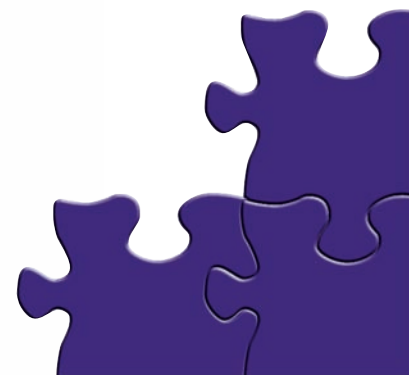


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## Corporate Profile

Divestco Inc. provides integrated solutions to the oil and gas industry. We supply software, data, and seismic, geophysical and consulting services to Geologists, Geophysicists, Geoscientists, Engineers, Technicians, Landmen and Land Administrators. Our offerings consist of a diverse range of innovative and complementary products and services with unique value-added bundling and integration options. Divestco has developed its business model based on a plan of strategic growth. Through a series of targeted mergers and acquisitions, we added the products, services, data and expertise of a number of highly respected companies whose businesses complement our own. Based in Calgary, Alberta, Divestco has more than 400 employees world wide, with additional offices in Edmonton, Vancouver, Denver and Houston.



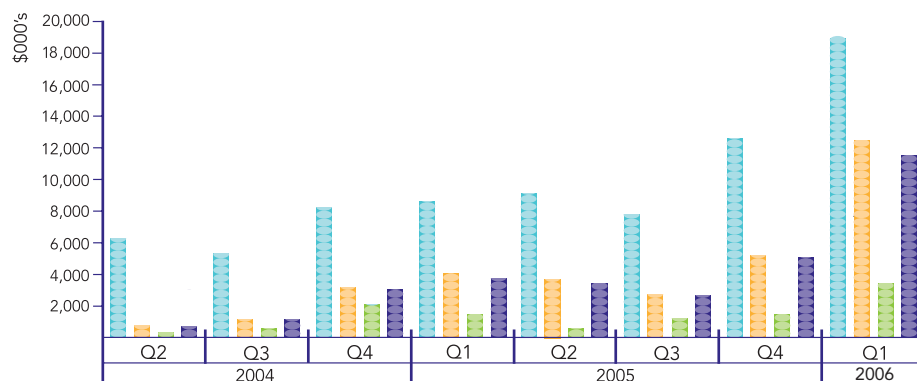
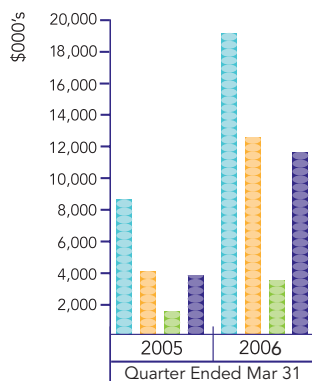


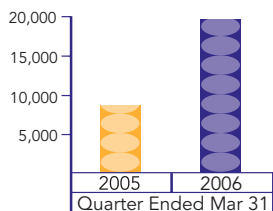
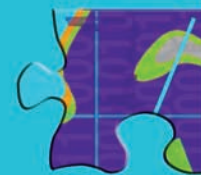
# Financial Highlights

## Financial Results (Thousands, Except Per Share Amounts)

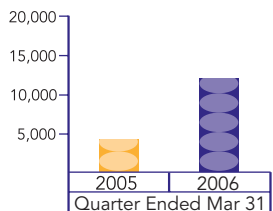
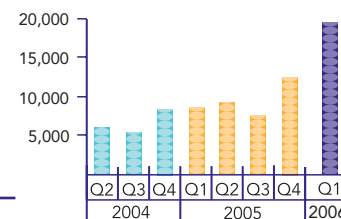
	Quarter Ended March 31		
	2006 (unaudited)	2005 (unaudited)	% change
<b>Revenue</b>	\$ 19,605	\$ 8,715	125%
<b>EBITDA</b>	12,059	4,114	193%
<b>Operating income</b>	5,163	2,453	110%
<b>Net income</b>	3,591	1,601	125%
Per share - basic	0.12	0.06	100%
Per share - diluted	0.11	0.06	83%
<b>Funds from operations</b>	11,596	3,961	193%
Per share - basic	0.38	0.16	138%
Per share - diluted	0.36	0.16	125%
<b>Shares outstanding</b>	30,982	24,576	
<b>Weighted average shares outstanding</b>			
Basic	30,301	24,732	
Diluted	31,867	24,840	

Revenue EBITDA Net Income Cashflow from Operations

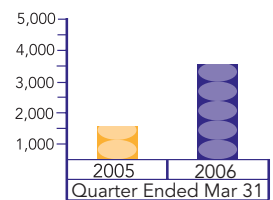
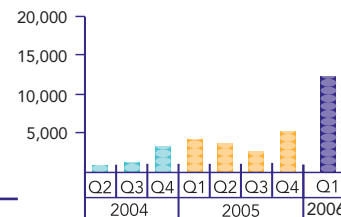




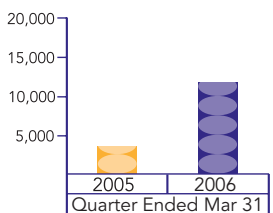
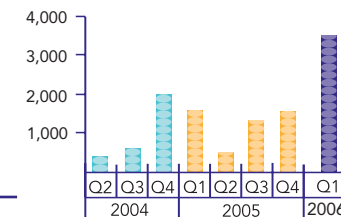
Revenue (\$000's)



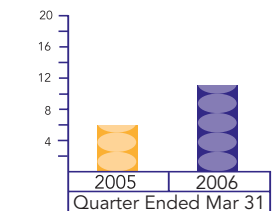
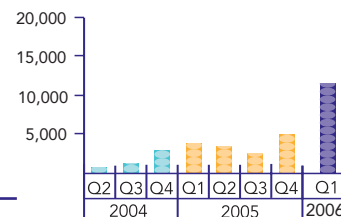
EBITDA (\$000's)



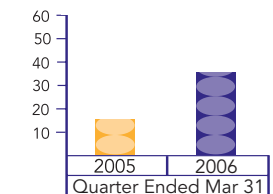
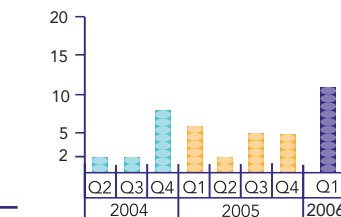
Net Income (\$000's)



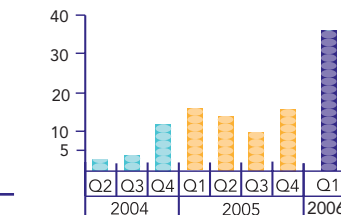
Funds from Operations (\$000's)



Earnings per Share (cents)



Funds from Operations per Share (cents)



# Integrated Solutions = Innovative Exploration

Divestco's integrated solutions complete the exploration puzzle. Our tools help oil and gas companies discover new innovations to meet their exploration goals.





# Management's Discussion and Analysis

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

This MD&A is dated May 11, 2006.

