
Gain on Sale of Capital assets	26	-
Equity investment income (loss)	(6)	18
	32	144
Income before income taxes	8,315	3,664
Income taxes (reduction)		
Current	1,304	-
Future	1,833	(283)
	3,137	(283)
Net income for the year	5,178	3,947
Retained earnings, beginning of year	3,918	62
Purchase price of common shares repurchased in excess of book value (Note 13(f))	(336)	(91)
Retained earnings, end of year	\$ 8,760	\$ 3,918
Earnings per share		
Basic	\$ 0.20	\$ 0.16
Diluted	\$ 0.19	\$ 0.16
Weighted average number of shares (thousands)		
Basic	26,521	25,308
Diluted	27,046	25,392

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

Consolidated Statements of Cashflows

For the Year Ended December 31 (\$Thousands)	2005	2004
Cash flows from operating activities		
Net income	\$ 5,178	\$ 3,947
Items not affecting cash:		
Equity investment loss (income)	6	(18)
Gain on sale of property and equipment	(26)	-
Depreciation and amortization	7,510	2,855
Future income taxes (reduction)	1,833	(283)
Investment tax credits utilized	631	-
Unrealized foreign exchange loss (gain)	1	(221)
Stock compensation expense	365	217
Funds from operations	15,498	6,497
Changes in non-cash working capital balances (Note 14)	(2,431)	17
Increase in long-term accounts receivable	(648)	(312)
Increase (decrease) in non-current deferred revenue	(335)	737
	12,084	6,939
Cash flows from financing activities		
Bank indebtedness	(2,687)	(653)
Repayment of long-term debt obligations	(1,539)	(250)
Proceeds received from long-term debt obligations	10,783	1,197
Repayment of Focus shareholder loans (Note 2)	(213)	-
Issue of common shares, net of related expenses	9,584	(22)
Repurchase of common shares (Note 13(f))	(822)	(418)
Deferred financing costs	(120)	-
Advance to affiliated company	-	(13)
Repayment of debentures	-	(4,250)
Proceeds received from issuance of debentures	-	4,250
Proceeds received from non-revolving demand loan	-	3,055
	14,986	2,896
Cash flows from investing activities		
Purchase of investment securities	(5,512)	-
Purchase of data libraries	(15,307)	(9,271)
Purchase of property and equipment	(1,132)	(1,453)
Proceeds on sale of property and equipment	44	-
Acquisitions (Note 2)	(6,641)	(84)
Deferred development costs	(712)	(1,151)
Changes in non-cash working capital balances (Note 14)	3,588	-
	(25,672)	(11,959)
Foreign exchange loss on cash held in a foreign currency	(16)	-
Increase (decrease) in cash and cash equivalents	1,382	(2,124)
Cash and cash equivalents, beginning of year	-	2,124
Cash and cash equivalents, end of year	\$ 1,382	\$ -

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

Notes to Consolidated Financial Statements

December 31, 2005 (\$Thousands, unless otherwise stated)

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

1 Significant Accounting Policies

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of consolidated financial statements 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 Cash and cash equivalents

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

C Short-term investments

Short-term investments represent a portfolio investment in a marketable security that is accounted for using the cost method. The initial investment was recorded at cost and any earnings from the investment are recognized only to the extent received or receivable. When there is a loss in value of the investment that is other than a temporary decline, the investment is written down to recognize the loss. The Company's management reviews the underlying value of the investment on a regular basis by reference to estimated fair value based on established criteria including trading value, anticipated cash flows and profitability of the investee.

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 the investment in SDLS. The carrying value of the investment is periodically reviewed to ensure that there is no permanent impairment.

E Data libraries

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

Notes to Consolidated Financial Statements

December 31, 2005 (\$Thousands, unless otherwise stated)

1 Significant Accounting Policies (Continued)

E Data libraries (continued)

Amortization is provided for as follows:

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

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

F Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is provided for as follows:

	Amortization Method	Rate
Computer hardware and software	Declining balance	30%
Office furniture and equipment	Declining balance	20-30%
Leasehold improvements	Straight-line	Term of lease

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

G Intangible assets

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

	Amortization Method	Rate
Customer lists	Straight-line	6 years
Proprietary software	Declining balance	50%
Software code	Straight-line	10 years
Well log license agreement	Straight-line	10 years

Notes to Consolidated Financial Statements

December 31, 2005 (\$Thousands, unless otherwise stated)

H Deferred finance costs

Deferred finance costs are amortized over the term of the related loans.

