Divestco

Management's Discussion & Analysis

For the Year Ended
December 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis ("MD&A") is dated April 11, 2012, and should be read in conjunction with the audited consolidated financial statements and notes of Divestco Inc. ("Divestco" or the "Company") as at December 31, 2011, December 31, 2010 and January 1, 2010 and for the years ended December 31, 2011 and December 31, 2010. All financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") and is reported in Canadian dollars unless otherwise specified.

On January 1, 2011, Divestco adopted IFRS for purposes of financial reporting, using a transition date of January 1, 2010. Accordingly, the consolidated financial statements for the year ended December 31, 2011 and the comparative information for December 31, 2010, have been prepared in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards", as issued by the International Accounting Standards Board ("IASB").

Previously, the Company prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("CGAAP").

The adoption of IFRS has not had an impact on the Company's operations or strategic decisions. Further information on the effect of adopting IFRS is outlined in the "Accounting Policy Changes" section of this MD&A and in Note 30, "Explanation of Transition to IFRS", to the consolidated financial statements for the years ended December 31, 2011 and 2010.

DIVESTCO'S BUSINESS

Divestco operates under four business segments: Software and Data, Services, Seismic Data and Corporate and Other.

- Software and Data: offers the market a complete software suite designed with a thorough understanding of the workflows and requirements of oil and gas professionals; as well as a full suite of data including well data, well logs, land, rig activity and drilling data. Software and data together provide complete solutions and have become an indispensable resource for geologists, geophysicists, engineers and land agents.

- Services: offers geomatics services which includes data integrity validation, mapping, database hosting, and advisory support and consultation; seismic processing services which includes data quality assurance, processing and data management services for geophysical and geological information; and land management services through Cavalier Land and Canadian Landmasters including surface acquisition, public consultation, telecom acquisition and consultation, regulatory guidance, freehold mineral acquisition, and crown land sale representation.

- Seismic Data: focused on providing the oil and natural gas industry with quick, reliable access to cost-effective, high-resolution seismic data. This includes brokering and licensing existing seismic data between data owners and licensees, managing existing seismic data for the purpose of brokering sales, and creating new seismic data inventories through recording multi-client services. Divestco commenced rebuilding its seismic data library in Q4 2010 after it sold its entire seismic data library in Q3 2010 in order to retire bank debt. The seismic brokerage division is the largest of its kind in Canada with 11 independent brokers.

- Corporate and Other: responsible for setting Divestco's overall strategic objectives and providing finance and accounting, sales and marketing, human resources (HR) and information technology (IT) services to the Company's operating segments. The segment is discussed under the "Results for the Periods by Segment" section of the MD&A.

BUSINESS STRATEGY

Divestco's vision is to be the leading geo-services company in Canada, providing a focused offering of data, software and services through innovation and technical expertise, to the oil and gas industry worldwide.

Divestco is an exploration services company dedicated to providing a focused offering of products and services to the oil and gas industry worldwide. Through continued commitment to innovative products and services, technical expertise and exceptional customer service, Divestco offers customers the ability to conveniently access and analyze comprehensive, accurate and reliable information required to make informed critical decision and to optimize their success in the upstream oil and gas industry. Divestco is headquartered in Calgary, Alberta, Canada and trades on the TSX Venture Exchange ("TSX-V") under the symbol "DVT"

FUTURE OPERATIONS

The consolidated financial statements for the year ended December 31, 2011 have been prepared on the basis that the Company will be able to discharge its obligations and realize its assets in the normal course of business at the values at which they are carried in the consolidated financial statements.

The Company is required to meet certain debt covenants in 2012 as described in the "Financial Instruments" section. At December 31, 2011, the Company was not in violation of its debt covenants. However, based on projections and assumptions, the Company anticipates violating the working capital covenant in its revolving operating loan and subordinated bridge loan during 2012. If the covenant is breached and the lenders demand payment on the outstanding balances, the Company's 2012 contractual obligations under the loan facilities will increase by approximately $5.6 million. In addition, the Company has $5.7 million in operating lease, finance lease and subordinated loan commitments in 2012. In aggregate, this exceeds the Company's projected 2012 cash flow from operating activities net of seismic participation revenue. The Company is in discussions with the lenders to obtain a waiver as at and for the three months ended March 31, 2012 and to amend the covenant going forward.