## Forward Looking Statements

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

## Non-GAAP Measures

Earnings before interest, taxes, depreciation and amortization (EBITDA); "operating income," "funds from operations," and "funds from operations per share (basic and diluted)" are not measures that have any standardized meaning prescribed by Canadian GAAP and are considered non-GAAP measures. Therefore, these measures may not be comparable to similar measures presented by other issuers. Accordingly, these measures have been described and presented in this MD&A to provide shareholders and potential investors with additional information regarding the Company's results, liquidity, and its ability to generate funds to finance its operations.

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

These non-GAAP measures are calculated as follows: operating income (deduct interest and amortization from EBITDA), funds from operations (add or deduct non-cash items from net income [loss]), funds from operations per share - basic and diluted (divide funds from operations by the weighted average number of shares outstanding [basic and diluted] for the relevant period).

## Business Risks and Environment

### Demand for Products and Services

Divestco's business is tied primarily to the oil and gas exploration and production industry. The demand for, and price of, services and products offered by Divestco depends on the activity levels for oil and gas producers. Commodity prices, supply and demand for oil and natural gas, and to a lesser extent, government regulation (including regulation of environmental matters), determine these activity levels. In addition, the Company's focus on the oil and gas industry as its primary customer base, exposes it to all of the uncertainties associated with the demand for, and price of, oil and natural gas.

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



### **Demand for Products and Services (continued)**

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

### **Weather**

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

Services, Software, Consulting and Seismic Brokerage generate steady sales throughout the year. However, Services and Seismic Brokerage normally exhibit a noticeable dip in sales from mid-April through to the end of September and a noticeable increase in sales during the fall and winter months when significant drilling and exploration activities are underway in North America. To minimize these fluctuations, Divestco enters into certain long-term archiving contracts with customers as well as specific types of contract work appropriate for lower-activity months. Software experiences slower periods during July and August, which is generally a low volume period for the oil and gas industry.

### **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 through the selling of a wide range of oil and gas exploration products and services on a stand-alone basis or as customized and bundled solutions.

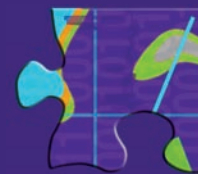
### **Skilled Personnel**

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

### **Government Regulations and Safety**

The Company's seismic operation is subject to a variety of Canadian federal and provincial laws and regulations, including laws and regulations relating to safety and the protection of the environment. Divestco and its contractors are required to invest financial and managerial resources to comply with such laws and related permit requirements in their operations. Such laws and regulations are subject to change and accordingly, it is unfeasible for the Company to predict the cost or impact of such laws and regulations on its future operations. The adoption or modification of laws and regulations, which could have the effect of curtailing exploration and development by oil and gas companies, 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](http://www.sedar.com) or on the Company's website at [www.divestco.com](http://www.divestco.com).**



# Overall Performance

Financial Results (Thousands, Except Per Share Amounts)			
	Quarter Ended March 31		
	2006 (unaudited)	2005 (unaudited)	% change
<b>Revenue</b>	\$ 19,605	\$ 8,715	125%
<b>EBITDA</b>	12,059	4,114	193%
<b>Operating income</b>	5,163	2,453	110%
<b>Income tax expense</b>	1,850	844	119%
<b>Net income</b>	3,591	1,601	125%
Per share - basic	0.12	0.06	100%
Per share - diluted	0.11	0.06	83%
<b>Funds from operations</b>	11,596	3,961	193%
Per share - basic	0.38	0.16	138%
Per share - diluted	0.36	0.16	125%
<b>Shares outstanding</b>	30,982	24,576	
<b>Weighted average shares outstanding</b>			
Basic	30,301	24,732	
Diluted	31,867	24,840	
Financial Position (Thousands)			
Balance as at	Mar 31 2006	Mar 31 2005	Dec 31 2005
Total assets	\$ 111,086	\$ 42,365	\$ 80,198
Working capital (deficiency) <sup>(1)</sup>	(20,044)	(5,167)	3,515
Long-term debt (including current portion)	10,943	1,276	11,604

<sup>(1)</sup> The deficiency at March 31, 2006 was due to a significant amount of seismic acquisition activity in progress at the end of the first quarter. This included approximately \$25.4 million in deferred revenue and \$14.9 million in accrued sub-contractor invoices related to seismic surveys scheduled to be delivered over the next few months. This was offset by \$14.9 million in receivables representing amounts owing for work completed and invoiced to the client.



## Overall Performance (Continued)

### Consolidated First Quarter Financial Results - 2006

Divestco generated a record 11 cents per share in earnings (diluted) for the first quarter of 2006 on net income of \$3.6 million compared to \$1.6 million in 2005, an increase of \$2.0 million (124%). The Company also posted record revenues of \$19.6 million and record funds from operations of \$11.6 million (36 cents per share - diluted). Another milestone was met with Divestco posting its tenth consecutive profitable quarter since becoming a publicly traded company in 2003.

The quarter was highlighted by further seismic activity in which the Company grew its seismic data library by 6,000 kilometres of 2D data and 450 kilometres of 3D data, both of which are 100% owned by Divestco. This added \$11 million in new revenue and represented an increase of \$8.6 million in revenue for the Data segment from the prior year. The acquisitions of Drilling Records (Canada), Focus Holdings and Investments Ltd. (Focus) and Laser

Software Limited (Laser) in 2005 gave rise to an additional \$2.1 million in revenue and \$150,000 in pre-tax income in the first quarter of 2006. The U.S. divisions added a further \$500,000 in sales.

### Outlook

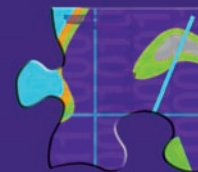
On May 1, 2006, Divestco closed the purchase of the Processing Division of Geo-X Systems Ltd., adding more than 100 new staff and a business with solid historical operating results. With this addition, the Company will reduce its processing costs on 3D seismic data acquisitions since this work will now be completed in-house. Divestco's new processing division will be reported under the Services segment.

In addition, Divestco plans to complete the acquisition of approximately 1,200 square kilometres of 3D seismic at a cost of \$51 million by the end of July 2006.

### Selected Quarterly Information (Thousands, Except Per Share Amounts)

	2006	2005				2004		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
<b>Revenue</b>	\$ 19,605	\$ 12,874	\$ 7,944	\$ 9,221	\$ 8,715	\$ 8,234	\$ 5,407	\$ 6,073
<b>EBITDA</b>	12,059	5,288	2,901	3,814	4,114	3,168	1,210	891
<b>Operating income</b>	5,163	2,826	1,985	1,019	2,453	2,042	548	151
<b>Net income</b>	3,591	1,666	1,312	599	1,601	2,135	622	388
Per share - basic	0.12	0.06	0.05	0.02	0.06	0.08	0.02	0.02
Per share - diluted	0.11	0.05	0.05	0.02	0.06	0.08	0.02	0.02
<b>Funds from operations</b>	11,596	5,083	2,871	3,584	3,961	3,070	1,134	831
Per share - basic	0.38	0.17	0.11	0.15	0.16	0.12	0.04	0.03
Per share - diluted	0.36	0.16	0.10	0.14	0.16	0.12	0.04	0.03

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



## Segment Review

For the Quarter Ended March 31, 2006 (Thousands)						
	Services	Data	Software	Consulting	Corporate and Other	Total
Revenue	\$ 2,571	\$ 13,755	\$ 1,676	\$ 1,503	\$ 80	\$ 19,605
EBITDA	797	12,115	597	(133)	(1,317)	12,059
Interest	-	10	-	-	183	193
Amortization	141	6,383	135	11	33	6,703
Operating income (loss)	656	5,722	462	(144)	(1,533)	5,163

For the Quarter Ended March 31, 2005 (Thousands)						
	Services	Data	Software	Consulting	Corporate and Other	Total
Revenue	\$ 2,930	\$ 4,465	\$ 1,320	\$ -	\$ -	\$ 8,715
EBITDA	918	3,512	632	-	(948)	4,114
Interest	-	-	-	-	63	63
Amortization	160	1,286	96	-	57	1,599
Operating income (loss)	758	2,226	536	-	(1,067)	2,453

### Services

The Services segment provides seismic survey audit, custom mapping, archiving, seismic brokerage and geophysical/geological services, which provide quality assurance as well as transactional and data management services for geophysical and geological related information.