I Participation in joint ventures

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

J Revenue recognition and deferred revenue

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

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

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

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

Notes to Consolidated Financial Statements

December 31, 2005 (\$Thousands, unless otherwise stated)

1 Significant Accounting Policies (Continued)

J Revenue recognition and deferred revenue (continued)

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

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

K Future income taxes

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

L Stock-based compensation plan

The Company applies the fair value method for valuing stock option grants. Under this method, compensation cost attributable to all stock options and issued are measured at fair value at the grant and issuance date and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the stock options and warrants, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

M Employee share ownership plan

On February 1, 2004 the Company initiated an employee share ownership plan whereby each employee may elect to contribute up to 25% of their regular salary towards the savings plan. The Company will match the employee's contribution up to 3% of their monthly regular salary to a maximum of \$300 per month. The common shares are purchased through the facilities of the TSX Venture Exchange. Included in general and administrative expenses is \$165,000 (2004 - \$96,000) related to this plan.

N Goodwill

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

O Per share amounts

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

Notes to Consolidated Financial Statements

December 31, 2005 (\$Thousands, unless otherwise stated)

P Investment tax credits

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

Q Research and development

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

R Foreign currency

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

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

S Use of estimates

The preparation of financial statements requires management to make estimates based on currently available information. In particular, management makes estimates for the amounts recorded for the amortization of data libraries, property and equipment as well as the valuation of intangible assets. By their very nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of future periods could be material. The effect on the financial statements resulting from a revision in estimates, if any, will be accounted for prospectively.

T Comparative figures

Certain figures with respect to the year ended December 31, 2004 have been reclassified to conform to the current year's presentation.

Notes to Consolidated Financial Statements

December 31, 2005 (\$Thousands, unless otherwise stated)

2 Acquisitions

During the year ended December 31, 2005, the Company acquired 100% of the issued and outstanding shares of the following companies:

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

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

	PDS	Canamera Equities	Canamera Corp	Focus	Laser ⁽¹⁾	Total
Allocation of purchase price						
Cash	\$ -	\$ 22	\$ 17	\$ -	\$ 100	\$ 139
Bank indebtedness	(67)	-	-	(304)	-	(371)
Other working capital items	(48)	4	(54)	414	274	590
Data libraries	1,447	1,936	3,102	-	-	6,485
Property and equipment	-	102	513	-	-	615
Intangibles	125	410	563	100	951	2,149
Goodwill	-	-	-	879	603	1,482
Due to former shareholders	-	-	-	(213)	-	(213)
Long-term debt obligations	(125)	-	(25)	(11)	-	(161)
Future tax asset (liability)	(490)	(797)	(1,605)	82	(304)	(3,114)
	\$ 842	\$ 1,677	\$ 2,511	\$ 947	\$ 1,624	\$ 7,601
Consideration						
Cash (including acquisition costs)	\$ 343	\$ 1,677	\$ 2,511	\$ 625	\$ 1,624	\$ 6,780
Promissory notes	499	-	-	322	-	821
	\$ 842	\$ 1,677	\$ 2,511	\$ 947	\$ 1,624	\$ 7,601

⁽¹⁾ \$295,000 of the purchase price was paid in January 2006

Notes to Consolidated Financial Statements

December 31, 2005 (\$Thousands, unless otherwise stated)

On September 20, 2004 the Company acquired 100% of the issued and outstanding common shares of Westcan Oilmaps Ltd (Westcan). Westcan provides a proprietary geological tops file to the oil and gas industry through Divestco's various software products. The following reflects the final purchase price allocation for the acquisition:

Allocation of purchase price		
Cash	\$	80
Working capital		43
Map library		239
Property and equipment		16
	\$	378
Consideration		
Cash ⁽¹⁾	\$	263
Promissory note		115
	\$	378

⁽¹⁾ \$100,000 of the purchase price was paid in July 2005

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

The above amounts are estimates made by management based on currently available information. Amendments may be made to the purchase equation as the cost estimates and tax balances are finalized.

3 Short-Term Investments

Short-term investments consist of shares in a publicly listed company. The market value of the shares as at December 31, 2005 was \$5,825,000.