Therefore there is significant doubt as to the ability of the Company to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the continued support of the Company's lenders, including waivers of anticipated covenant breaches, as well as the Company's ability to obtain other financing to fund its operations. While the Company believes that it is able to meet its obligations in the near term, the outcome of the actions and events described above cannot be predicted at this time.

The consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Therefore the Company may be required to realize its assets and discharge its liabilities in other than the normal course of business at amounts different from those reflected in the accompanying consolidated financial statements.

FORWARD-LOOKING INFORMATION

Divestco's MD&A and consolidated financial statements contain forward-looking information related to the Company's capital expenditures, projected growth, view and outlook towards future oil and gas prices and market conditions, and demand for its products and services. Statements that contain words such as "could', "should", "can", "anticipate", "expect", "believe", "will", "may" and similar expressions and statements relating to matters that are not historical facts constitute "forward-looking information" within the meaning applicable by Canadian securities legislation. Although management of the Company believes that the expectations reflected in such forward-looking information are reasonable, there can be no assurance that such expectations will prove to have been correct because, should one or more of the risks materialize, or should the assumptions underlying forward-looking statements or forward-looking information prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected. Readers should not place undue reliance on forward-looking statements or forward-looking information. All of the forward-looking statements and forward-looking information of the Company contained in this MD&A are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking statements pertaining to the following*:

- Company's ability to keep debt and liquidity at acceptable levels, improve/maintain its working capital position and maintain profitability in the current economy
- Availability of external and internal funding for future operations
- Relative future competitive position of the Company
- Nature and timing of growth
- Oil and natural gas production levels
- Planned capital expenditure programs
- Supply and demand for oil and natural gas
- Future demand for products/services
- Commodity prices
- Impact of Canadian federal and provincial governmental regulation on the Company
- Expected levels of operating costs, finance costs and other costs and expenses
- Future ability to execute acquisitions and dispositions of assets or businesses
- Expectations regarding the Company's ability to raise capital and to add to seismic data through new seismic shoots and acquisition of existing seismic data
- Treatment under tax laws
- New accounting pronouncements

**These statements are included under the following headings of this MD&A: "Overview of Financial and Operational Results", "Results for the Periods by Segment", "Liquidity and Capital Resources", and "New IFRS Pronouncements".*

These forward-looking statements are based upon assumptions including: future prices for crude oil and natural gas; future interest rates and future availability of debt and equity financing will be at levels and costs that allow the Company to manage, operate and finance its business and develop its software products and various oil and gas datasets including its seismic data library, and meet its future obligations; the regulatory framework in respect of royalties, taxes and environmental matters applicable to the Company and its customers will not become so onerous on both the Company and its customers as to preclude the Company and its customers from viably managing, operating and financing its business and the development of its software and data; and that the Company will continue to be able to identify, attract and employ qualified staff and obtain the outside expertise as well as specialized and other equipment it requires to manage, operate and finance its business and develop its properties.

These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the Company's control, including:

- General economic, market and business conditions
- Volatility in market prices for crude oil and natural gas
- Ability of Divestco's clients to explore for, develop and produce oil and gas
- Availability of financing and capital
- Fluctuations in interest rates
- Demand for the Company's product and services
- Weather and climate conditions
- Competitive actions by other companies
- Availability of skilled labour
- Failure to obtain regulatory approvals in a timely manner
- Adverse conditions in the debt and equity markets
- Government actions including changes in environment and other regulations

These risks and uncertainties are discussed in greater detail in the “Business Risks and Environment” section of this MD&A.