#### First Quarter Financial Results - 2006

Services revenue decreased by \$0.3 million (12%) in the first quarter of 2006 to \$2.6 million from \$2.9 million for the same quarter in 2005, contributing 13% (2005 - 34%) of the Company's revenue. The decrease in Services' contribution is a direct result of Data's increased contribution towards Divestco's total revenue for the quarter. The Database and Mapping division posted an increase of \$195,000 which was offset by lower sales in Survey Audit, Archive, and Brokerage. This was caused by a delay of a large Archive project and two Survey Audit projects however, these will be completed in the second quarter. In addition, six divisions were reallocated to other segments; Scanning was moved to Data, the Geological/Geophysical division was merged with Consulting and Database and Mapping, Corporate Records Management Services

was moved to Consulting, Technical Records Management completed the integration into Archive and the Brokerage division was moved under the Services segment. Services also continued to work towards completion of the previously purchased 2D dataset with expected completion in the second quarter of 2006.

EBITDA for the first quarter was \$797,000 compared to \$918,000 in 2005. The decrease of \$121,000 was primarily due to an increase in salaries and marketing costs due to ramped up efforts in promoting the services being offered by the segment. Amortization decreased by 12% from 2005. Operating income was \$656,000 compared to \$758,000 in 2005, a decrease of \$102,000 (13%).

#### Outlook

Services and specifically the Survey Audit and Database and Mapping divisions are beginning to see client interest in preparing for the NAD83 datum conversion. Significant effort will continue to be invested in client education and refinement of the methodologies required to assist customers in moving to the new datum. Several clients are expected to commit to pre-implementation projects in the second quarter with work to commence over the summer months.



## Segment Review (Continued)

DataStore sales and interest continue to gain momentum as clients see the value in improved data flow, efficiency gains and seamless access to the suite of Divestco Services. Revenue from collateral work in data clean-up will also continue to be recognized as clients consolidate data into a central repository accessed from their desktop through DataStore. Archive also continues to expand its use of DataStore internally facilitating streamlined and improved data management services.

Divestco anticipates completing its portion of a major seismic data reprocessing project begun in 2005 during the second quarter of 2006. The remaining geophysical processing component of the project is being carried out by a third party and the Company expects completion by the end of the third quarter of 2006.

Additional resources coupled with an increased focus in sales and marketing efforts are having a positive impact on sales which is expected to continue for the remainder of 2006. Marketing strategies are designed to highlight the Services' suite to the market and to emphasize the advantages of the value-added bundling and integration options which Divestco offers.

Services has commenced the integration of the Processing Division that was acquired by Divestco in May 2006. Significant efforts will be made to provide uninterrupted services to the existing Geo-X customer base while looking for every opportunity to strengthen the offering and add to the Company's existing integrated service suite.

### Data

The Data segment acquires and licenses Divestco's proprietary seismic data and also provides log digitizing and rasterizing services, document scanning and a full suite of support data layers. Data is also responsible for building and maintaining the Company's drilling, production and well log libraries.

Seismic Library	Mar 31 2006	Mar 31 2005	Dec 31 2005
2D in gross kilometres	58,273	52,244	52,244
2D in net kilometres	43,273	40,244	40,244
3D in gross square kilometres	4,811	3,227	4,359
3D in net square kilometres	3,301	2,542	2,849

### First Quarter Financial Results - 2006

Data revenue increased by \$9.3 million (209%) for the first quarter of 2006 compared to \$13.8 million from \$4.5 million in 2005, contributing 70% (2005 - 51%) towards the Company's total revenue. The increase was primarily due to \$11 million in sales related to newly acquired 3D seismic data. As discussed, Divestco completed two surveys during the quarter. Existing seismic data sales (both 2D and 3D) increased by \$1.0 million from 2005. Support Data reported revenue increased by \$161,000 mainly due to drilling study sales via the Drilling Records acquisition. The main decrease in Log Revenue was from a decrease in digitizing for the month of March 2006. Also in 2005, there was exceptionally high revenue in Digitizing that could not be replicated in 2006. The U.S. divisions generated \$500,000 in revenue for the quarter. There was no corresponding revenue in 2005 as the first U.S. acquisition (Petro Data Source) did not close until April 2005. The overall increase in Data revenue was offset by a \$3.5 million 3D sale in March 2005 and a slight decrease in log data revenue.

EBITDA was \$12.1 million compared to \$3.5 million in 2005, an increase of \$8.6 million (245%). General and administration expenses rose by \$282,000 from 2005. This was largely due to acquisitions and a rise in consulting costs as a result of moving digitizing services offshore. However these costs led to an overall reduction in expenses for the Log division as labour costs were reduced by 30%. Marketing costs also rose by \$85,000. Amortization was \$6.4 million in 2006 compared to \$1.3 million in 2005, with the \$5.1 million increase primarily related to the addition of 3D seismic data. Operating earnings were \$5.7 million compared to \$2.2 million in 2005, an increase of \$3.5 million (157%).

### Outlook

As previously discussed, Divestco plans to complete the acquisition of approximately 1,200 square kilometres of 3D seismic at a cost of \$51 million by the end of July 2006, of which it will own 100%. The Company has also secured sales of this data totalling in excess of \$33 million with additional contracts pending. This will bring the expected total for 2006 to 1,800 square kilometres of 3D seismic at a cost of \$65 million.

The Log Data division has a number of projects planned for 2006 that include:

- Continued offshore outsourcing of digitizing services leading to further cost reductions



- Moving log header entry and depth registration offshore to further realize labour savings
- Evaluating new data sets
- Adding core analysis data for Saskatchewan and British Columbia to complement the Alberta core analysis data with expected completion by December 2006
- Further operational refinements to reduce labour and general and administrative costs

Divestco anticipates additional overhead costs for its U.S. operations, as new downtown office space will be leased in the second quarter of 2006 to accommodate the consolidation of Drilling Records and Petro Data Source staff in a new office location. Divestco will take delivery of their 1:24000 scale U.S. grid and culture file for use with its U.S. data and GIS software applications at the end of the second quarter. Development continues on a new integrated web-based mapping and query tool for all of Divestco's U.S. data which will be completed in 2006, resulting in improved functionality and additional sales of U.S. data products. The first release of a bundled GeoCarta Tools and U.S. data application will occur in the second quarter of 2006 and be marketed to U.S. based exploration and production companies, as well as oilfield and financial services companies. A number of workflow/process improvement projects are underway to streamline data acquisition and production. These projects will result in improved efficiencies being realized in the beginning of the third quarter of 2006.

