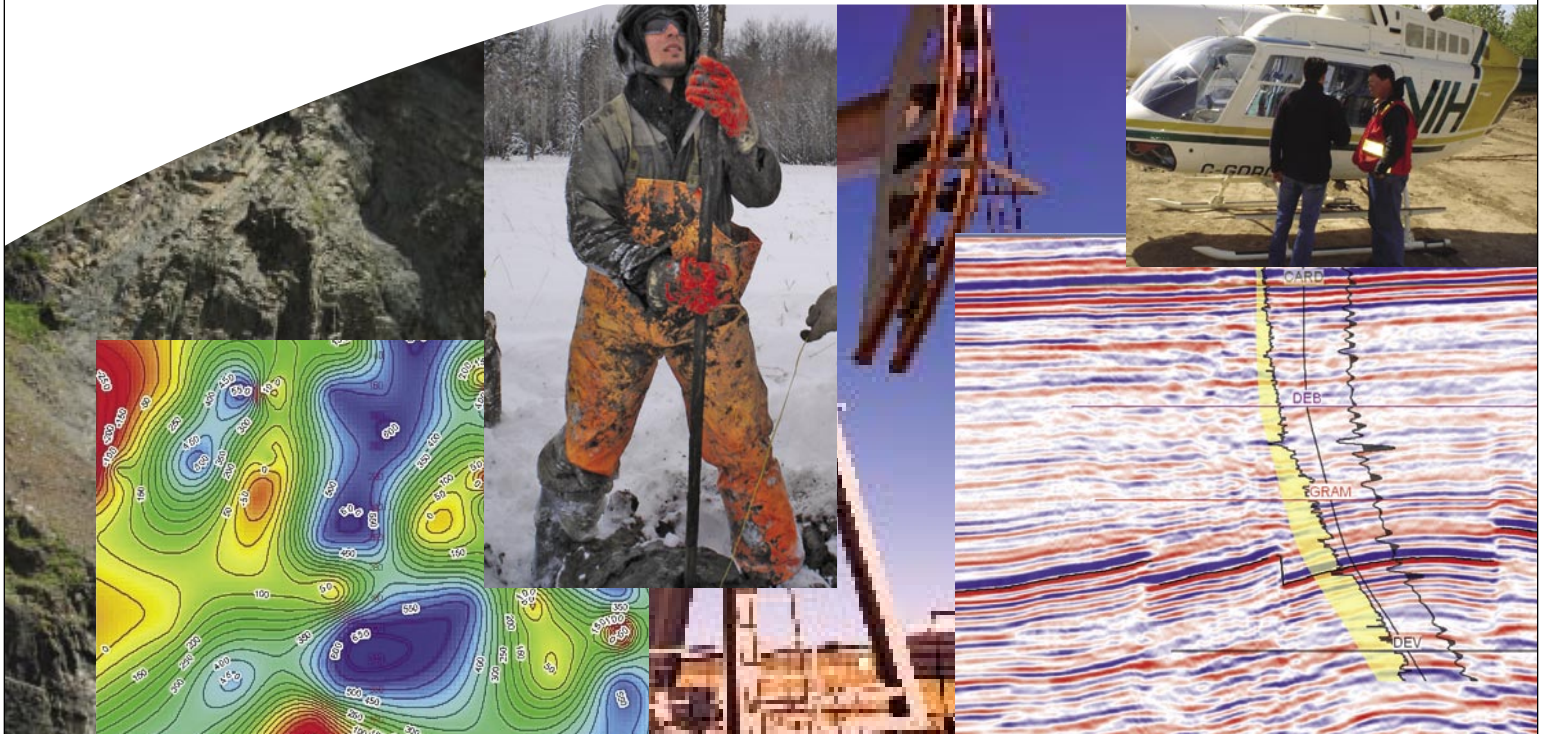


## 2007 FIRST QUARTER REPORT



# The Evolution of Exploration:

AN INTEGRATED SOLUTION





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the evolution of exploration and to deliver shareholder value.

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

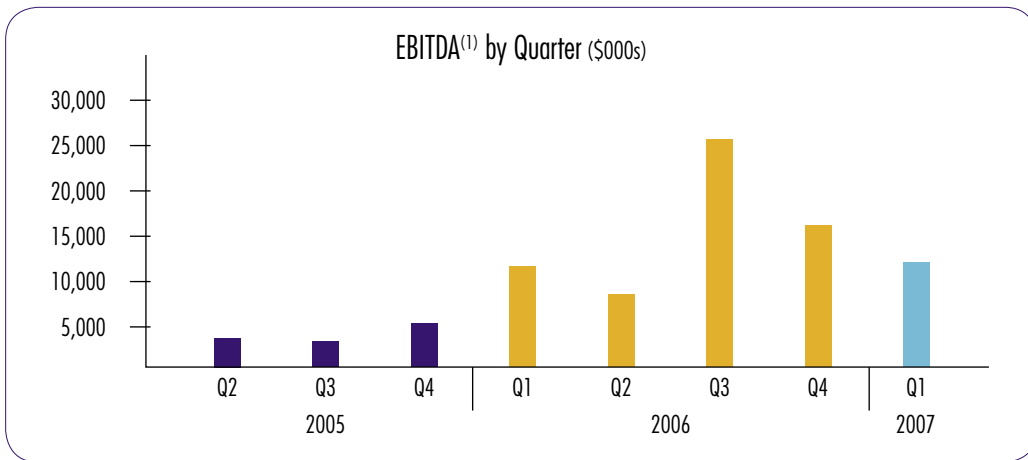
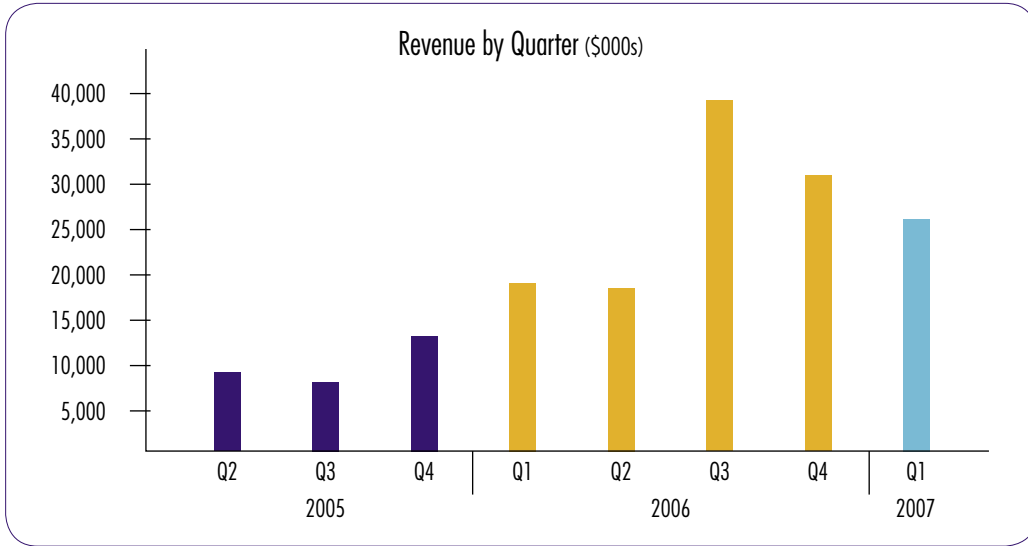
Based in Calgary, Alberta, Divestco has more than 500 employees worldwide, with additional offices in Denver, Colorado and Houston, Texas.