4 Investment in Affiliated Company

The Company owns 36.11% of the common shares of SDLS Inc. (SDLS), a private company. In 2005 the Company did not make any advances to SDLS (2004 - \$13,000). The investment has been accounted for using the equity basis. The Company's pro-rata share of the net loss of SDLS for 2005 was \$6,000 (2004 - net income of \$18,000). The fair value of the balances due from SDLS and the investment in SDLS approximates the carrying value as at December 31, 2005.

Notes to Consolidated Financial Statements

December 31, 2005 (\$Thousands, unless otherwise stated)

5 Data Libraries

	2005		2004	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Seismic data library	\$ 25,637	\$ 5,863	\$ 10,538	\$ 648
Data sets	632	275	438	231
Log and drilling library	11,670	788	5,171	450
Reference library	445	214	445	157
Map library	239	24	239	8
	38,623	7,164	16,831	1,494
Net book value		\$ 31,459		\$ 15,337

6 Property and Equipment

	2005		2004	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware and software	\$ 2,980	\$ 1,570	\$ 2,528	\$ 1,204
Office furniture and equipment	1,512	608	1,113	430
Leasehold improvements	309	171	219	104
Assets under capital lease	1,746	703	964	153
	6,547	3,052	4,824	1,891
Net book value		\$ 3,495		\$ 2,933

7 Deferred Development Costs

	Balance as at December 31	
	2005	2004
Balance, beginning of year	\$ 1,151	\$ -
Salaries and benefits (net of investment tax credits)	875	1,058
General and administrative	197	159
	1,072	1,217
Amortization (included in research and development expense)	(360)	(66)
Balance, end of year	\$ 1,863	\$ 1,151

Notes to Consolidated Financial Statements

December 31, 2005 (\$Thousands, unless otherwise stated)

8 Intangibles

	Cost	2005 Accumulated Amortization	Cost	2004 Accumulated Amortization
Customer lists	\$ 2,456	\$ 731	\$ 1,065	\$ 438
Proprietary software and code	2,943	1,033	2,185	778
Well logs licence agreement	750	257	750	132
	6,149	2,021	4,000	1,348
Net book value		\$ 4,128		\$ 2,652

9 Bank Indebtedness

The Company has a revolving demand loan bearing interest at bank prime rate plus 0.75%, with a maximum credit available of \$3 million. There was no amount drawn on this facility as at December 31, 2005 (December 31, 2004 - \$2.1 million). The line is used for daily operating requirements.

The facilities are secured by a general security agreement creating a first priority security interest in all present and after acquired personal property of the Company and a floating charge over all of the Company's present and after acquired real property of approximately \$5.0 million. The facilities are subject to the Company meeting certain debt covenants. As at December 31, 2005, the Company was not in violation of any of its debt covenants.

10 Accounts Receivable, Accounts Payable and Accrued Liabilities

Included in accounts receivable is \$7.4 million (2004 - \$5.7 million) in brokerage receivables. Included in accounts payable and accrued liabilities is \$6.4 million (2004 - \$8.0 million) in brokerage payables. The brokerage division records commissions earned on brokerage sales on a net basis upon the closing of the transaction. As part of the service, the Company collects the gross proceeds of the brokerage sales on behalf of the vendor and makes the net payment to the vendor in accordance with the terms of their contract. The Company acts as an agent on behalf of the brokers.

Notes to Consolidated Financial Statements

December 31, 2005 (\$Thousands, unless otherwise stated)

11 Long-Term Debt Obligations

	Balance as at December 31	
	2005	2004
Capital lease obligation (a)	\$ 1,181	\$ 801
Promissory notes (b)	643	574
Term loan (c)	9,780	-
	11,604	1,375
Current portion	(2,880)	(727)
	\$ 8,724	\$ 648

A Capital lease obligations

The Company has capital lease obligations, which have a term of three years and bear interest 5.8% to 8.56% per annum. Minimum annual lease payments are as follows:

2006	\$ 515
2007	519
2008	147
	\$ 1,181

Capital leases relate to equipment with a net book value of \$1,043,000 (2004 - \$810,000) as follows: computer hardware and software of \$822,000 (2004 - \$416,000), office equipment of \$43,000 (2004 - \$53,000), and leasehold improvements of \$178,000 (2004 - \$341,000).