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## Software

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

### First Quarter Financial Results - 2006

Revenue for the first quarter of 2006 was \$1.7 million compared to \$1.3 million in 2005, an increase of \$0.4 million (27%). Software contributed 9% (2005 - 15%) of Divestco's total revenue. The decrease in Software's contribution is a direct result of Data's increased contribution towards the Company's total revenue for the quarter. The acquisition of Laser Software in 2005 added LandRite sales of \$298,000 in the first quarter of 2006. Increased sales realized in Synthetic Suite, CrossLog Suite, EnvisionVSX and MapQ

were countered by reduced sales in WinPICS, EarthTools and GeoVista.

EBITDA decreased by \$35,000 (6%) from \$632,000 in 2005 to \$597,000 in 2006 which is predominantly attributable to increased operating costs due to the recognition of deferred development costs for projects which were completed in the first quarter. Amortization was \$135,000 compared to \$96,000 in 2005, an increase of \$39,000, once again a direct result of acquisitions. Operating income was \$462,000 compared to \$536,000 in 2005, a decrease of \$74,000 (14%).

### Outlook

Divestco has a number of software releases planned throughout the months ahead:

- WinPICS 5.4 and EnvisionVSX 2.0. The new versions will provide tighter integration, as well as improved usability and stability. EnvisionVSX features improved horizon management, inclusion of "classic" display modes, and a host of enhancements that will provide even more tools to assist with 3-D visualization and interpretation tasks
- GeoVista 4.5 will provide usability improvements and several enhancements to the supplied data sets including a greatly enhanced Westcan tops set. This addition more than doubles the number of available tops in our Western Canadian data sets
- GeoCarta Tools 1.9 will be available late in the second quarter. This release will include a variety of functional improvements, including DGI gridding and contouring support, integration with Divestco's user tops system, and enhanced NAD83 support
- The roll out of MapQ 3.0 to clients continues. The summer will see the delivery of MapQ 3.1.1 which will provide secure, remote access through the internet to Divestco-hosted seismic data sets
- OeX 4.0 development continues with this major release slated for early 2007
- DataStore 1.2.2 will focus on user experience improvements and the streamlining of the update delivery process



## Segment Review (Continued)

- LandRite 8.0.3 continues its roll out to clients. Development of version 9.0 is underway. This release will provide improved royalty management as well as support for automated generation of rental payment history
- A NAD83 compliant version of the EarthTools suite of Geologic Tools (CrossLog, LogEdit, et al.) was released in the first quarter of 2006. Following this, the next release will feature improved user tops support, and include our new "curve access module" for selecting and downloading digital logs directly from EnerGISite.com

### Consulting

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

#### First Quarter Financial Results - 2006

Revenue to the end of March 2006 was \$1.5 million representing 8% of the Company's revenue for the first quarter. Technical Services accounted for \$915,000 of the quarter's revenue and hardware and software amounted to \$518,000. EBITDA was a negative \$133,000 attributed to significant investments in personnel and infrastructure to position the segment for growth. Revenue from these investments is expected to commence in the second quarter and increase significantly in the third quarter. Amortization was \$11,000. This amounted to an operating loss of \$144,000 for the segment. As this segment was added in the fourth quarter of 2005 with the Focus acquisition, there are no comparative figures to report on.

#### Outlook

- There are several existing large software implementation and development projects in progress through June of 2006
- Strong Alberta and British Columbia economies are providing large opportunities for software sales and consulting services with significant strength in the oil & gas service sector
- Current industry demands on human resources present the biggest challenge to delivering Consulting services. Strategic acquisitions will be key to growing the consulting division and achieving 2006 targets, since the human resource capital that

comes with such acquisitions is crucial

- NAD83 consulting projects will increase toward the end of the year as the CAPP deadline for datum conversion draws nearer in 2008

### Corporate and Other

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

#### First Quarter Financial Results - 2006

Revenue is related to income earned from the Company's short-term investments.

Salaries and wages increased by \$209,000 (50%), from \$417,000 in 2005 to \$625,000 in 2006. The rise was due to one-time charges and new hires in Accounting and HR.

General and administrative costs increased by \$155,000 (29%) to \$683,000 in 2006 from \$529,000 in 2005. The rise in costs was mainly due to an increase in stock compensation expense, bank fees, insurance, professional (legal and accounting) fees, recruitment costs due to new hires, and general office expenses. This was offset by a decrease in travel costs.

Interest costs were \$183,000 in 2006 compared to \$63,000 in 2005, an increase of \$120,000 (190%). Overall interest incurred for the first quarter of 2006 was higher over 2005 predominantly due to Roynat financing. Amortization decreased in 2006 to \$33,000 from \$58,000 in 2005.

#### Outlook

As Divestco continues to grow organically and through acquisitions, corporate costs are expected to increase throughout 2006, but will decrease as a percentage of revenue. Additional staff will be required to effectively and efficiently carry out the corporate functions of the Company. Two additional accounting staff were added through the Processing division acquisition from Geo-X.

# Depreciation and Amortization, Income Taxes & Major Transactions



## Depreciation and Amortization

Amortization for the first quarter of 2006 was \$6.7 million compared to \$1.6 million in the same period in 2005, an increase of \$5.1 million (319%). The increase was primarily due to:

- \$13.8 million incurred to complete two 3D seismic surveys
- \$165,000 in computer equipment and software purchases
- \$140,000 in leasehold improvements related to an additional floor being added to the Company's head office
- Amortization of purchase price allocations tangible and intangible assets related to the four share acquisitions completed in 2005

## Income Taxes

Divestco recorded a current tax provision of \$0.4 million in the first quarter of 2006. A future tax provision of \$1.4 million was also recorded compared to \$0.8 million in the same period in 2005 as a significant portion of the Company's income was earned through a partnership.

During the first quarter, the Company used its remaining \$2.0 million in non capital losses it carried forward from 2005. In addition, the Company had approximately \$5.0 million in undepreciated capital cost pools in Canada at March 31, 2006 (December 31, 2005 - \$5.2 million). Divestco also had a nominal amount of U.S. tax pools available to reduce future taxable income in the Company's wholly owned U.S. subsidiary.

Divestco files SR&ED claims on an annual basis. At March 31, 2006, the Company had approximately \$3.3 million of Federal SR&ED expenses available in Canada to reduce taxable income in future years (December 31, 2005 - \$4.1 million). The ITC claimed in 2005 reduced the expenditure pool by \$1.2 million. The Company had \$137,000 of unclaimed ITC at March 31, 2006 available to reduce income taxes payable in future years (December 31, 2005 - \$Nil).

## Major Transactions

### Seismic Related

During the first quarter of 2006, Divestco completed two 3D seismic surveys covering an approximate area of 450 square kilometres. The Company's portion of the acquisition costs amounted to \$13.8 million. In addition the Company spent \$637,000 purchasing an existing 2D seismic data library containing approximately 5,000 kilometres of data in Manitoba.