# Financial Highlights

Financial Results (Thousands, Except per Share Amounts)	Quarter Ended March 31		
	2007	2006	% Change
Revenue	\$26,793	\$19,605	37%
EBITDA <sup>(1)</sup>	12,752	12,192	5%
Operating Income <sup>(1)</sup>	6,145	5,163	19%
Net Income	4,071	3,591	13%
Per Share - Basic	0.11	0.12	-8%
Per Share - Diluted	0.11	0.11	0%
Funds From Operations <sup>(1)</sup>	5,662	11,751	-52%
Per Share - Basic	0.16	0.39	-59%
Per Share - Diluted	0.15	0.37	-59%
Shares Outstanding	35,747	30,982	15%
Weighted Average Shares Outstanding			
Basic	35,451	30,301	17%
Diluted	36,568	31,867	15%

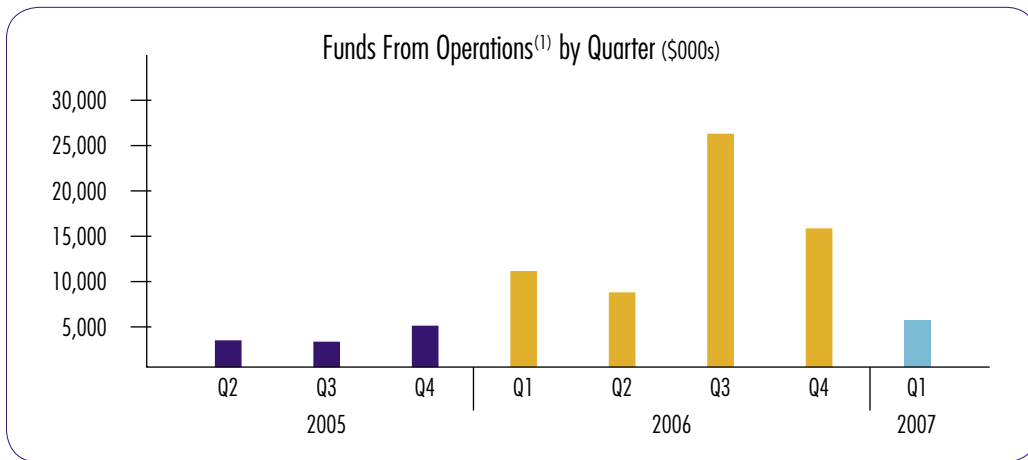
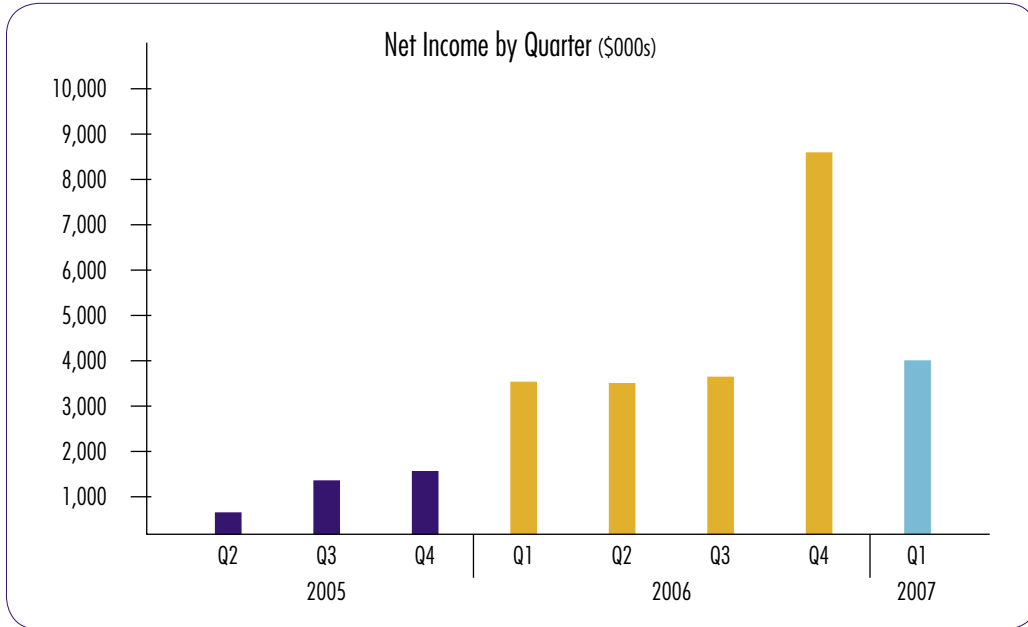
(1) See the Non-GAAP Measures Section.

# Financial Highlights: Quarter Comparison



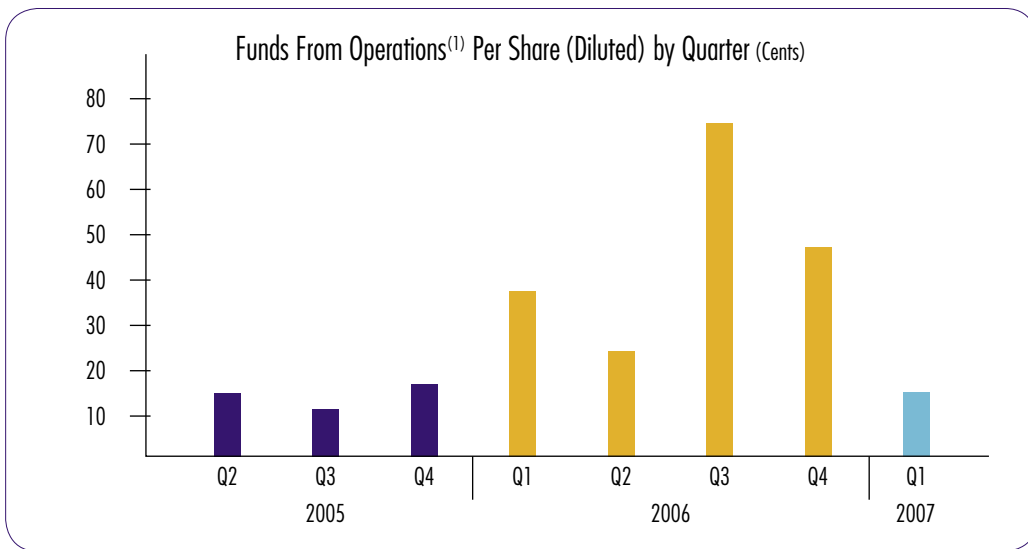
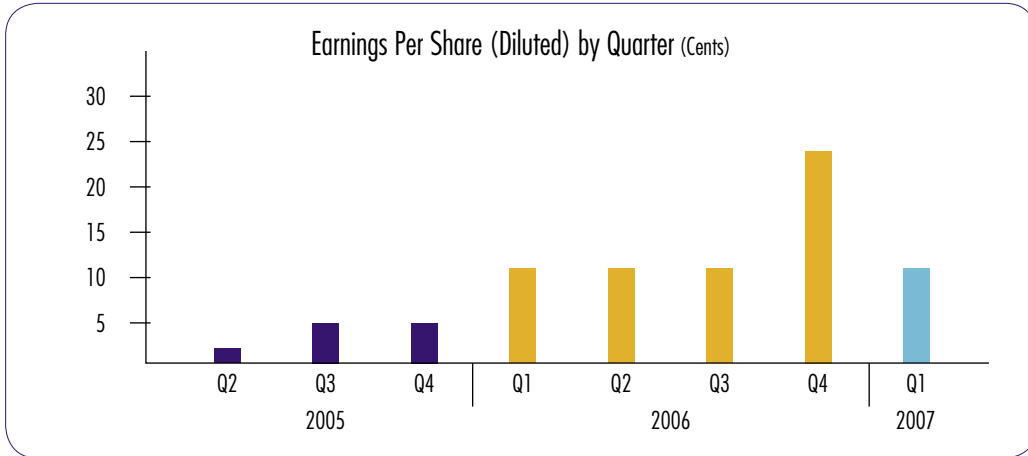
(1) See the Non-GAAP Measures Section.

# Financial Highlights: Quarter Comparison



(1) See the Non-GAAP Measures Section.

# Financial Highlights: Quarter Comparison



(1) See the Non-GAAP Measures Section.

# Management's Discussion and Analysis

## Introduction

This Management Discussion and Analysis (MD&A) for Divestco Inc. (Divestco or the Company) focuses on key statistics from the financial statements and pertains to known risks and uncertainties relating to the oil and gas exploration and production industry. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political, and environmental conditions. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the years ended December 31, 2006 and 2005 and the interim consolidated financial statements for the period ended March 31, 2007. 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 10, 2007

## Forward-Looking Statements

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

## Non-GAAP Measures

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

**Non-GAAP measures are calculated as follows:**

**Working capital:** current assets less current liabilities

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

**Operating income:** EBITDA less interest, depreciation and amortization

**Funds from operations:** cash flow from operating activities as prescribed by Canadian GAAP, but excluding the impact of items not affecting cash (see Consolidated Statements of Cash Flows)

# Management's Discussion and Analysis Continued...

## **Non-GAAP Measures** Continued...

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

## **Business Risks and Environment**

### **Demand for Products and Services**

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

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

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

### **Seasonality**

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

# Management's Discussion and Analysis Continued...

## **Seasonality** Continued...

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

## **Competition**

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

## **Skilled Labour**

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

## **Government Regulations and Safety**

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

You can view copies of the Company's other continuous disclosure documents at [www.sedar.com](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		
	2007	2006	% Change
Revenue	\$26,793	\$19,605	37%
Operating Expenses	14,041	7,413	89%
EBITDA <sup>(1)</sup>	12,752	12,192	5%
Interest	289	193	50%
Depreciation and Amortization	6,318	6,836	-8%
Operating Income <sup>(1)</sup>	6,145	5,163	19%
Other Income (Loss)	(20)	278	NA
Income Tax Expense	2,054	1,850	11%
Net Income	4,071	3,591	13%
Per Share - Basic	0.11	0.12	-8%
Per Share - Diluted	0.11	0.11	0%
Funds From Operations <sup>(1)</sup>	5,662	11,751	-52%
Per Share - Basic	0.16	0.39	-59%
Per Share - Diluted	0.15	0.37	-59%
Shares Outstanding	35,747	30,982	15%
Weighted Average Shares Outstanding			
Basic	35,451	30,301	17%
Diluted	36,568	31,867	15%

Financial Position (Thousands)	Balance as at		
	Mar 31, 2007	Mar 31, 2006	Dec 31, 2006
Total Assets	\$142,712	\$111,086	\$132,942
Working Capital <sup>(1)(2)</sup>	(21,160)	(20,044)	(10,955)
Long-term Debt Obligations (Including Current Portion)	8,947	10,943	9,931

(1) See the Non-GAAP Measures Section.