NON-GAAP MEASURES

The Company’s consolidated financial statements have been prepared in accordance with IFRS. Certain measures in this document do not have any standardized meaning as prescribed by IFRS and are considered non-GAAP measures. These terms are not measures that have any standardized meaning prescribed by IFRS and are considered non-GAAP measures. While these measures may not be comparable to similar measures presented by other issuers, they are described and presented in this 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. These measures include:

Earnings before interest, taxes, depreciation and amortization (“EBITDA”)

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

Previously the Company excluded “other Income (loss)” as presented on its statement of income (loss) and comprehensive income (loss) from the calculation of EBITDA. Other income (loss) includes the following items: foreign exchange gains/losses, gains/losses on sales of property and equipment and intangibles, and equity investment income/loss. Other income (loss) has been included in the calculation of EBITDA for the current and prior periods.

The Company no longer uses “operating income (loss)” as a non-GAAP measure. Instead the Company uses the closest GAAP measure, being “income or loss before income taxes” as presented on its statement of income (loss) and comprehensive income (loss).

EBITDA is not a calculation based on IFRS and should not be considered alternatives to net income or loss in measuring the Company’s performance. As well, EBITDA should not be used as an exclusive measure of cash flow, because it does not consider the impact of working capital growth, capital expenditures, debt principal reductions and other sources and uses of cash, which are disclosed in the consolidated statements of cash flows. While EBITDA has been disclosed herein to permit a more complete comparative analysis of the Company’s operating performance and debt servicing ability relative to other companies, investors should be cautioned that EBITDA as reported by Divestco may not be comparable in all instances to EBITDA as reported by other companies. Investors should also carefully consider the specific items included in Divestco’s computation of EBITDA.

The following is a reconciliation of EBITDA with net income:

	Three Months Ended Dec 31		Year Ended Dec 31	
(Thousands)	2011	2010	2011	2010
Net Income (Loss)	$ (768)	$ (7,105)	$ (4,610)	$ (65,562)
Income Tax Expense (Reduction)	25	(1)	86	(12,921)
Finance Costs	252	724	759	3,049
Depreciation and Amortization	3,823	1,795	9,904	26,642
EBITDA	$ 3,332	$ (4,587)	$ 6,139	$ (48,792)

Funds from operations

Divestco reports funds from operations because it is a key measure used by management to evaluate its performance and to assess the ability of the Company to finance operating and investing activities. Funds from operations excludes certain working capital changes and other sources and uses of cash, which are disclosed in the consolidated statements of cash flows.

Funds from operations is not a calculation based on IFRS and should not be considered an alternative to the consolidated statements of cash flows. Funds from operations is a measure that can be used to gauge Divestco's capacity to generate discretionary cash flow. Investors should be cautioned that funds from operations as reported by Divestco may not be comparable in all instances to funds from operations as reported by other companies. While the closest IFRS measure is cash flows from operating activities, funds from operations is considered relevant because it provides an indication of how much cash generated by operations is available before proceeds from divested assets and changes in certain working capital items.

The following reconciles funds from operations with cash flows from (used in) operating activities:

	Year Ended Dec 31	
(Thousands)	2011	2010
Cash Flows from Operating Activities	$ 5,093	$ 3,643
Changes in non-cash Working Capital Balances Related to Operating Activities	411	(11,112)
Changes in Long-term Prepaid Expense	-	(238)
Interest Paid	593	2,403
Income Taxes Refunded	(352)	(12)
Funds From (Used in) Operations	$ 5,745	$ (5,316)

Funded debt and funded debt to equity

Funded debt is a measure of Divestco's long term debt position and includes bank indebtedness, long-term debt obligations (shareholder and subordinated loans and finance leases) and convertible debentures. Funded debt to equity is funded debt divided by shareholders' equity (as reported on the Company's consolidated statement of financial position). The ratio indicates what proportion of equity and debt the Company is using to finance its assets and is used by the Company to determine an appropriate capital structure.