### Corporate

On May 1, 2006, Divestco acquired the Processing Division of Geo-X Ltd. for total consideration of \$11.5 million. \$10.5 million was paid in cash at closing and the remaining \$1.0 million was paid in shares of the Company at a deemed price of \$4.69 per share. The shares are subject to a four month hold period expiring on September 1, 2006.



# Liquidity and Capital Resources

## Liquidity

### Working Capital

As previously discussed, Divestco had a working capital deficiency at March 31, 2006 of \$20.0 million. This compared to a positive \$3.5 million at December 31, 2005. This is directly related to a number of large 3D seismic surveys which were in progress at the end of the first quarter. There was approximately \$14.7 million of accounts payable and \$25.4 million in deferred revenue related to these surveys. This was offset by \$14.9 million in accounts receivable and cash.

### Operating Activities

Funds from operations in the first quarter of 2006 were \$11.6 million (36 cents per share - diluted) compared to \$4.0 million (16 cents per share - diluted) in 2005. The increase of \$7.6 million (193%) was primarily due to an increase in seismic data revenue related to the two new surveys completed in first quarter of 2006.

### Financing Activities

The Company's financing activities for the fourth quarter are highlighted as follows:

- \$661,000 repayment of capital lease obligations, promissory notes and term debt
- \$2.4 million in proceeds received from the exercise of stock options, broker compensation options and share purchase warrants
- \$10 million in additional debt obtained to assist the Company with its on going seismic activities (no amount was drawn during the quarter)

### Investing Activities

In addition to the surveys completed in the quarter, Divestco incurred \$22.8 million cost for in-progress surveys and had other capital expenditures of \$0.3 million. This was offset by proceeds of \$1.1 million related to the sale of a portion of the Company's short-term investment.

### Debt Instruments

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

- \$4.0 million operating line, bearing interest at bank prime plus

0.75%. This was increased from \$3.0 million effective May 8, 2006. The aggregate borrowing under this facility cannot exceed 75% of the Company's accounts receivable balance. As at March 31, 2006, \$866,000 was drawn on this facility (December 31, 2005 - \$NIL)

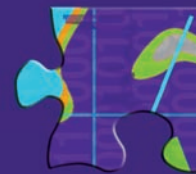
- In February 2006, the Company secured a \$10 million short-term revolving demand loan to assist in the completion of a number of its seismic surveys. As at March 31, 2006, no amount was drawn on this facility. Any amounts drawn in the temporary loan must be repaid by July 31, 2006
- \$150,000 corporate credit card facility reserved for senior management and officers. A nominal amount was drawn on this facility as a March 31, 2006

These 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 up to \$5.0 million. The short-term revolving demand loan is secured with certain seismic data sales contracts and at no time can this loan exceed 50% of the remaining payments under the seismic data sale contracts which have been assigned to the bank. The facilities are also subject to the Company meeting certain covenants. As at March 31, 2006, the Company was not in violation of any of its covenants.

The Company also has a term loan with Roynat Capital Inc., bearing interest at their floating base rate plus 3.00%. The loan is payable in monthly installments of \$165,500 plus interest with a final installment of \$235,500. As at March 31, 2006, \$9.3 million of the loan was outstanding (December 31, 2005 - \$9.8 million).

This facility 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 \$5.0 million. In addition, the facilities are subject to the Company meeting certain covenants. As at March 31, 2006, the Company was not in violation of any of its covenants.

Expectations are that the credit facilities and funds from operations are sufficient in the short and long-term to maintain the Company's current requirements, to meet planned growth, and to fund future capital expenditures.



# Outstanding Share Data

Divestco's common shares trade on the TSX Venture Exchange 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 for the period ended March 31, 2006:

	Balance as at		
	May 11, 2006	Mar 31, 2006	Dec 31, 2005
<b>Common shares</b>			
Outstanding	31,426,411	30,981,945	29,874,400
Weighted average outstanding			
Basic		30,301,343	26,520,656
Diluted		31,867,036	27,045,527
<b>Stock options</b>			
Outstanding	2,558,683	2,164,370	2,219,403
Exercise price range	\$ 0.83 - 6.10	\$ 0.83 - 3.23	\$ 0.83 - 3.00
<b>Warrants</b>			
Outstanding	1,698,750	1,698,750	2,500,000
Exercise price	\$ 2.50	\$ 2.50	\$ 2.50
<b>Broker compensation options</b>			
Outstanding	260,747	260,747	349,342
Exercise Price	\$ 2.00	\$ 2.00	\$ 2.00

## Common Shares

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 normal course issuer bid during the three months ended March 31, 2006.

During the period ended March 31, 2006, 801,250 warrants were exercised for total proceeds of \$2.0 million and 88,595 broker compensation options were exercised for total proceeds of \$177,190.

## Stock Options

As at March 31, 2006 there were 2,650,000 common shares authorized for grants of stock options.

During the period ended March 31, 2006:

- 168,000 stock options were granted at an exercise price of \$3.23
- 217,700 stock options were exercised at exercise prices ranging from \$0.83 to \$1.25
- 5,333 stock options were forfeited with exercise prices ranging from \$1.25 to \$1.69

Subsequent to March 31, 2006:

- 509,000 options were granted with exercise prices ranging from \$6.00 to \$6.10
- 76,580 options were exercised with exercise prices ranging from of \$1.00 to \$1.40
- 16,000 options were forfeited with exercise prices between \$1.20 and \$3.23



# Commitments and Contingencies & Related Party Transactions

## Commitments and Contingencies

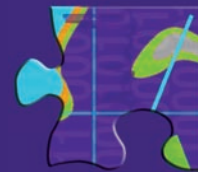
Under the terms of the agreement to reprocess a portion of Divestco's seismic library, the Company is required to pay royalties on future sales of the reprocessed seismic data library to the third party that shared in the cost of the project. The royalties will be recorded as incurred when the data is sold and delivered. The maximum royalty on sales of the entire database is limited to \$600,000. Royalties of individual line sales are limited to a period of five years from the date reprocessing was completed for each segment of the seismic data.

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## Related Party Transactions

Divestco had the following related party transactions:

- For the three months ended March 31, 2006 the Company earned \$13,000 (March 31, 2005 - \$10,000) in revenue related to data loading, workstation rentals and leasing of office space from companies with common directors. Included in accounts receivable as at March 31, 2006 was \$6,000 (March 31, 2005 - \$7,000) related to this revenue
- For the three months ended March 31, 2006, the Company paid \$6,000 (March 31, 2005 - \$122,000) in brokerage commissions to a company controlled by a director. Included in accounts payable as at March 31, 2006 was \$Nil (March 31, 2005 - \$1,000) related to these commissions
- For the three months ended March 31, 2006, the Company paid \$62,000 (March 31, 2005 - \$23,000) in legal fees to the law firm at which the Company's Corporate Secretary is employed. Included in accounts payable as at March 31, 2006 was \$38,000 (March 31, 2005 - \$24,000) related to these legal fees
- As at March 31, 2006, there was a 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



# Accounting Policies

## Critical Accounting Estimates

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

The fair value of share options, broker compensation options and warrants were estimated using the Black Scholes option pricing model with the following assumptions: an expected volatility of 60% (2005 - 60%), a risk free interest rate of 5.0%, and an expected life of 5 years for the stock options and 2 years for the broker compensation options and warrants. The value of the stock options is recorded in contributed surplus at the date of grant and recognized as a compensation expense over the 2-year vesting period. In October 2005, the Company changed the vesting period of stock options granted going forward to three 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.