(2) Excluding the current portion of deferred revenue, the Company's working deficiency was \$14.0 million at March 31, 2007. This issued has been resolved with the closing of a new \$60 million bank facility with Wells Fargo Financial Corporation Canada. All previous senior and term debt facilities (excluding credit card facilities) were extinguished. The Company replaced the previous operating credits with five year committed revolving and term facilities which will be classified as long-term liabilities on the Company's balance sheet. The Company now has the appropriate structure in place to match the acquisition of long-term assets with long-term debt.

## Overall Performance

### Consolidated First Quarter Financial Results – 2007

Divestco generated 11 cents per share in earnings (basic and diluted) for the first quarter of 2007 compared to 12 cents (11 cents – diluted) in 2006. Net income was \$4.1 million compared to \$3.6 million in 2006, an increase of \$0.5 million (13%). Revenues were \$26.8 million, an increase of \$7.2 million (37%) from \$19.6 million in 2006. Funds from operations decreased by \$6.1 million (52%) from \$11.8 million in 2006 to \$5.7 million (\$0.15 per share – diluted) in 2007.

Despite the increases in revenue and net income generated in the first quarter of 2007, due to heavy snow pack in certain regions of Alberta and British Columbia, a number of scheduled seismic surveys expected to be completed in the first quarter were rescheduled for completion later in the fiscal year. Weather permitting, the participation revenue associated with these programs is expected to be achieved in subsequent quarters in 2007. The gross participation revenue associated with these rescheduled surveys totals approximately \$7 million.

Highlights for the first quarter of 2007, were as follows:

- \$3.5 million (139%) increase in Services revenue related mainly to the purchase of the seismic processing division in May 2006.
- \$2.2 million (145%) increase in Consulting revenue primarily due from Cavalier Land acquisition in the third quarter of 2006.
- 1.3 million (10%) increase in Data revenue related to the Company delivering a 3D seismic data survey coupled with significant data library sales. The U.S. division added a further \$630,000 in sales generating a net income of \$63,000 for the quarter.
- \$0.1 million (6%) increase in Software revenue related to the growth in existing product lines.

### Outlook

General oil and gas industry level activities are still expected to level-off in 2007, however, Divestco has positioned many of its assets in areas where oil and gas investments must be made, thus providing a hedge to potential slowing in general oil and gas business levels. Given Divestco's broad product and service offering, some of the Company's divisions may be affected by a levelling-off in general industry levels. However, overall the Company is experiencing growth and has significant visibility and traction entering into the remainder of 2007. The Company is expecting overall growth in each business segment as we exit the fiscal year.

### Selected Quarterly Information

(Thousands, Except per Share Amounts)

	2007			2006			2005		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Revenue	\$26,793	\$30,546	\$38,257	\$18,056	\$19,605	\$12,874	\$7,944	\$9,221	
EBITDA <sup>(1)</sup>	12,753	16,853	26,572	8,049	12,192	5,334	3,044	3,919	
Operating Income <sup>(1)</sup>	6,146	12,748	5,796	2,673	5,163	2,826	1,985	1,019	
Net Income	4,071	8,690	3,783	3,550	3,591	1,666	1,312	599	
Per Share - Basic	0.11	0.25	0.11	0.11	0.12	0.06	0.05	0.02	
Per Share - Diluted	0.11	0.24	0.11	0.11	0.11	0.05	0.05	0.02	
Funds from Operations <sup>(1)</sup>	5,660	16,866	26,440	8,215	11,751	5,151	3,015	3,689	
Per Share - Basic	0.16	0.48	0.78	0.26	0.39	0.17	0.11	0.15	
Per Share - Diluted	0.15	0.47	0.74	0.24	0.37	0.17	0.11	0.15	

(1) See the Non-GAAP Measures Section.

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

# Management's Discussion and Analysis Continued...

## Segment Review

### Summary

#### For Three Months Ended March 31, 2007

(Thousands)

	Software	Services	Data	Consulting	Corporate and Other	Total
Revenue	\$1,828	\$6,147	\$15,130	\$3,688	\$-	\$26,793
EBITDA <sup>(1)</sup>	594	1,183	13,252	509	(2,786)	12,752
Interest	-	-	48	(8)	249	289
Depreciation and Amortization	385	392	5,184	315	42	6,318
Operating Income <sup>(1)</sup>	208	791	8,022	202	(3,078)	6,145

#### For Three Months Ended March 31, 2006

(Thousands)

	Software	Services	Data	Consulting	Corporate and Other	Total
Revenue	\$1,676	\$2,569	\$13,775	\$1,503	\$82	\$19,605
EBITDA <sup>(1)</sup>	730	796	12,114	(133)	(1,315)	12,192
Interest	-	-	11	-	182	193
Depreciation and Amortization	268	141	6,382	11	34	6,836
Operating Income <sup>(1)</sup>	462	656	5,722	(144)	(1,533)	5,163

(1) See the Non-GAAP Measures Section.

## Segment Review Continued...

### Software

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

#### First Quarter Financial Results – 2007

In the first quarter of 2007, revenue in Software amounted to \$1.8 million compared to \$1.7 million for the same quarter in 2006, generating 7% (Q1 2006 - 9%) of the Company's total revenue for the three month period. The increase of \$0.1 million (6%) was due to a steady increase in LandRite, GeoCarta Tools, GeoVista, WinPICS and MapQ sales.

EBITDA for the first quarter was \$594,000 compared to \$730,000 in 2006, a decrease of \$136,000 (19%). Salaries as well as general and administrative expenses (G&A) increased by 27% from 2006 due to the addition of new staff and annual salary increases that came into effect in January of 2007. Amortization was \$385,000 compared to \$268,000 in 2006, an increase of \$117,000 (47%) related to additional amortization of deferred development costs and purchase of equipment. Operating income for Software was \$208,000 compared to operating income of \$462,000 in 2006, a decrease of \$254,000 (55%).

### Outlook

As outlined in our 2006 Annual Report, Divestco plans to proceed with ongoing development on all of the Company's core product lines. New versions of GeoVista, WinPICS, EnvisonVSX, OeX, DataStore and LandRite will be released in 2007.

With several major releases completed in the first quarter, development is focusing on several core product releases for later this year (including WinPICS and GeoVista). The second quarter will see the release of LandRite V9.0 which includes many additional features including improved royalty management support.

Divestco is investing heavily in longer-term research and development activities. Once commercialized, these activities will add to the Software revenue stream through the addition of exciting new product offerings and unique market driven differentiators in several of our existing products.

Synergies between Software and other Divestco divisions are also being exploited. New software as a service offerings are close to launch and opportunities for custom software development consulting work are being aggressively pursued.

## Segment Review Continued...

### Services

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

### First Quarter Financial Results – 2007

In the first quarter of 2007, revenue in Services amounted to \$6.1 million compared to \$2.6 million for the same quarter in 2006, generating 23% (Q1 2006 – 13%) of the Company's total revenue for the three month period. The increase of \$3.5 million (139%) was due to \$2.5 million in revenue from the seismic processing division acquired in May 2006 and increases in survey audit, mapping, and archiving revenue related to the completion of a number of a 3D participation survey. This was offset by portion of revenue that was moved into the Data segment in February 2006.

EBITDA for the first quarter was \$1.2 million compared to \$0.8 million in 2006, an increase of \$0.4 million (50%). Salaries and G&A expenses increased by 155% due to the acquisition of the seismic processing division and increase in sales and marketing costs. Amortization was \$392,000, an increase of \$251,000 (178%) from \$141,000 in 2006, related to the purchase of the seismic processing assets. Operating income for Services was \$791,000 as compared to \$656,000 in 2006, an increase of \$135,000 (21%).

### Outlook

Despite projections of a slowing industry early in 2007, overall revenues in the first quarter remained relatively strong. Activity levels in the Service segment in the second quarter and throughout the year are expected to remain healthy.