Notes to Consolidated Financial Statements

December 31, 2005 (\$Thousands, unless otherwise stated)

B Promissory notes

	Balance as at December 31	
	2005	2004
Unsecured promissory notes issued on the acquisition of PDS, bearing interest of 7% per annum, repayable in quarterly installments of U.S. \$50,000 until March 31, 2007 (Note 2). (Balance as at December 31, 2005 - U.S \$250,000)	\$ 292	\$ -
Unsecured promissory notes issued on the acquisition of Focus, bearing interest of 6% per annum, repayable in quarterly installments of \$50,000 plus interest until September 30, 2007 (Note 2).	272	\$ -
Unsecured promissory notes issued on the acquisition of The Excalibur-Gemini Group Ltd., bearing interest of 8% per annum, repayable in blended quarterly installments of \$22,000 until May 31, 2007.	79	181
Unsecured promissory notes issued on the acquisition of Westcan, bearing interest of 8% per annum, repayable in blended quarterly installments of \$24,000 until November 30, 2005 (Note 2).	-	93
Unsecured promissory note, bearing interest of 12% per annum issued to a company with common directors issued on October 14, 2004 and fully repaid on February 2, 2005.	-	300
Total balance outstanding	643	574
Current portion	(434)	(468)
Long-term portion	\$ 209	\$ 106

Principal payments are as follows:

2006	\$ 434
2007	209
	\$ 643

Notes to Consolidated Financial Statements

December 31, 2005 (\$Thousands, unless otherwise stated)

11 Long-Term Debt Obligations (Continued)

C Term loan

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

Principal payments are as follows:

2006	\$	1,931
2007		1,986
2008		1,986
2009		1,986
2010		1,891
	\$	9,780

Roynat is secured by a first charge on all fixed assets now owned and hereafter acquired by the Company and a floating charge on all other assets, subject to a prior charge (both fixed and floating) to the operating lender of approximately \$5 million (Note 9).

12 Income Taxes

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

For the year ended December 31	2005	2004
Income from income taxes	\$ 8,315	\$ 3,664
Statutory rate	33.6%	33.6%
Computed tax provision	\$ 2,794	\$ 1,231
Effects of differences:		
Non-deductible equity loss (income)	2	(6)
Non-deductible expenses	161	134
Adjustments for enacted changes in income tax rates	-	220
Previously unrecognized future income tax assets	-	(1,862)
Other	180	-
Actual income tax expense (reduction)	\$ 3,137	\$ (283)

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

	Balance as at December 31	
	2005	2004
Databases, property and equipment, and intangibles	\$ (3,857)	\$ (1,675)
Non-capital loss carry forwards	535	2,291
Cumulative eligible capital	156	147
SR&ED expenditures	(132)	1,361
Share issue and financing costs	309	193
Future income tax asset (liability)	\$ (2,989)	\$ 2,317

- C** The Company files Scientific Research and Experimental Development (SR&ED) claims with the Canada Revenue Agency in respect of certain research and development expenditures. Although the claims were filed on the basis of the regulations, the recoverability of the amounts recorded in these financial statements is subject to confirmation by the Canada Revenue Agency.

The Company has approximately \$4.1 million (2004 - \$2.2 million) of SR&ED expenses available to reduce future taxable income. In addition, the Company had approximately \$743,000 of unclaimed investment tax credits available as at December 31, 2004 to reduce income taxes payable in future years. The investment tax credits carried forward from 2004 and the \$496,000 earned in 2005 were claimed in 2005 to reduce current taxes payable.

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

- D** As at December 31, 2005, the Company had non-capital loss carry-forwards in Canada of approximately \$2.0 million (December 31, 2004 - \$7.3 million), which are available to reduce taxable income in future periods. The non-capital losses were transferred to the Company as a result of the amalgamation with International Datashare Corporation and begin to expire in 2009. The Company also had a nominal amount of net operating losses in the U.S.