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## New Accounting Pronouncements

### Non-Monetary Transactions

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

- The transaction lacks commercial substance

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

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

### Financial Instruments

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

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

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



## Disclosure Controls and Procedures

Disclosure Controls and Procedures are controls and procedures designed and implemented by, or under the supervision of the 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, 2005, 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.

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# Consolidated Balance Sheets

As at (Thousands)	March 31, 2006 (unaudited)	December 31, 2005
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,393	\$ 1,382
Short-term investments	4,792	5,512
Accounts receivable	26,910	27,053
Prepaid expenses, supplies and deposits	622	427
Investment tax credits recoverable	138	-
	34,855	34,374
<b>Long-term accounts receivable</b>	960	960
<b>Investment in affiliated company</b>	71	79
<b>Data libraries (Note 2)</b>	61,809	31,459
<b>Property and equipment (Note 3)</b>	3,551	3,495
<b>Deferred development costs (Note 4)</b>	2,100	1,863
<b>Deferred finance costs</b>	387	409
<b>Intangibles (Note 5)</b>	3,922	4,128
<b>Goodwill</b>	3,431	3,431
	\$ 111,086	\$ 80,198
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Bank indebtedness (Note 6)	\$ 886	\$ -
Accounts payable and accrued liabilities	22,196	17,624
Current portion of deferred revenue	28,930	10,355
Current portion of long-term debt obligations (Note 7)	2,907	2,880
	54,899	30,859
<b>Deferred revenue</b>	333	402
<b>Long-term debt obligations (Note 7)</b>	8,036	8,724
<b>Future income taxes</b>	4,434	2,989
	67,702	42,974
<b>Shareholders' Equity</b>		
Equity instruments (Note 8(b))	29,770	27,195
Contributed surplus (Note 8(e))	1,263	1,269
Retained earnings	12,351	8,760
	43,384	37,224
<b>Subsequent event (Note 13)</b>		
	\$ 111,086	\$ 80,198

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

# Consolidated Statements of Income and Retained Earnings

For the Three Months Ended March 31 (Thousands, Except Per Share Amounts)	2006 (unaudited)	2005 (unaudited)
<b>Revenue</b>	\$ 19,605	\$ 8,715
<b>Operating expenses</b>		
Salaries and benefits	4,695	3,302
General and administrative	2,598	1,191
Research and development	133	65
Stock compensation expense (Note 8(e))	129	43
	7,546	4,601
<b>Earnings before interest, taxes, depreciation and amortization</b>	12,059	4,114
<b>Interest expense</b>	193	62
<b>Depreciation and amortization</b>	6,703	1,599
<b>Operating income</b>	5,163	2,453
<b>Other income (loss)</b>		
Foreign exchange gain (loss)	7	(5)
Gain on Sale of Capital assets	279	-
Equity investment income	(8)	(3)
	278	(8)
<b>Income before income taxes</b>	5,441	2,445
<b>Income taxes</b>		
Current	405	-
Future	1,455	844
	1,850	844
<b>Net income for the period</b>	3,591	1,601
Retained earnings, beginning of period	8,760	3,918
<b>Retained earnings, end of period</b>	\$ 12,351	\$ 5,519
<b>Earnings per share</b>		
Basic	\$ 0.12	\$ 0.06
Diluted	\$ 0.11	\$ 0.06
<b>Weighted average number of shares</b>		
Basic	30,301	24,732
Diluted	31,867	24,840

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

# Consolidated Statements of Cashflows

For the Three Months Ended March 31 (Thousands, Except Per Share Amounts)	2006 (unaudited)	2005 (unaudited)
<b>Cash flows from operating activities</b>		
Net income for the period	\$ 3,591	\$ 1,601
Items not affecting cash:		
Equity investment loss	8	3
Depreciation and amortization	6,703	1,599
Future income taxes	1,445	844
Investment tax credits utilized	-	(134)
Gain on sale of investment securities	(279)	-
Unrealized foreign exchange loss (gain)	(1)	5
Stock compensation expense	129	43
Funds from operations	11,596	3,961
Changes in non-cash working capital balances (Note 9)	15,850	(1,025)
Increase (decrease) in non-current deferred revenue	(69)	310
Decrease in long-term accounts receivable	-	187
	27,377	3,433
<b>Cash flows from financing activities</b>		
Bank indebtedness	866	163
Issue of common shares, net of related expenses (Note 8(b))	2,440	55
Repayment of long-term debt obligations	(661)	(437)
Deferred financing costs	22	-
Proceeds received from long-term debt obligations	-	337
Repurchase of common shares	-	(628)
	2,667	(510)
<b>Cash flows from investing activities</b>		
Purchase of data libraries	(36,591)	(5,308)
Purchase of property and equipment	(306)	(527)
Purchase of investment securities	(109)	-
Proceeds on sale of investment securities	1,108	-
Deferred development costs	(236)	(340)
Changes in non-cash working capital balances (Note 9)	7,108	3,252
	(29,026)	(2,923)
<b>Foreign exchange loss on cash held in a foreign currency</b>	(7)	-
<b>Increase in cash and cash equivalents</b>	1,011	-
Cash and cash equivalents, beginning of year	1,382	-
<b>Cash and cash equivalents, end of year</b>	\$ 2,393	\$ -

The Company held \$94,000 (2005 - \$Nil) of cash and cash equivalents which were dominated in a foreign currency.

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

# Notes to Consolidated Financial Statements

March 31, 2006 (Tabular Amounts in Thousands, Unless Otherwise Stated)

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

## 1 Significant Accounting Policies

These interim consolidated financial statements of the Company have been prepared by management in accordance with generally accepted accounting principles ("GAAP") in Canada. The preparation of financial statements in conformity with GAAP in Canada requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates. These interim consolidated financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality.

These interim consolidated financial statements do not include the entire note disclosures required for the annual consolidated financial statements, and therefore, should be read in conjunction with audited consolidated financial statements as at and for the year ended December 31, 2005. These interim consolidated financial statements have been prepared following the same significant accounting policies as the most recently issued annual consolidated financial statements.

The results of operations for the three ended March 31, 2006 are not necessarily indicative of results to be expected for the entire year ending December 31, 2006. The Corporation records seismic data revenue related to its shot seismic programs, which are carried out primarily during the winter months. Revenue is recognized upon completion of a program after the related data has been delivered. Therefore, a significant portion of the Corporation's revenue for its shot seismic data is recognized in the winter and spring seasons.

Certain figures with respect to the three months ended March 31, 2005 have been reclassified to conform to the current period's presentation.