Roll out of the new bundling options between the Processing and Archiving divisions is expected to generate new customers with early indications being positive. Internal infrastructure such as divisional administration systems continue to be developed and implemented with the result improving communication and data flow between business units.

With the recent acquisition of BlueGrouse on May 3, 2007, it is expected customers will benefit from projects initiated to consolidate its datasets into Divestco's existing infrastructure. Improvements will be recognized in data quality (due to Survey Audit and Reprocessing) as well as turnaround (due to archival and loading into data management systems). The Company's brokerage division will also benefit from a larger and more comprehensive dataset to represent to the industry and an increase in revenue from data sales represented by seismic brokers.

## Segment Review Continued...

### Data

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

#### Seismic Library

Balance as at	Mar 31, 2007	Mar 31, 2006	Dec 31, 2006
2D in Gross Kilometres	58,273	58,273	58,273
2D in Net Kilometres	46,273	46,273	46,273
3D in Gross Square Kilometres	7,640	5,778	7,261
3D in Net Square Kilometres	6,130	4,269	5,751

### First Quarter Financial Results – 2007

In the first quarter of 2007, revenue in Data amounted to \$15.1 million compared to \$13.8 million for the same quarter in 2006, generating 56% (Q1 2006 – 70%) of the Company's total revenue for the three month period. The increase of \$1.3 million (10%) was due to a \$5.6 million rise in aggregate 2D and 3D data library sales revenue to \$7.0 million from \$1.4 million for the same quarter in 2006. Participation revenue generated in the first quarter of 2007 was \$8.0 million, compared to \$11.0 million in the same quarter in 2006, a decrease of \$3.0 million. The \$2.6 million increase in aggregate seismic data revenue is offset by \$1.3 million in revenue allocated to the Services segment for Survey Audit, Archive and Processing services provided to the Data segment. In addition, the U.S. division also reported an increase for the first three months of \$136,000 due to increased transactional sales of data from Well Tracker and the Production dataset.

EBITDA for the first quarter was \$13.3 million compared to \$12.1 million in 2006, an increase of \$1.2 million (10%). Salaries increased slightly from 2006 while G&A expenses increased by \$0.3 million (50%) from the same period in 2006 primarily due to additional subcontractor costs reported in the U.S. division. Amortization decreased by \$1.2 million (19%) to \$5.2 million in 2007 from \$6.4 million in 2006. The decrease in amortization costs is due to the decline in participation programs recorded in the first quarter due to poor weather conditions. Operating income was \$8.0 million compared to \$5.7 million in 2006, an increase of \$2.3 million (40%).

# Management's Discussion and Analysis Continued...

## Segment Review Continued...

### Data Continued...

#### Outlook

As outlined above due to heavy snow pack in certain regions of Alberta and British Columbia a number of scheduled seismic surveys expected to be completed in the first quarter of 2007 have been rescheduled for completion later in the fiscal year. Divestco still expects to complete and deliver a number of 3D seismic surveys covering approximately 3,500 square kilometres in Alberta and British Columbia. Further augmenting the created 3D datasets, it is expected that Divestco will continue to evaluate and acquire 2D and 3D seismic data and other datasets that complement Divestco's broad data offering.

With the recent acquisition of BlueGrouse, the combined management teams are currently evaluating and considering a number of 3D seismic surveys to be shot in Alberta and British Columbia.

The Company's U.S. division still expects to release its new web delivery system at the end of the second quarter. Divestco added 10 new drilling data partners in the first quarter and is targeting an additional 10 new data partners in the second quarter. The company is currently on pace to attain its goal of adding 40 new drilling data partners in 2007 which will significantly add to the coverage and currency of the drilling database. Divestco added three new account managers and further reduced redundant operational staff in the first quarter.

The Log Data division rolled-out new pricing effective March 1, 2007 which is expected to generate additional revenue and increased interest in log data due to bundling options and flexible offerings for clients. The Log Division continues to work on enhancing the overall quality of the Log Data set.

## Segment Review Continued...

### Consulting

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

#### First Quarter Financial Results – 2007

In the first quarter of 2007, revenue in Consulting amounted to \$3.7 million compared to \$1.5 million for the same quarter in 2006, generating 14% (Q1 2006 – 8%) of the Company's total revenue for the three month period. \$2.5 million in new revenue was added as a result of the Cavalier Land acquisition.

EBITDA has improved by \$642,000 to \$509,000 in the first quarter of 2007 compared to a negative \$133,000 for the same period last year. Increase in EDITDA is attributable to Cavalier Land operating results and is offset by the loss incurred by the business consulting division in the quarter. Amortization was \$315,000 for the quarter with amortization for the same period in 2006 totalling \$11,000. Operating income was \$202,000 compared to a loss of \$144,000 in the same quarter of 2006.

### Outlook

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

During the first quarter of 2007 Divestco made several key management, operational and structural changes in the business consulting division. It is expected on a go-forward basis that this division will generate positive returns as the demand for its service offering remains strong. Consulting is also realigning its technical services offering which is expected to generate additional interest and revenue.

## Segment Review Continued...

### Corporate and Other

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

### First Quarter Financial Results – 2007

Salaries and wages increased by 120% from \$625,000 in 2006 to \$1,378,000 in 2007. The increase was mainly due to the accrual of discretionary management bonuses (based on previous year's performance) in the first quarter of 2007 which have historically been expensed in later quarters. In addition, the increase was also due to the addition of new staff from various acquisitions as well as new positions created within the Accounting and IT groups to manage the overall growth of the Company. G&A expenses increased by 82% from \$774,000 in 2006 to \$1,409,000 in 2007 due to the increases in stock compensation expense, professional fees, and occupancy costs as the Company continued to grow. Interest costs were \$251,000 in 2007 compared to \$183,000 in 2006. The increase of \$68,000 was primarily due to \$4.0 million drawn on the \$15 million short-term revolving debt facility obtained in February 2006 used to assist in financing the Company's seismic programs, and \$4.0 million outstanding on the Company's operating line for the duration of the first quarter. Amortization was \$41,000 in 2007 compared to \$32,000 in 2006, an increase of \$9,000 (28%). Total expenditures amounted to \$2.8 million in 2007 compared to \$0.8 million in 2006, an increase of \$2.0 million (250%).

### Outlook

The major focus of the Corporate segment over the past several months was on internal control documentation as the Company worked toward the first part of compliance with Multilateral Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings, and Internal Control over Financial Reporting (ICFR)." In addition, Divestco is implementing a new accounting system which is expected to be put in place in the third quarter. Aside from growth related to acquisitions, the Corporate segment does not expect a material increase in expenses in 2007.



## Depreciation and Amortization

Depreciation and amortization for the first quarter of 2007 was \$6.3 million compared to \$6.8 million in the same period in 2006, a decrease of \$0.5 million (7%). This can be explained by the fact that there were less participation seismic surveys completed in 2007 compared to 2006 due to poor weather conditions which postponed some planned surveys.

## Income Taxes

Divestco recorded a current tax expense of \$7.2 million and a future tax recovery of \$5.1 million in the first quarter of 2007 for net expense of \$2.1 million (33.6% of net income before taxes). This mainly relates to income being distributed from Divestco's limited partnership during the period. As a result the Company utilized its non-capital loss carryforwards and SR&ED pools.

As at March 31, 2007, the Company still had \$7.7 million in undepreciated capital cost pools in Canada.

In addition, Divestco's U.S. subsidiary had \$179,000 in net operating losses at the end of the quarter which begin to expire in 2025.

## Major Transactions

### Seismic Related

During the first quarter of 2007, Divestco completed a 3D seismic survey covering an approximate area of 379 square km at a cost of \$9.0 million (excluding \$1.3 million of costs related to services provided by Divestco's survey audit, seismic processing and archive departments which are eliminated on consolidation).

### Corporate

On May 3, 2007, the Company closed its Plan of Arrangement (the Arrangement) with BlueGrouse Seismic Solutions Ltd. (BlueGrouse) which was approved by BlueGrouse's shareholders on May 1, 2007. Pursuant to the Arrangement, BlueGrouse shareholders will receive 0.3125 Divestco shares for each BlueGrouse share held.

## Liquidity and Capital Resources

### Working Capital

Excluding the current portion of deferred revenue of \$7.2 million (December 31, 2006 – \$11.6 million), Divestco exited the first quarter of 2007 with a \$14 million working capital deficiency compared to positive a \$0.6 million at the end of 2006. The working capital deficiency is mainly attributed to \$6.4 million in current taxes payable associated with the Company's limited partnership and the funding a number of 3D seismic surveys in the first quarter with short-term debt. As announced on April 20, 2007, Divestco entered into a new \$60 million financing arrangement with a new lender. The Company replaced its previous operating and term credit facilities with five-year committed revolving and term facilities which will be classified as long-term liabilities on the Company's balance sheet. The Company now has the appropriate structure in place to match the acquisition of long-term assets with long-term debt and expects the working capital deficiency to be rectified on a go forward basis.