Notes to Consolidated Financial Statements

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13 Equity Instruments

A Authorized

An unlimited number of voting common shares

B Issued

	Balance as at December 31			
	2005		2004	
	Number of Shares	Amount	Number of Shares	Amount
Common Shares				
Balance, beginning of year	24,985	\$ 17,779	25,423	\$ 18,128
Issued on private placement	5,000	8,162	-	-
Issued on long-term debt	100	289	-	-
Exercise of broker compensation options - cash consideration	1	1	-	-
Exercise of broker compensation options - reclassification from contributed surplus	-	1	-	-
Exercise of stock options - cash consideration	462	405	12	7
Exercise of stock options - reclassification of contributed surplus	-	30	-	-
Repurchased for cancellation	(674)	(486)	(450)	(327)
Share issue costs (net of future taxes of \$272, 2004 - \$NIL)	-	(550)	-	(29)
Balance, end of year	29,874	\$ 25,631	24,985	\$ 17,779
Share Purchase Warrants	Number of Warrants	Amount	Number of Warrants	Amount
Balance, beginning of year	-	\$ -	1,598	\$ 348
Issued on private placement	2,500	1,564	-	-
Expired	-	-	(1,598)	(348)
Balance, end of year	2,500	\$ 1,564	-	\$ -
Total equity instruments		\$ 27,195		\$ 17,779

C Escrowed Shares

As at December 31, 2005, the Company has no shares subject to an escrow agreement.

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D Broker compensation options

As at December 31, 2005, outstanding broker compensation options to purchase common shares were as follows:

	Number Outstanding	Amount	Exercise Price	Expiry Date
Issued on placement	350	\$ 273	\$ 2.00	Aug 18-07
Exercised	(1)	(1)		
Balance, end of year	349	\$ 272		

The fair value of the share purchase warrants and broker compensation options were estimated using the Black-Scholes option-pricing model with the following assumptions: an expected volatility of 60%, a risk-free interest rate of 5.0%, no dividend rate and an expected life of 2 years.

Subsequent to December 31, 2005, 88,595 broker compensation options were exercised.

E Private placement

On August 18, 2005, the Company closed a brokered private placement whereby the Company sold 5 million Units at a price of \$2.00 per Unit, for aggregate gross proceeds to the Company of \$10 million.

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

Subsequent to December 31, 2005, 651,250 warrants were exercised.

F Normal course issuer bid

On June 2, 2004, the Company received approval from the TSX Venture Exchange to repurchase up to 1,278,000 of its common shares at prevailing market prices during the twelve-month period ending June 9, 2005. During 2005, the Company has repurchased 674,000 shares at a purchase cost of \$822,000 (\$1.22 average price per share) resulting in a \$336,000 reduction to retained earnings. During 2004, 450,000 shares were repurchased for a total cost of \$418,000 (\$0.93 average price per share), resulting in a \$91,000 reduction to retained earnings.

On June 10, 2005, the Company received approval to renew its normal course issuer bid to repurchase up to 1,425,000 of its common shares at prevailing market prices during the twelve-month period ending June 14, 2006. No repurchases were made under the new bid during the 2005 year.

Notes to Consolidated Financial Statements

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13 Equity Instruments (Continued)

G Contributed Surplus

	Balance as at December 31	
	2005	2004
Balance, beginning of year	\$ 662	\$ 445
Stock compensation expense	365	217
Reclassification to common shares on exercise of options	(30)	-
Broker compensation options issued	273	-
Reclassification to common shares on exercise of broker compensation options	(1)	-
Balance, end of year	\$ 1,269	\$ 662

H Stock options

The Company has established a stock option plan (the Plan) whereby the Company may grant options to purchase common shares to directors, officers, employees, and consultants. The options have a five year term and are exercisable pursuant to a vesting schedule of one-third upon the date of grant (the grant date), one-third following the first anniversary of the grant date and the remaining one-third following the second anniversary of the grant date. 2,650,000 Common Shares of the Company have been reserved under the Plan.

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

	Number of Options	Option Price	Weighted Average Exercise Price'
Options outstanding, December 31, 2003	1,435	\$ 0.54 - 3.19	\$1.20
Options granted	705	\$ 1.00 - 1.20	\$1.16
Exercised	(12)	\$ 0.54	\$0.54
Cancelled	(87)	\$ 3.19	\$3.19
Forfeited	(196)	\$ 0.83 - 1.40	\$1.20
Options outstanding, December 31, 2004	1,845	\$ 0.54 - 1.40	\$1.10
Options granted	1,062	\$ 1.25 - 3.00	\$2.00
Exercised	(462)	\$ 0.54 - 1.69	\$0.87
Forfeited	(226)	\$ 1.00 - 3.00	\$1.32
Options outstanding, December 31, 2005	2,219	\$ 0.83 - 3.00	\$1.55

Subsequent to the year ended December 31, 2005, 168,000 options were granted at an exercise price of \$3.23, 217,000 options were exercised with exercise prices ranging from of \$0.83 to \$1.25, and 8,000 options were forfeited with exercise prices between \$1.25 and \$3.23.