## 2 Data Libraries

	Balance as at			
	Mar 31, 2006		Dec 31, 2005	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Seismic data library	\$ 62,149	\$ 11,932	\$ 25,637	\$ 5,863
Data sets	632	290	632	275
Log and drilling library	11,749	929	11,670	788
Reference library	445	226	445	214
Map library	239	28	239	24
	\$ 75,214	13,405	38,623	7,164
Net book value		\$ 61,809		\$ 31,459

# Notes to Consolidated Financial Statements

March 31, 2006 (Tabular Amounts in Thousands, Unless Otherwise Stated)

## 3 Property and Equipment

	Balance as at			
	Mar 31, 2006		Dec 31, 2005	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware and software	\$ 3,128	\$ 1,679	\$ 2,980	\$ 1,570
Office furniture and equipment	1,529	642	1,512	608
Leasehold improvements	450	193	309	171
Assets under capital lease	1,746	788	1,746	703
	6,853	3,302	6,547	3,052
Net book value		\$ 3,551		\$ 3,495

## 4 Deferred Development Costs

	Balance as at	
	Mar 31, 2006	Dec 31, 2005
Balance, beginning of year	\$ 1,863	\$ 1,151
Salaries and benefits (net of investment tax credits)	302	875
General and administrative	68	197
	370	1,072
Amortization (included in research and development expense)	(133)	(360)
Balance, end of year	\$ 2,100	\$ 1,863

## 5 Intangibles Assets

	Balance as at			
	Mar 31, 2006		Dec 31, 2005	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Customer lists	\$ 2,456	\$ 865	\$ 2,456	\$ 731
Proprietary software and code	2,943	1,074	2,943	1,033
Well logs licence agreement	750	288	750	257
	6,149	2,227	6,149	2,021
Net book value		\$ 3,922		\$ 4,128

# Notes to Consolidated Financial Statements

March 31, 2006 (Tabular Amounts in Thousands, Unless Otherwise Stated)

## 6 Bank Indebtedness

The Company has a revolving demand loan bearing interest at bank prime rate plus 0.75%, with a maximum credit available of \$4 million. This was increased in May 2006 from \$3.0 million. There was \$866,000 drawn on this facility as at March 31, 2006 (March 31, 2005 - \$2.3 million). The line is used for daily operating requirements. The terms of this facility remains unchanged from those reported in the December 31, 2005 financial statements.

In February 2006, the Company secured a \$10 million short-term revolving demand loan to assist it with the completion of a number of seismic surveys. The loan bears interest at bank prime rate plus 0.75% and is secured with certain seismic data sales contracts and at no time can this loan exceed 50% of the remaining payments under the seismic data sale contracts which have been assigned to the bank. The loan must be repaid in full by July 31, 2006.

The facilities are subject to the Company meeting certain debt covenants. As at March 31, 2006, the Company was not in violation of any of its debt covenants.

## 7 Long-Term Debt Obligations

	Balance as at	
	Mar 31, 2006	Dec 31, 2005
Capital lease obligation (a)	\$ 1,053	\$ 1,181
Promissory notes (b)	527	643
Term loan (c)	9,363	9,780
	10,943	11,604
Current portion	(2,907)	(2,880)
	\$ 8,036	\$ 8,724

# Notes to Consolidated Financial Statements

March 31, 2006 (Tabular Amounts in Thousands, Unless Otherwise Stated)

## 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	\$ 387
2007	519
2008	147
	\$ 1,053

The terms of the capital lease obligations remain substantially unchanged from those reported in the December 31, 2005 financial statements.

## B Promissory notes

The Company has promissory notes, which bear interest at 7% to 8% per annum. Principal payments are as follows:

Principal payments are as follows:

2006 (April 01 to December 31)	\$ 318
2007	209
	\$ 527

## C Term loan

The terms of the term loan remain unchanged from those reported in the December 31, 2005 financial statements.

Principal payments are as follows:

2006	\$ 1,514
2007	1,986
2008	1,986
2009	1,986
2010	1,891
	\$ 9,363

# Notes to Consolidated Financial Statements

March 31, 2006 (Tabular Amounts in Thousands, Unless Otherwise Stated)

## 8 Equity Instruments

### A Authorized

An unlimited number of voting common shares

### B Issued

	Balance as at			
	Mar 31, 2006		Dec 31, 2005	
	Number of Shares	Amount	Number of Shares	Amount
<b>Common Shares</b>				
Balance, beginning of period	29,874	\$ 25,631	24,985	\$ 17,779
Issued on private placement	-	-	5,000	8,162
Issued on long-term debt	-	-	100	289
Exercise of share purchase warrants				
- cash consideration	801	2,003	-	-
Exercise of share purchase warrants				
- reclassification from fair value	-	501	-	-
Exercise of broker compensation options				
- cash consideration	89	177	1	1
Exercise of broker compensation options				
- reclassification of contributed surplus	-	69	-	1
Exercise of stock options				
- cash consideration	218	260	462	405
Exercise of stock options				
- reclassification of contributed surplus	-	66	-	30
Repurchased for cancellation	-	-	(674)	(486)
Share issue costs (net of future taxes)	-	-	-	(550)
Balance, end of period	30,982	\$ 28,707	29,874	\$ 25,631
<b>Share Purchase Warrants</b>	<b>Number of Warrants</b>	<b>Amount</b>	<b>Number of Warrants</b>	<b>Amount</b>
Balance, beginning of period	2,500	\$ 1,564	-	\$ -
Issued on private placement	-	-	2,500	1,564
Expired	(801)	(501)	-	-
Balance, end of period	1,699	\$ 1,063	2,500	\$ 1,564
<b>Total Equity Instruments</b>		<b>\$ 29,770</b>		<b>\$ 27,195</b>

# Notes to Consolidated Financial Statements

March 31, 2006 (Tabular Amounts in Thousands, Unless Otherwise Stated)

## C Broker compensation options

As at March 31, 2006, outstanding broker compensation options to purchase common shares were as follows:

	Balance as at	
	Mar 31, 2006	Dec 31, 2005
Balance, beginning of period	349	\$ -
Issued on private placement	-	350
Exercised	(89)	(1)
	260	349

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

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

Subsequent to March 31, 2006, 2,000 broker compensation options were exercised.

## D Normal course issuer bid

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 period ended March 31, 2006.

## E Contributed surplus

	Balance as at	
	Mar 31, 2006	Dec 31, 2005
Balance, beginning of period	\$ 1,269	\$ 662
Stock compensation expense	129	365
Reclassification to common shares on exercise of options	(66)	(30)
Broker compensation options issued	-	273
Reclassification to common shares on exercise of broker compensation options	(69)	(1)
Balance, end of year	\$ 1,263	\$ 1,269

# Notes to Consolidated Financial Statements

March 31, 2006 (Tabular Amounts in Thousands, Unless Otherwise Stated)

## F 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, 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
Options granted	168	\$ 3.23	\$ 3.23
Exercised	(218)	\$ 0.83 - 1.25	\$ 1.19
Forfeited	(5)	\$ 1.25 - 1.69	\$ 1.33
Options outstanding, March 31, 2006	2,164	\$ 0.83 - 3.23	\$ 1.72

Subsequent to the period ended March 31, 2006, 509,000 options were granted with exercise prices ranging from \$6.00 to \$6.10, 76,580 options were exercised with exercise prices ranging from of \$1.00 to \$1.40, and 16,000 options were forfeited with exercise prices between \$1.20 and \$3.23.