### Operating Activities

Funds from operations for the first quarter of 2007 were \$5.7 million (15 cents per share – diluted) compared to \$11.8 million (37 cents per share – diluted) in 2006, a decrease of \$6.1 million (52%). The decrease was due to a \$5.1 million future income tax recovery recognized in the quarter. This \$5.1 million future income tax recovery relates to the deferred partnership income earned in 2006. Without the effect of future tax recovery, funds from operations would have been \$11.9 million, an increase of 1% over previous quarter.

### Financing Activities

The Company's financing activities for the first quarter of 2007 are highlighted as follows:

- \$2.9 million in bank indebtedness to assist the Company with financing its seismic programs
- \$0.6 million in proceeds received from the exercise of stock options, broker compensation options and share purchase warrants (first quarter 2006 – \$2.4 million)
- \$0.7 million repayment of capital lease obligations, promissory notes and term debt (first quarter 2006 – \$0.7 million)

### Investing Activities

The Company's investing activities for the first quarter of 2007 are highlighted as follows:

- \$10.2 million to purchase data libraries (first quarter 2006 – \$13.8 million).
- \$4.8 million to complete various seismic data surveys (first quarter 2006 – \$22.8 million).
- \$0.4 million in purchases of property and equipment as well as software code (first quarter 2006 – \$0.3 million)

## Liquidity and Capital Resources *Continued...*

### Debt Instruments

As at March 31, 2007, Divestco had the following credit facilities in place with HSBC Bank Canada (HSBC):

- \$7 million operating line, bearing interest at HSBC bank prime plus 0.75%. The aggregate borrowing under this facility cannot exceed 75% of the Company's accounts receivable balance. This line is used for daily operating requirements. As at March 31, 2007, \$4.0 million amount was drawn on this facility (December 31, 2006 — \$3.7 million).
- \$15 million short-term revolving demand loan used to help finance the Company's seismic participation surveys. The loan is due on demand and bears interest at bank prime rate plus 1.00%. As at March 31, 2007, \$4.0 million was drawn on this facility.
- \$150,000 corporate credit card facility reserved for senior management and officers. A nominal amount was drawn on this facility as at March 31, 2007.

As at March 31, 2007 Divestco also had the following credit facility in place with Roynat Capital Inc. (Roynat):

- Term loan bearing interest at Roynat's floating base rate plus 3.00%. The loan was payable in monthly instalments of \$165,500 plus interest, with a final instalment of \$235,500. \$7.1 million of the loan was outstanding as at March 31, 2007 (December 31, 2006 — \$7.8 million).

The facilities were subject to the Company meeting certain debt covenants. As at March 31, 2007, the Company was in violation of its working capital (HSBC and Roynat) and debt service ratio (Roynat) covenants. However, on April 24, 2006 the HSBC and Roynat credit facilities (excluding the corporate credit card facility) were replaced with a new CAD \$60 million bank facility with Wells Fargo Financial Corporation Canada (WFFCC), an affiliate of U.S. based Wells Fargo & Company (Wells Fargo).

## Liquidity and Capital Resources Continued...

### Debt Instruments Continued...

The WFFCC bank facilities are committed with a 5 year maturity from the closing date. The \$60 million dollar facility is available in three tranches: a \$20 million committed revolver and two \$20 million term loan facilities. The revolver draws are not required to be repaid until maturity, however if advances are paid down in advance they can be redrawn at a later date. Each draw on the term loan facilities is amortized over six years from date of draw down and repaid on a monthly basis. The Company has two pricing options on all the credit facilities: floating Canadian Base Rate plus 2.00%, or Canadian LIBOR (London Inter Bank Offer) rate plus 3.25%. The Canadian LIBOR rate options are available locked in interest rate periods of 1, 2, or 3 months.

The WFFCC bank facilities are secured by a first floating charge on all the Company's assets. The facility is subject to the Company meeting certain financial covenants. The Company is currently onside with all WFFCC required financial covenants. In addition to replacing the Corporation's previous senior and term debt providers, the proceeds are expected to be used to fund future growth initiatives.

Expectations are that the new WFFCC credit facilities and funds from operations will be sufficient in the short and long-term to meet planned growth and to fund future capital expenditures.

## Outstanding Share Data

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

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

Balance as at	May 10, 2007	Mar 31, 2007	Dec 31, 2006
<b>Common Shares</b>			
Outstanding	40,420,312	35,747,561	35,399,114
Weighted Average Outstanding			
Basic		35,450,531	32,664,507
Diluted		36,568,185	33,704,401
<b>Stock Options</b>			
Outstanding	2,883,316	2,817,076	2,765,706
Exercise Price	\$1.00 to \$6.10	\$1.00 to \$6.10	\$0.83 to \$6.10
<b>Warrants</b>			
Outstanding	521,250	521,250	538,500
Exercise Price	\$2.50	\$2.50	\$2.50
<b>Broker Compensation Options</b>			
Outstanding	553	553	220,553
Exercise Price	\$2.00	\$2.00	\$2.00

## Common Shares

During the first quarter of 2007, 17,250 warrants were exercised for total proceeds of \$43,000, and 220,000 broker compensation options were exercised for total proceeds of 440,000. Subsequent to March 31, 2007, no warrants or broker compensation options were exercised.

On January 9, 2007 the Company received approval from the TSX to repurchase up to 1,770,000 of its common shares at prevailing market prices commencing on January 15, 2007 and terminating on the earlier of the January 14, 2008 and the date on which the maximum number of common shares are purchased pursuant to this normal course issuer bid. No repurchases have been made under this bid to date.

## Outstanding Share Data Continued...

### Stock Options

As at March 31, 2007 there were 3,147,035 (2005 – 2,650,000) common shares authorized for grants of stock options. The increase from 2,650,000 was due to a change from a fixed stock option plan to a floating stock option plan.

During the first quarter of 2007:

- 210,285 stock options were granted with exercise prices ranging from \$3.66 to \$3.68 (included 115,000 granted to officers)
- 111,197 stock options were exercised at exercise prices ranging from \$1.04 to \$3.00
- 47,722 stock options were forfeited with exercise prices ranging from \$1.25 to \$6.10

Subsequent to March 31, 2007:

- 336,986 options were assumed as a result of the BlueGrouse acquisition with exercise prices ranging from of \$2.40 to \$8.58
- 103,481 options were exercised with exercise prices ranging from of \$1.04 to \$3.00
- 167,265 options were forfeited with exercise prices ranging from \$1.69 to \$8.58

### Related Party Transactions

Divestco had the following related party transactions:

- During the three months ended March 31, 2007, the Company earned \$16,000 (2006 - \$13,000) 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, 2007 was \$Nil (December 31, 2006 - \$12,000) related to this revenue.
- During the three months ended March 31, 2007, the Company paid \$49,000 (2006 - \$6,000) in brokerage commissions to a company controlled by a director. Included in accounts payable as at March 31, 2007 was \$1,500 (December 31, 2006 - \$Nil) related to these commissions.
- During the three months ended March 31, 2007, the Company paid \$91,000 (2005 - \$62,000) in legal fees to the law firm at which the Company's Corporate Secretary is employed. Included in accounts payable as at March 31, 2007 was \$57,000 (December 31, 2006 - \$31,000) related to these legal fees.

## Related Party Transactions *Continued...*

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

## Critical Accounting Estimates

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

The fair value of share options, broker compensation options, and warrants were estimated using the Black Scholes option pricing model with the following assumptions: an expected volatility of 70% (2006 – 60%), a risk free interest rate of 3.9% (2006 – 5.0%), and an expected life of five years for the stock options and two years for the broker compensation options and warrants. The value of the stock options is recorded in contributed surplus at the date of grant and recognized as a compensation expense over the two-year vesting period. In October 2005, the Company changed the vesting period of stock options granted going forward to three years from two years. The value for the broker compensation options is recorded in contributed surplus and is reduced as the broker options are exercised. The value of the warrants has been recorded as a separate line item under equity instruments and is reduced as the warrants are exercised.

## New Accounting Pronouncements

### Financial Instruments

Effective January 1, 2007, the Company adopted the new Canadian accounting standards for Financial Instruments – Recognition and Measurement, Financial Instruments – Presentation and Disclosure, Hedging and Comprehensive Income. Prior periods have not been restated. The new standards establish guidelines for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. The Company has combined this new statement with its Statement of Income.