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H Stock options (continued)

The options that were vested at December 31, 2005, are summarized as follows:

Options Outstanding	Option Price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Options Currently Exercisable	Weighted Average Exercise Price of Options Currently Exercisable
747	\$ 0.83 - 1.20	\$ 1.11	2.53	558	\$ 1.10
936	\$ 1.25 - 1.40	\$ 1.28	3.24	608	\$ 1.27
536	\$ 1.69 - 3.00	\$ 2.64	4.70	179	\$ 2.64
2,219	\$ 0.83 - 3.00	\$ 1.55	3.35	1,345	\$ 1.38

The fair value of the stock options was estimated using the Black-Scholes option-pricing model with the following assumptions: an expected volatility of 60% (2004 - 20% to 60%), a risk-free interest rate of 5.0%, no dividend rate and an expected life of five years. The compensation expense is recognized over the three-year vesting period of the stock options.

The Company continues to disclose the pro-forma earnings impact of stock options granted in 2002. If the fair value method had been used for options granted in 2002, there would have been no impact on net income or earnings per share for the year ended December 31, 2005, as all of the options granted in 2002 and prior were fully vested by December 31, 2004. Net earnings for the year ended December 31, 2004 would have been reduced by \$31,000. Basic and diluted earnings per share would have been reduced by \$0.01.

14 Statement of Cash Flows

For the year ended December 31	2005	2004
Interest and income taxes paid (recovered)		
Interest paid (net of interest revenue)	\$ 292	\$ 334
Income taxes paid (recovered)	\$ 124	\$ (659)
Changes in non-working capital balances:		
Funds held in trust	\$ -	\$ 788
Accounts receivable	(2,627)	(4,904)
Investment tax credits recoverable	500	519
Prepaid expenses	4	(3)
Accounts payable and accrued liabilities	(916)	1,981
Deferred revenue	608	1,636
	\$ (2,431)	\$ 17
Changes in non-working capital balances (related to investing activities):		
Accounts receivable	\$ (8,658)	\$ -
Accounts payable and accrued liabilities	7,425	-
Deferred revenue	4,821	-
	\$ 3,588	\$ -

Notes to Consolidated Financial Statements

December 31, 2005 (\$Thousands, unless otherwise stated)

15 Commitments

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

2006	\$ 4,269
2007	3,816
2008	3,169
2009	3,064
2010	2,569

16 Related Party Transactions

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

- A** In 2005, the Company earned \$38,000 (2004 - \$191,000) in revenue related to data loading, workstation rentals and leasing of office space from companies with common directors. Included in accounts receivable at December 31, 2005 was \$13,268 (December 31, 2004 - \$NIL) related to this revenue.
- B** In 2005, the Company paid \$205,000 (2004 - \$153,000) in brokerage commissions to a company controlled by a director. Included in accounts payable at December 31, 2005 was \$4,000 (December 31, 2004 - \$7,000) related to these commissions.
- C** In 2005, the Company paid \$185,000 (2003 - \$204,000) in legal fees to the law firm at which the Company's Corporate Secretary is employed. Included in accounts payable at December 31, 2005 was \$38,000 (December 31, 2004 - \$58,000) related to these legal fees.
- D** At December 31, 2005, there was promissory note due from an officer of the Company in the amount of \$22,000, bearing interest at 4% per annum, and payable upon demand on or before June 6, 2006.
- E** As at December 31, 2004, \$181,000 was payable to a law firm at which a Director is a partner. The liability was paid in 2005. A predecessor company, International Datashare Corporation, incurred these legal fees.
- F** In 2004, \$4.0 million of \$4.3 million in debentures were issued to certain directors of the Company, bearing interest at 12%. \$100,000 of the set-up fee to arrange the financing and \$111,801 of the interest was paid to the directors. The debentures were fully repaid in 2004.

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.