Working capital

Working Capital is calculated as current assets minus current liabilities (excluding deferred revenue). Working capital provides is a measure that can be used to gauge Divestco's ability to meet its current obligations.

BUSINESS RISKS AND ENVIRONMENT

Demand for products and services and dependence on major customers

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

The Company has a wide customer base in the energy sector ranging from large multinational public entities to small private companies. Notwithstanding the Company's wide customer base, the most significant customers accounted for 34% of the Company's accounts receivable as at December 31, 2011, and five customers accounted for 38% of the Company's revenue for 2011. The Company has historically had a stable relationship with these customers and has no reason to believe there will be any change to this relationship in the future. The Company continuously makes efforts to expand its customer base.

The Company spends a considerable 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. In order to minimize capital risk, the Company routinely pre-sells data licenses in advance of committing to a capital outlay. For larger seismic programs, the Company may rely on third parties to share in the cost and these parties are also susceptible to the risks and uncertainties associated with the oil and gas industry.

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

Seasonality

Acquisition of seismic data is usually completed in the winter season when the ground is frozen. These conditions are imperative, especially in the northern areas of Alberta and British Columbia where seismic acquisition requires the use of heavy equipment. Unfavourable weather conditions may cause potential cost overruns and delays in the field data acquisition portion of the seismic data survey, delaying revenue recognition.

Divestco 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.

Other segments of the Company, such as Services, normally exhibit a noticeable reduction in sales from mid-April through to the end of September and a noticeable increase in sales during the fall and winter months when significant drilling and exploration activities are underway in North America. Divestco tries to minimize these fluctuations by performing specific types of contract work appropriate for lower-activity months. Also, the Company's Software and Data segment has recurring revenue through out the year due to its license and subscription sales.

Competition

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

Skilled labour

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

Financing

Divestco may require additional financing in order to implement its business strategy. There is no assurance that financing will be available or, if obtainable it will be on reasonable terms. Unless adequate funds are attainable, Divestco may not be able to take advantage of acquisition opportunities, or otherwise respond to competitive pressures.

Proprietary Protection

Divestco relies on a combination of patent, copyright, trademark and trade secret laws, confidentiality agreements, contractual provisions and other measures to protect its own proprietary information. Management believes that Divestco's proprietary rights are sufficient to carry on its activities as currently contemplated.

Despite Divestco's efforts to protect its proprietary rights, unauthorized parties may or have attempted to copy aspects of its technology or to obtain and use information that Divestco regards as proprietary such as its various oil and gas data sets and its seismic data library. In an effort to protect the Company's seismic data asset, Divestco has initiated actions against companies for breach of license agreement, copyright and duty of confidentiality for unauthorized sharing of its proprietary seismic data with third parties and will continue to enforce its proprietary right using all methods at its disposal.

However, the policing of unauthorized use of any intellectual property and determining the extent of any such piracy is difficult. The laws of some foreign countries do not protect proprietary rights as comprehensively as do the laws of Canada and the Company has not sought protection for its proprietary rights outside Canada except for one U.S. patent. There is no assurance that Divestco's efforts to protect its proprietary rights in Canada will be adequate or that competition will not independently develop similar technology. Divestco may be subject to additional risks if it enters into transactions in countries where intellectual property laws are not well written, poorly enforced, or completely ineffective.

Divestco has no knowledge of infringing any proprietary rights of third parties. However, the Company cannot assure investors that third parties will not assert infringement or misappropriation claims against Divestco in the future, with respect to current or future products, as the number of products and competitors in this industry segment grows and the functionality and products overlap. Any claims, with or without merit, could be time consuming to defend, result in costly litigation fees, divert management's attention and resources, or force Divestco into royalty or licensing agreements that are unacceptable. In the event of a successful claim of infringement against Divestco, the business, operating results and financial stability of Divestco could be materially affected.