## New Accounting Pronouncements Continued...

### Financial Instruments Continued...

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

- Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost determined using the effective interest rate method. Transaction costs attributable to financial instruments classified as other than held-for-trading are included in the recognized amount of the related financial instrument and recognized over the life of the resulting financial instrument. Prior to January 1, 2007, transaction costs were recorded as deferred charges and recognized in net earnings on a straight-line basis over the life of the financial instrument. On adoption, transaction costs are recognized as if the effective interest rate method had always been applied whereby the amount recognized varies over the life of the financial instrument based on principal outstanding. Amortization of premiums or discounts and losses due to impairment are included in current period net earnings.
- Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income and reclassified to net income when derecognized or impaired.
- Held for trading financial instruments are measured at fair value. All gains and losses on derivatives that are not designated or do not qualify for hedge accounting are included in net earnings in the period in which they arise.
- All derivative financial instruments are classified as held for trading financial instruments and are measured at fair value. All gains and losses are included in net income in the period in which they arise.

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

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

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

New Canadian accounting standards have been issued which will require additional disclosure in the Company's financial statements commencing January 1, 2008, regarding the Company's financial instruments as well as its capital and how it is managed.



## Securities Regulations Update

### Disclosure Controls and Procedures

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

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

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

### Internal Control Over Financial Reporting

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

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

# Consolidated Balance Sheets

As at (Thousands - Unaudited)	Mar 31, 2007	Dec 31, 2006
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$1,032	\$1,437
Accounts Receivable	23,256	21,875
Prepaid Expenses, Supplies and Deposits	1,180	923
Investment Tax Credits Recoverable	-	651
	25,468	24,886
Long-term Accounts Receivable	420	560
Investment in Affiliated Company	71	68
Data Libraries (Note 3)	76,314	71,201
Participation Surveys in Progress	7,554	2,721
Property and Equipment (Note 4)	5,972	6,069
Deferred Development Costs (Note 5)	3,276	2,877
Deferred Finance Costs (Note 8)	-	323
Intangible Assets (Note 6)	15,119	15,719
Goodwill	8,518	8,518
	<b>\$142,712</b>	<b>\$132,942</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Bank Indebtedness (Note 7)	\$9,394	\$ 6,451
Accounts Payable and Accrued Liabilities	20,485	14,147
Income Taxes Payable	6,362	345
Current Portion of Deferred Revenue	7,191	11,603
Current Portion of Long-term Debt Obligations (Note 8)	3,196	3,295
	46,628	35,841
Deferred Revenue	203	260
Long-term Debt Obligations (Note 8)	5,751	6,636
Future Income Taxes	7,827	12,968
	60,409	55,705
<b>Shareholders' Equity</b>		
Equity Instruments (Note 9 (b))	47,689	46,854
Contributed Surplus (Note 9 (e))	2,168	2,008
Retained Earnings	32,446	28,375
	82,303	77,237
	<b>\$142,712</b>	<b>\$132,942</b>
Subsequent Event (Note 14)		

See notes to the Consolidated Financial Statements

# Consolidated Statements of Income, Comprehensive Income and Retained Earnings

<b>For the Three Months Ended March 31</b> (Thousands, Except per Share Amounts - Unaudited)	<b>2007</b>	<b>2006</b>
Revenue	\$26,793	\$19,605
Operating Expenses		
Salaries and Benefits	9,572	4,695
General and Administrative	4,092	2,589
Stock Compensation Expense (Note 9 (f))	377	129
	14,041	7,413
Interest Expense	289	193
Depreciation and Amortization	6,318	6,836
Other Income	(20)	278
Income Before Income Taxes	6,125	5,441
Income Taxes		
Current	7,195	405
Future (Recovery)	(5,141)	1,445
	2,054	1,850
<b>Net Income for Period</b>	<b>4,071</b>	<b>3,591</b>
Retained Earnings, Beginning of Period	28,375	8,760
<b>Retained Earnings, End of Period</b>	<b>\$32,446</b>	<b>\$12,351</b>
Earnings per Share		
Basic	\$0.11	\$0.12
Diluted	\$0.11	\$0.11
Weighted Average Number of Shares		
Basic	35,451	30,301
Diluted	36,568	31,867

See notes to the Consolidated Financial Statements

# Consolidated Statements of Cash Flows

<b>For the Three Months Ended March 31</b> (Thousands - Unaudited)	<b>2007</b>	<b>2006</b>
<b>Cash Flows from Operating Activities</b>		
Net Income for the Period	\$4,071	\$3,591
Items Not Affecting Cash:		
Equity Investment Loss	4	8
Depreciation and Amortization of Data Libraries, Property and Equipment and Intangibles	6,094	6,703
Amortization of Deferred Development Costs	224	133
Accretion of Deferred Finance Costs	22	22
Future Income Taxes	(5,141)	1,445
Gain on Sale of Investment Securities	-	(279)
Unrealized Foreign Exchange Loss (Gain)	11	(1)
Stock Compensation Expense	377	129
	<b>5,662</b>	<b>11,751</b>
Changes in Non-cash Working Capital Balances (Note 10)	1,820	15,849
Decrease in Non-current Deferred Revenue	(58)	(69)
Increase (Decrease) in Long-term Accounts Receivable	140	-
	<b>7,564</b>	<b>27,531</b>
<b>Cash Flows from Financing Activities</b>		
Bank Indebtedness	2,943	866
Advances to Affiliated Company	(7)	-
Issue of Common Shares, Net of Related Expenses (Note 9 (b))	618	2,440
Repayment of Long-term Debt Obligations	(683)	(661)
	<b>2,871</b>	<b>2,645</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of Data Libraries	(10,154)	(13,800)
Increase in Participation Surveys in Progress	(4,832)	(22,791)
Purchase of Property and Equipment	(356)	(306)
Purchase of Investment Securities	-	(109)
Proceeds on Sale of Investment Securities	-	1,108
Deferred Development Costs	(623)	(369)
Changes in Non-cash Working Capital Balances (Note 14)	5,136	7,108
	<b>(10,829)</b>	<b>(29,159)</b>
Foreign Exchange Loss on Cash Held in a Foreign Currency	(11)	(6)
<b>Increase in Cash and Cash Equivalents</b>	<b>(405)</b>	<b>1,011</b>
Cash and Cash Equivalents, Beginning of Period	1,437	1,382
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$1,032</b>	<b>\$2,393</b>

See notes to the Consolidated Financial Statements

# Notes to Consolidated Financial Statements

March 31, 2007 (Tabular amounts in thousands, unless otherwise stated)

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

## 1. Basis of Presentation

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, 2006. These interim consolidated financial statements have been prepared following the same significant accounting policies as the most recently issued annual consolidated financial statements except as disclosed in Note 2.

The results of operations for the three months ended March 31, 2007 are not necessarily indicative of results to be expected for the entire year ending December 31, 2007. 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, 2006 have been reclassified to conform to the current period's presentation.

## 2. Changes in Accounting Policies

Effective January 1, 2007, the Company adopted the new Canadian accounting standards for Financial Instruments — Recognition and Measurement, Financial Instruments — Presentation and Disclosure, Hedging and Comprehensive Income. Prior periods have not been restated. The new standards establish guidelines for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. The Company has combined this new statement with its Statement of Income.

On January 1, 2007, an adjustment was made to classify deferred finance charges to long-term debt obligations for \$323,000.

# Notes to Consolidated Financial Statements

March 31, 2007 (Tabular amounts in thousands, unless otherwise stated)

## 2. Changes in Accounting Policies *Continued...*

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

- Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost determined using the effective interest rate method. Transaction costs attributable to financial instruments classified as other than held-for-trading are included in the recognized amount of the related financial instrument and recognized over the life of the resulting financial instrument. Prior to January 1, 2007, transaction costs were recorded as deferred charges and recognized in net earnings on a straight-line basis over the life of the financial instrument. On adoption, transaction costs are recognized as if the effective interest rate method had always been applied whereby the amount recognized varies over the life of the financial instrument based on principal outstanding. Amortization of premiums or discounts and losses due to impairment are included in current period net earnings.
- Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income and reclassified to net income when derecognized or impaired.
- Held for trading financial instruments are measured at fair value. All gains and losses on derivatives that are not designated or do not qualify for hedge accounting are included in net earnings in the period in which they arise.
- All derivative financial instruments are classified as held for trading financial instruments and are measured at fair value. All gains and losses are included in net income in the period in which they arise.

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

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

## 2. Changes in Accounting Policies Continued...

The Company had no “other comprehensive income or loss” transactions during the three months ended March 31, 2007 and no opening or closing balances for accumulated other comprehensive income or loss.

New Canadian accounting standards have been issued which will require additional disclosure in the Company’s financial statements commencing January 1, 2008, regarding the Company’s financial instruments as well as its capital and how it is managed.