Notes to Consolidated Financial Statements

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17 Financial Instruments

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

A Credit risk management

A significant portion of the Company's trade accounts receivable are from companies in the oil and gas industry and, as such, the Company is exposed to all the risks associated with that industry. As at December 31, 2005, two companies accounted for 34% of the total accounts receivable.

B Interest rate risk management

The Company's short-term borrowings are based on floating rates and subject to interest rate cash flow risk as the required cash flows to service the debt will fluctuate as a result of changes in market rates. Interest on fixed rate debt varies between 5.76% and 8.56%. If these transactions were entered into today, the interest expense would not be materially different.

C Foreign currency rate risk management

A portion of the Company's sales are made to customers in the United States. Accordingly, the related financial assets and liabilities are subject to fluctuations in exchange rates. The Company does not have any exposure to highly inflationary foreign currencies.

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

18 Segmented Information

The Company reports in five segments within the oil and gas industry: Services, Data, Software, Consulting and Seismic Brokerage, as well as Corporate and Other. Services provides seismic survey audit, information management, mapping, archiving services, imaging and geophysical/geological services. Data provides log services and a full suite of support data layers. This segment also develops and maintains the Company's log library and seismic data libraries. Software sells software licences and provides maintenance and support. Consulting offers end-to-end solutions, ranging from business consulting services, ERP systems implementations and CRM systems implementations, to custom software development, hardware devices, and network infrastructure. Seismic Brokerage offers full service seismic brokerage. Corporate and Other includes accounting, finance, investor relations, and other corporate expenses including interest. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in the annual financial statements. The Company eliminates inter-segment sales and transfers. Operating income (loss) is measured as profit before consideration of foreign exchange gains, equity investment income (loss) and income taxes.

Notes to Consolidated Financial Statements

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18 Segmented Information (Continued)

As at and for the year ended December 31, 2005							
	Services	Data	Software	Consulting	Seismic Brokerage	Corporate & Other	Total
Revenue	\$ 6,956	\$ 21,751	\$ 5,195	\$ 1,289	\$ 3,498	\$ 65	\$ 38,754
Operating income (loss)	1,396	11,025	580	(71)	429	(5,076)	8,283
Amortization	501	6,187	435	25	135	227	7,510
R&D	-	-	360	-	-	-	360
Total assets	6,648	46,410	8,676	1,669	10,038	6,757	80,198
Capital expenditures ⁽²⁾	321	15,635	161	19	78	225	16,439
Deferred development	-	-	712	-	-	-	712

As at and for the year ended December 31, 2004							
	Services	Data	Software	Consulting	Seismic Brokerage	Corporate & Other	Total
Revenue	\$ 7,245	\$ 10,159	\$ 4,948	\$ -	\$ 3,560	\$ -	\$ 25,912
Operating income (loss)	859	5,432	1,419	-	298	(4,488)	3,520
Amortization	438	1,430	676	-	166	145	2,855
R&D	-	-	203	-	-	-	203
Total assets ⁽¹⁾	5,515	20,136	5,901	-	7,108	577	39,237
Capital expenditures ⁽²⁾	183	10,323	76	-	37	105	10,724
Deferred development	-	-	1,151	-	-	-	1,151

As at and for the year ended December 31, 2005			
	Canada	U.S.	Total
Revenue	\$ 37,261	\$ 1,493	\$ 38,754
Data libraries, property and equipment, intangibles and goodwill	36,955	5,558	42,513

As at and for the year ended December 31, 2004			
	Canada	U.S.	Total
Revenue	\$ 23,225	\$ 2,687	\$ 25,912
Data libraries, property and equipment, intangibles and goodwill	24,022	-	24,022

⁽¹⁾ Excludes future income tax assets of \$2,317,000

⁽²⁾ Excludes business acquisitions

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19 Subsequent Event

Subsequent to the year ended December 31, 2005 the Company entered into a Letter of Intent to acquire a division of a service company (the "Seller") for consideration of C\$11.5 million plus assumption of certain liabilities (C\$10.5 million in cash at closing and C\$1 million in common shares of the Company to the Seller or its nominees) on the terms and subject to the conditions set out in an acquisition agreement to be entered into between the Company and the Seller. The Company will fund the acquisition through the sale of its short-term investment that was held for investment purposes and bank debt.