Litigation may also be necessary to enforce Divestco's proprietary rights, or to determine the scope and validity of a third party's proprietary rights. There is no assurance that funds would be available to Divestco in the event of such litigation, or that Divestco would prevail in any such action. An adverse outcome in litigation or other proceedings in a court or intellectual property office could subject Divestco to significant liabilities, require disputed rights to be licensed from other parties or require Divestco to cease using certain technology or products, any of which could have an adverse effect on Divestco.

Technological Change

Computer related technologies are changing rapidly. There is no assurance that new technologies will not emerge and supplant those existing technologies on which Divestco has based some of its products. Neither can the Company be certain that it will anticipate technological changes and adapt in time to be competitive. The ability of Divestco to compete successfully will depend to a large extent on its ability to maintain a technically competent research and development group and effectively adapt to technological changes, including the continued compatibility of its products with evolving computer hardware and software environments. There is no assurance that Divestco will be successful in these efforts.

Market Acceptance

The future success of Divestco depends on its ability to address the needs of its potential customer base by developing and introducing products, product updates and services on a timely basis, by adapting the operation of its products to new platforms and by keeping pace with technological developments and emerging industry standards. In order to secure future growth, Divestco must be able to commit substantial resources to developing and marketing new products and services. If markets do not develop, or demand for Divestco's products occurs more slowly than expected, the Company will have expended resources and capital without realizing sufficient revenue, and its business and operating results could be adversely affected.

Control of Shares by Insiders

Directors and officers of Divestco own approximately 41% of the outstanding common shares. As a result, these shareholders, acting together, are able to exercise significant influence over all matters requiring shareholder approval, including the election of directors and approval of fundamental changes to Divestco. This concentration of ownership may have the effect of delaying or preventing a change in control of Divestco, its Board of Directors or management.

Government Regulations and Safety

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

Additional information is available on the Company's website at www.divestco.com and all other previous public filings are available through SEDAR at www.sedar.com.

OVERALL PERFORMANCE

Summary Financial Results (Thousands, Except Per Share Amounts)								
	Three Months Ended December 31				Year Ended December 31			
	2011	2010	*$ Change*	*% Change*	**2011**	2010	*$ Change*	*% Change*
Accounting base	***IFRS***	*IFRS*			***IFRS***	*IFRS*		
Revenue	**$ 11,447**	$ 8,949	*$ 2,498*	*28%*	**$ 40,464**	$ 40,190	*$ 274*	*1%*
Operating Expenses	**8,248**	13,526	*(5,278)*	*-39%*	**34,485**	47,566	*(13,081)*	*-28%*
Other Loss (Income)	**(133)**	10	*(143)*	*N/A*	**(160)**	41,416	*(41,576)*	*N/A*
EBITDA [(1)]	**3,332**	(4,587)	*7,919*	*N/A*	**6,139**	(48,792)	*54,931*	*N/A*
Finance Costs	**252**	724	*(472)*	*-65%*	**759**	3,049	*(2,290)*	*-75%*
Depreciation and Amortization	**3,823**	1,795	*2,028*	*113%*	**9,904**	26,642	*(16,738)*	*-63%*
Income (loss) before income taxes	**(743)**	(7,106)	6,363	N/A	**(4,524)**	(78,483)	73,959	N/A
Income Tax Expense (Benefit)	**25**	(1)	*26*	*N/A*	**86**	(12,921)	*13,007*	*N/A*
Net Loss	**$ (768)**	$ (7,105)	*$ 6,337*	*N/A*	**$ (4,610)**	$ (65,562)	*$ 60,952*	*N/A*
Per Share - Basic and Diluted	**(0.01)**	(0.16)	*0.15*	*N/A*	**(0.08)**	(1.54)	*1.46*	*N/A*
Cash Dividends per Class A Share	**$ -**	$ 0.20	*$ (0.20)*	*-100%*	**$ -**	$ 0.20	*$ (0.20)*	*-100%*
Funds from (used in) Operations [(1)]	**$ 2,908**	$ (3,382)	*$ 6,290*	*N/A*	**$ 5,745**	$ (5,316)	*$ 11,061*	*N/A*
Per Share - Basic and Diluted [(1)]	**0.05**	(0.08)	*N/A*	*N/A*	**0.10**	(0.13)	*N/A*	*N/A*
Class A Shares Outstanding	**66,610**	58,938	*N/A*	*N/A*	**66,610**	58,938	*N/A*	*N/A*
Weighted Average Shares Outstanding Basic and Diluted	**60,575**	44,491	*N/A*	*N/A*	**59,797**	42,601	*N/A*	*N/A*