## 3. Data Libraries

Balance as at	March 31, 2007		December 31, 2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Seismic Data Library	\$107,107	\$41,993	\$96,982	\$37,130
Data Sets	632	354	632	339
Log and Drilling Library	12,045	1,493	12,018	1,346
Reference Library	445	270	445	260
Map Library	239	44	239	40
	\$120,468	\$44,154	\$110,316	\$39,115
Net Book Value		\$76,314		\$71,201

## 4. Property and Equipment

Balance as at	March 31, 2007		December 31, 2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer Hardware and Software	\$7,016	\$3,139	\$6,707	\$2,825
Office Furniture and Equipment	1,519	512	1,517	475
Leasehold Improvements	755	340	706	290
Assets Under Capital Lease	1,746	1,103	1,746	1,047
Land	30	-	30	-
	\$11,066	\$5,094	\$10,706	\$4,637
Net Book Value		\$5,972		\$6,069

# Notes to Consolidated Financial Statements

March 31, 2007 (Tabular amounts in thousands, unless otherwise stated)

## 5. Deferred Development Costs

Balance as at	Mar 31, 2007	Dec 31, 2006
Balance, Beginning of Period	\$2,877	\$1,863
Salaries and Benefits (Net of Investment Tax Credits)	509	1,321
General and Administrative	114	296
Total Additions	\$623	\$ 1,617
Amortization <sup>(1)</sup>	(224)	(603)
Balance, End of Period	\$3,276	\$2,877

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

## 6. Intangible Assets

Balance as at	March 31, 2007		December 31, 2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Non-competition Agreements	\$2,638	\$371	\$2,638	\$264
Customer Related Intangibles	7,695	1,943	7,695	1,640
Proprietary Software and Code	5,865	1,520	5,865	1,418
Office Leases Below Market Value	2,700	282	2,700	225
Well Logs License Agreement	750	413	750	382
	\$19,648	\$4,529	\$19,648	\$3,929
Net Book Value		\$15,119		\$15,719

## 7. Bank Indebtedness

The Company has a revolving demand loan bearing interest at bank prime rate plus 0.75%, with a maximum credit available of \$7.0 million. There was \$4.0 million drawn on this facility as at March 31, 2007 (December 31, 2006 - \$3.7 million). The line is used for daily operating requirements. The terms of this facility remain unchanged from those reported in the December 31, 2006 financial statements.

The Company also has a \$15 million short-term revolving demand loan bearing interest at bank prime rate plus 1.00% used to assist it with the completion of its seismic data surveys. There was \$4.0 million drawn on this facility as at March 31, 2007. The terms of this facility remain unchanged from those reported in the December 31, 2006 financial statements.

The facilities are subject to the Company meeting certain debt covenants. As at March 31, 2007, the Company was in violation of its working capital covenant. However, on April 24, 2007 the existing credit facilities were replaced with a new CAD \$60 million bank facility through another lender (Note 14). The Company is currently in compliance with all of the financial covenants required by the new lender.

## 8. Long-Term Debt Obligations

Balance as at	Mar 31, 2007	Dec 31, 006
Capital Lease Obligations (a)	\$529	\$659
Promissory Notes (b)	1,367	1,423
Term Loan (c)	7,352	7,849
	9,248	9,931
Current Portion	(3,196)	(3,295)
Less: Deferred Finance Charges	(301)	-
Long-term Portion	\$5,751	\$6,636

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

2007	\$468
2008	61
	\$529

The terms of the capital lease obligations remain substantially unchanged from those reported in the December 31, 2006 financial statements.

# Notes to Consolidated Financial Statements

March 31, 2007 (Tabular amounts in thousands, unless otherwise stated)

## 8. Long-Term Debt Obligations *Continued...*

- (b) **Promissory notes:** The Company has promissory notes, which bear interest up to 7% per annum. Principal payments are as follows:

2007	\$742
2008	625
	\$1,367

- (c) **Term loan:** The Company has a term loan facility with Roynat Capital. The terms of the term loan remain unchanged from those reported in the December 31, 2006 financial statements. The facility is subject to the Company meeting certain financial covenants. As at March 31, 2007, the Company was in violation of its working capital covenant and debt service ratio covenants. However, on April 24, 2007 the Company the existing term loan was replaced with a new CAD \$60 million bank facility with a new lender (Note 14). The Company is currently in compliance with all of the financial covenants required by the new lender.

Principal payments are as follows:

2007	\$1,986
2008	1,986
2009	1,986
2010	1,394
	\$7,532

- (d) **Deferred finance charges:**

Balance as at	Mar 31, 2007	Dec 31, 006
Balance, Beginning of Period	\$323	\$409
Amortization <sup>(1)</sup>	(22)	(86)
Balance, End of Period	\$301	\$323

(1) Included in interest expense on the Statements of Income

## 9. Equity Instruments

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

(b) Issued:

Balance as at	March 31, 2007		December 31, 2006	
	Number of Shares	Amount	Number of Shares	Amount
Common Shares				
Balance, Beginning of Period	35,399	\$47,752	29,874	\$25,631
Issued on Public Offering	-	-	2,300	12,075
Issued on Acquisitions	-	-	581	2,871
Issued as Retention Bonuses on Acquisition for Loans Receivable	-	-	160	750
Exercise of Share Purchase Warrants - Cash Consideration	17	43	1,962	4,904
Exercise of Share Purchase Warrants - Reclassification of Fair Value	-	11	-	1,227
Exercise of Broker Compensation Options - Cash Consideration	220	440	129	258
Exercise of Broker Compensation Options - Reclassification from Contributed Surplus	-	172	-	101
Exercise of Stock Options - Cash Consideration	111	135	393	488
Exercise of Stock Options - Reclassification of Contributed Surplus	-	45	-	236
Share Issue Costs (Net of Future Taxes of \$Nil (2006 - \$366,000))	-	-	-	(789)
	35,747	48,598	35,399	47,752
Less Share Purchase Loans	-	(1,235)	-	(1,235)
Balance, End of Period	35,747	\$47,363	35,399	\$46,517
Share Purchase Warrants	Number of Warrants	Amount	Number of Warrants	Amount
Balance, Beginning of Period	538	\$377	2,500	\$1,564
Exercised	(17)	(11)	(1,962)	(1,227)
Balance, End of Period	521	\$326	538	\$337
Total Equity Instruments		\$47,689		\$46,854

# Notes to Consolidated Financial Statements

March 31, 2007 (Tabular amounts in thousands, unless otherwise stated)

## 9. Equity Instruments *Continued...*

- (c) **Broker compensation options:** As at March 31, 2007, outstanding broker compensation options to purchase common shares were as follows:

Balance as at	Mar 31, 2007		Dec 31, 2006	
	Number of Shares	Amount	Number of Shares	Amount
Balance, Beginning of Period	220	\$172	349	\$273
Exercised	(220)	(172)	(129)	(101)
Balance, End of Period	-	\$-	220	\$172

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

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

- (d) **Normal course issuer bid:** On January 9, 2007 the Company received approval from the TSX to repurchase up to 1,770,000 of its common shares at prevailing market prices commencing on January 15, 2007 and terminating on the earlier of the January 14, 2008 and the date on which the maximum number of common shares are purchased pursuant to the Issuer Bid. No shares have been repurchased for the period ended March 31, 2007.

- (e) **Contributed surplus:**

Balance as at	Mar 31, 2007	Dec 31, 2006
Balance, Beginning of Period	\$2,008	\$1,269
Stock Compensation Expense	377	1,076
Reclassification to Common Shares on Exercise of Options	(45)	(236)
Reclassification to Common Shares on Exercise of Broker Compensation Options	(172)	(101)
Balance, End of Period	\$2,168	\$2,008

## 9. Equity Instruments *Continued...*

- (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 following the first anniversary of the grant date, one-third following the second anniversary of the grant date, and the remaining one-third following the third anniversary of the grant date. 3,147,035 Common Shares of the Company have been reserved under the Plan.