The options that were vested as at March 31, 2006, 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
641	\$ 0.83 - 1.20	\$ 1.10	2.28	609	\$ 1.11
820	\$ 1.25 - 1.40	\$ 1.29	3.11	517	\$ 1.27
703	\$ 1.69 - 3.23	\$ 2.78	3.89	178	\$ 2.64
2,164	\$ 0.83 - 3.23	\$ 1.72	3.12	1,304	\$ 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% (2005 - 60%), a risk free interest rate of 5.0%, no dividend rate and an expected life of five years. The compensation expense is recognized over the three-year vesting period of the stock options.

# Notes to Consolidated Financial Statements

March 31, 2006 (Tabular Amounts in Thousands, Unless Otherwise Stated)

## 9 Statement of Cash Flows

For the months ended March 31	2006	2005
<b>Interest and income taxes paid</b>		
Interest paid (net of interest revenue)	\$ 193	\$ 41
Income taxes paid	\$ -	\$ -
<b>Changes in non-working capital balances:</b>		
Accounts receivable	\$ 144	\$ 2,956
Investment tax credits recoverable	(138)	-
Prepaid expenses, supplies and deposits	(195)	(92)
Accounts payable and accrued liabilities	4,572	1,283
Deferred revenue	18,575	(1,920)
	\$ 22,958	\$ 2,227
Changes in non-working capital balances related to operating activities	\$ 15,850	\$ 1,025
Changes in non-working capital balances related to investing activities	7,108	3,252
	\$ 22,958	\$ 2,227

## 10 Related Party Transactions

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

- A** For the three months ended March 31, 2006 the Company earned \$13,000 (March 31, 2005 - \$10,000) in revenue related to data loading, workstation rentals and leasing of office space from companies with common directors. Included in accounts receivable as at March 31, 2006 was \$6,000 (March 31, 2005 - \$7,000) related to this revenue.
- B** For the three months ended March 31, 2006, the Company paid \$6,000 (March 31, 2005 - \$122,000) in brokerage commissions to a company controlled by a director. Included in accounts payable as at March 31, 2006 was \$Nil (March 31, 2005 - \$1,000) related to these commissions.
- C** For the three months ended March 31, 2006, the Company paid \$62,000 (March 31, 2005 - \$23,000) in legal fees to the law firm at which the Company's Corporate Secretary is employed. Included in accounts payable as at March 31, 2006 was \$38,000 (March 31, 2005 - \$24,000) related to these legal fees.
- D** As at March 31, 2006, there was a 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.

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

March 31, 2006 (Tabular Amounts in Thousands, Unless Otherwise Stated)

## 11 Segmented Information

The Company reports in five segments within the oil and gas industry: Services, Data, Software, Consulting as well as Corporate and Other. Services provides seismic survey audit, information management, mapping, archiving services, imaging, geophysical/geological services and seismic brokerage. 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. 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.

### As at and for the three months ended March 31, 2006

	Services	Data	Software	Consulting	Corporate & Other	Total
Revenue	\$ 2,571	\$ 13,775	\$ 1,676	\$ 1,503	\$ 80	\$ 19,605
Operating income (loss)	656	5,722	462	(144)	(1,533)	5,163
Depreciation & amortization	141	6,383	135	11	33	6,703
R&D	-	-	133	-	-	133
Total assets	13,049	80,798	8,167	2,702	6,190	111,086
Capital expenditures	90	36,692	45	7	63	36,897
Deferred development	114	-	1,986	-	-	2,100

### As at and for the three months ended March 31, 2005

	Services	Data	Software	Consulting	Corporate & Other	Total
Revenue	\$ 2,930	\$ 4,465	\$ 1,320	\$ -	\$ -	\$ 8,715
Operating income (loss)	759	2,226	536	-	(1,068)	2,453
Depreciation & amortization	160	1,286	95	-	58	1,599
R&D	-	-	65	-	-	65
Total assets <sup>(1)</sup>	11,027	23,499	5,630	-	736	40,892
Capital expenditures	192	5,459	77	-	107	5,835
Deferred development	-	-	1,491	-	-	1,491

(1) Excludes future tax asset of \$1,473,000.

# Notes to Consolidated Financial Statements

March 31, 2006 (Tabular Amounts in Thousands, Unless Otherwise Stated)

## As at and for the three months ended March 31, 2006

	Canada	U.S.	Total
Revenue	\$ 19,003	\$ 602	\$ 19,605
Data libraries, property and equipment, intangibles and goodwill	67,150	5,563	72,713

## As at and for the three months ended March 31, 2005

	Canada	U.S.	Total
Revenue	\$ 8,528	\$ 187	\$ 8,715
Data libraries, property and equipment, intangibles and goodwill	24,022	-	24,022

## 12 Credit Risk

During the three months ended March 31, 2006, 60% of the Company's revenue was derived from three customers. As at March 31, 2006, 16% of the Company's accounts receivables was due from these customers.

## 13 Subsequent Event

Subsequent to March 31, 2006, the Company closed the purchase of a division of a service company (the "Seller") for consideration of \$11.5 million plus assumption of certain liabilities. At closing \$10.5 million of the purchase price was paid in cash and \$1 million in common shares of the Company to the Seller at a deemed price of \$4.69 per share which was based on terms set out in the Letter of Intent and approved by the TSX Venture Exchange. The Company funded the cash component of acquisition through the sale of its short term investment that was held for investment purposes and bank debt.

# Corporate Information

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Investor Relations: [investor.relations@divestco.com](mailto:investor.relations@divestco.com)  
Sales: [sales@divestco.com](mailto:sales@divestco.com)

## NE Calgary Office (Consulting, Logs & Archiving)

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Calgary, Alberta, Canada T2E 7W1  
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Fax: 403.250.1853

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FAX: 780.455.1451

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Fax: 303.860.0066

Suite 200, 3838 North Sam Houston Parkway E  
Houston, Texas, USA 77032  
Phone: 281.449.6533  
Fax: 281.449.6755

## Board of Directors

Stephen Popadynetz  
John A. Brussa <sup>1,3</sup>  
Wade Brillon  
M. Scott Ratushny <sup>2,4</sup>  
Edward L. Molnar <sup>2,3</sup>  
Brent Gough <sup>2,3,4</sup>

<sup>1</sup> Chairman of the Board

<sup>2</sup> Member of the Audit Committee

<sup>3</sup> Member of the Compensation Committee

<sup>4</sup> Member of the Corporate Governance Committee

## Officers

Stephen Popadynetz - Chief Executive Officer  
Terry Barnhart - President  
Roderick Chisholm - Chief Financial Officer  
Steve Sinclair-Smith - VP Operations  
Mathew Hepton - VP Software Development  
Shannon Niemi - VP Sales & Marketing  
Cary Sabraw - VP U.S. Operations and Logs & Archiving  
Kevin Ludbrook - VP Consulting  
Oliver Kuhn - VP Processing

## Corporate Secretary

Faralee A. Chanin

## Manager, Financial Reporting

Danny Chiarastella

## Stock Exchange Listing

TSX Venture Exchange: DVT

## Lending Institutions

HSBC Bank Canada  
Roynat Capital Inc.

## Registrar and Transfer Agent

CIBC Mellon Trust Company

## Auditors

KPMG LLP

## Legal Counsel

Field LLP



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