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

	Number of Options	Option Price	Weighted Average Price
Options Outstanding, December 31, 2005	2,219	\$0.83 - \$3.00	\$1.55
Options Granted	1,079	\$3.23 - \$6.10	\$5.05
Exercised	(393)	\$0.83 - \$3.00	\$1.24
Cancelled	(139)	\$1.25 - \$6.10	\$3.39
Options Outstanding, December 31, 2006	2,766	\$0.83 - \$6.10	\$2.87
Options Granted <sup>(1)</sup>	210	\$3.66	\$3.66
Exercised	(111)	\$1.04 - \$3.00	\$1.21
Cancelled	(48)	\$1.25 - \$6.10	\$3.26
Options Outstanding, March 31, 2007	2,817	\$1.00 - \$6.10	\$2.99

(1) Includes 115,000 options granted to officers with an exercise price of \$3.66

Stocks options which were outstanding and vested as at March 31, 2007, are summarized as follows:

Options Outstanding	Option Price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Options Currently Exercisable Currently	Weighted Average Exercise Price of Options Exercisable
536	\$1.00 - \$1.20	\$1.10	1.29	536	\$1.10
615	\$1.21 - \$1.40	\$1.29	2.34	487	\$1.28
1,193	\$1.41 - \$4.70	\$3.51	4.07	256	\$2.55
473	\$4.71 - \$6.10	\$6.01	4.09	-	-
2,817	\$1.00 - \$6.10	\$2.99	3.17	1,279	\$1.46

The per share weighted average fair value of the stock options granted in the period ended March 31, 2007, was \$2.23 (2006 – \$2.83). This was estimated using the Black Scholes option pricing model with the following assumptions: an expected volatility of 70% (2006 – 60%), a risk free interest rate of 3.9% (2006 – 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, 2007 (Tabular amounts in thousands, unless otherwise stated)

## 10. Statement of Cash Flows

For the Three Months Ended March 31	2007	2006
Interest and Income Taxes Paid		
Income Taxes Paid	\$315	\$-
Interest Paid (Net of Interest Revenue)	\$260	\$193
Changes In Non-cash Working Capital Balances		
Accounts Receivable	\$(1,381)	\$144
Investment Tax Credits Recoverable	651	(138)
Prepaid Expenses, Supplies and Deposits	(257)	(195)
Accounts Payable and Accrued Liabilities	6,338	4,177
Income Taxes Payable	6,017	394
Deferred Revenue	(4,412)	18,575
	\$6,956	\$22,957
Changes In Non-cash Working Capital Balances Related to Operating Activities	\$1,820	\$15,849
Changes In Non-cash Working Capital Balances Related to Investing Activities	5,136	7,108
	\$6,956	\$22,957

At March 31, 2007, the Company held \$50,000 (2006 - \$94,000) of cash and cash equivalents which were denominated in a foreign currency.

## 11. Related Party Transactions

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

- During the three months ended March 31, 2007, the Company earned \$16,000 (2006 - \$13,000) 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, 2007 was \$Nil (December 31, 2006 - \$12,000) related to this revenue.
- During the three months ended March 31, 2007, the Company paid \$49,000 (2006 - \$6,000) in brokerage commissions to a company controlled by a director. Included in accounts payable as at March 31, 2007 was \$1,500 (December 31, 2006 - \$Nil) related to these commissions.

## 11. Related Party Transactions *Continued...*

- (c) During the three months ended March 31, 2007, the Company paid \$91,000 (2005 - \$62,000) in legal fees to the law firm at which the Company's Corporate Secretary is employed. Included in accounts payable as at March 31, 2007 was \$57,000 (December 31, 2006 - \$31,000) related to these legal fees.

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

## 12. Segmented Information

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

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

The accounting policies of the segments are the same as those described in significant accounting policies in the Company's audited consolidated financial statements as at and for the year ended December 31, 2006. Inter-segment sales and transfers, which are accounted for at market value, are eliminated on consolidation. Operating income (loss) is measured as revenue less operating expenses, interest and depreciation and amortization. Other income (loss) items and income taxes reported on the Company's Consolidated Statement of Income and Retained Earnings are not allocated to the reportable segments.

# Notes to Consolidated Financial Statements

March 31, 2007 (Tabular amounts in thousands, unless otherwise stated)

## 12. Segmented Information *Continued...*

As at and for the Three Months Ended March 31, 2007						
	Software	Services	Data	Consulting	Corporate and Other	Total
Revenue	\$1,828	\$6,147	\$15,130	\$3,688	\$-	\$26,793
Inter-segment Revenue	-	1,327	-	-	-	1,327
Operating Income (Loss) <sup>(1)</sup>	208	791	8,022	202	(3,078)	6,145
Interest Expense (Net of Interest Revenue)	-	-	46	(8)	251	289
Depreciation and Amortization	385	392	5,184	315	42	6,318
Total Assets	9,022	20,747	99,365	12,008	1,571	142,713
Goodwill	1,266	3,081	-	4,171	-	8,518
Capital Expenditures	56	111	15,097	-	79	15,343
Deferred Development Costs	382	242	-	-	-	624

As at and for the Three Months Ended March 31, 2006						
	Software	Services	Data	Consulting	Corporate and Other	Total
Revenue	\$1,676	\$2,569	\$13,775	\$1,503	\$82	\$19,605
Inter-segment Revenue	-	140	-	-	-	140
Operating Income (Loss) <sup>(1)</sup>	462	656	5,722	(144)	(1,533)	5,163
Interest Expense (Net of Interest Revenue)	-	-	10	-	183	193
Depreciation and Amortization	267	141	6,383	11	34	6,836
Total Assets	8,167	13,049	80,978	2,702	6,190	111,086
Goodwill	1,266	1,286	-	879	-	3,431
Capital Expenditures	45	90	36,692	7	63	36,897
Deferred Development Costs	255	114	-	-	-	369

(1) Operating income is revenue less operating expenses, interest, and depreciation and amortization

## 12. Segmented Information Continued....

<b>As at and for the Three Months Ended March 31, 2007</b>			
	<b>Canada</b>	<b>U.S.</b>	<b>Total</b>
Revenue	\$26,163	\$630	\$26,793
Data Libraries, Participation Surveys in Progress, Property and Equipment, Intangible Assets and Goodwill	\$107,927	\$5,550	\$113,477
<b>As at and for the Three Months Ended March 31, 2006</b>			
	<b>Canada</b>	<b>U.S.</b>	<b>Total</b>
Revenue	\$19,003	\$602	\$19,605
Data Libraries, Participation Surveys in Progress, Property and Equipment, Intangible Assets and Goodwill	\$67,150	\$5,563	\$72,713

## 13. Credit Risk

During the three months ended March 31, 2007, 48% of the Company's revenue was derived from three customers with a majority related to sales contacts for seismic participation surveys. As at March 31, 2007, these same customers accounted for 18% of the Company's total accounts receivable.

# Notes to Consolidated Financial Statements

March 31, 2007 (Tabular amounts in thousands, unless otherwise stated)

## 14. Subsequent Events

- (a) On April 20, 2007, the Company closed a \$60 million bank facility with a new lender. The bank facilities are committed with a five-year maturity from the closing date. In addition to replacing the Company's existing senior and term debt providers, Divestco intends to use the proceeds to fund future growth initiatives.

The \$60 million dollar facility is available in three tranches: a \$20 million committed Revolver and two \$20 million term loan facilities. The Revolver draws are not required to be repaid until maturity, however if advances are paid down in advance they can be redrawn at a later date. Each draw on the term loan facilities are amortized over six years from date of draw down and repaid on a monthly basis. The Company has two pricing options on all the credit facilities: floating Canadian Base Rate plus 2.00%, or Canadian LIBOR rate plus 3.25%. The Canadian LIBOR rate options are available locked in interest rate periods of 1, 2, or 3 months.

The new bank facilities are secured by a first floating charge on all the Company's assets. The facility is subject to the Company meeting certain financial covenants. The Company is currently onside with all WFFCC required financial covenants.

- (b) On May 3, 2007, the Company closed its Plan of Arrangement (the Arrangement) with BlueGrouse Seismic Solutions Ltd. (BlueGrouse). Pursuant to the Arrangement, BlueGrouse shareholders will receive 0.3125 Divestco shares for each BlueGrouse share held.

# Corporate Information

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## Website:

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investor.relations@divestco.com

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Fax: 403.264.1057

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Fax: 403.264.5185

## Consulting, Logs and Archiving

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Fax: 403.250.1853

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Toll free: 1.800.900.5737  
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## Houston Office

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East  
Houston, Texas, USA 77032  
Phone: 281.449.6533  
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## 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  
Senior VP Services

Mathew Hepton  
VP Software Development

Shannon Niemi  
VP Sales and Marketing

Cary Sabraw  
VP U.S. Operations

Oliver Kuhn  
VP Processing

Peter Zyla  
VP Strategy, Logs, Archiving and Consulting

## Corporate Secretary

Faralee A. Chanin

## Controller

Danny Chiarastella

## Stock Exchange Listing

TSX: DVT

## Lending Institutions

Wells Fargo Financial Corporation Canada

## Registrar and Transfer Agent

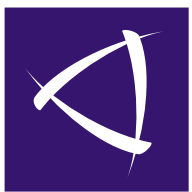
CIBC Mellon Trust Company

## Auditors

KPMG LLP

## Legal Counsel

Field LLP



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