[(1)] *See the "Non-GAAP Measures" section.*

OVERVIEW OF FINANCIAL AND OPERATIONAL RESULTS

Q4 2011 vs. Q4 2010

During Q4 2011, Divestco generated revenue of $11.4 million compared to $8.9 million in Q4 2010, an increase of $2.5 million (28%) indicative of an over resurgence in the industry. Revenue in the Seismic Data segment increased by $1.9 million (70%) as the Company shot two seismic participation surveys and commenced two additional surveys in Q4 2011. In line with high oil prices, the surveys were shot within areas predominantly prospective for oil. Revenue in the Software and Data segment grew by $0.3 million (11%) due to a large sale in sale in Q4 2011. Revenue in the Services segment improved by $0.3 million (8%) as the demand for seismic processing was stronger.

Operating expenses decreased by $5.3 million (39%) to $8.2 million in Q4 2011 from $13.5 million in Q4 2010. Salaries and wages were down $0.9 million (17%) due to reduced staffing levels. In addition, there was a $1.2 million sublease loss recognized in Q4 2010 which was not repeated in Q4 2011, occupancy costs decreased by $0.6 million (15%) and bad debt expense decreased by $2.4 million (114%) due to a non-recurring large write-off in Q4 2010. Depreciation and amortization increased by $2 million (113%) mainly due to the completion of two seismic participation surveys in Q4 2011.

Divestco significantly reduced its net loss for the fourth quarter of 2011 to $0.8 million ($0.01 per share – basic and diluted) compared to a net loss of $7.1 million ($0.16 per share – basic and diluted) for the same period in 2010. Revenues increased and operating costs decreased, however, depreciation and amortization increased as two new seismic surveys were completed in Q4 2011.

EBITDA was $3.3 million in Q4 2011, a $7.9 million increase from a loss of $4.6 million for the same period in 2010. The Company generated funds from operations of $2.9 million ($0.05 per share – basic and diluted) for the fourth quarter of 2011, compared to funds used in operations of $3.4 million ($0.08 per share – basic and diluted) for the same period in 2010, an increase of $6.3 million.

Operating highlights for Q4 2011 included:

- Reducing operating expenses by $5.3 million (39%)
- Completing a $1 million private placement for working capital and capital expenditure purposes
- Completing two 3D seismic participation surveys covering an area of approximately 251 km^2
- Commencing two 3D seismic participation survey expected to cover an area of approximately 260 km^2

Year ended December 31, 2011 vs. December 31, 2010

During 2011, Divestco generated revenue of $40.5 million, an increase of $0.3 million (1%) from $40.1 million for the same period in 2010. Revenue in the Seismic Data segment increased by $1 million (8%) as the Company shot three seismic participation surveys and commenced two additional surveys in 2011. Offsetting this was a decrease in sales of existing seismic data due to the sale of the Company's seismic assets in Q3 2010. Seismic brokerage revenue was down slightly from 2010. Revenue is the Software and Data segment was flat as a large software sale in 2011 and improved sales in log data were offset by a decrease in support data revenue. Revenue in the Services segment decreased by $0.7 million (4%) as the demand for across all divisions was softer in the first three quarters of 2011. The exception being crown land revenue (land management division) due to higher land sales then in previous years with the record land sales in Alberta.

Operating expenses decreased by $13.1 million (28%) to $34.5 million in 2011 from $47.6 million in 2010. Salaries and wages were down $2.6 million (12%) due to reduced staffing levels partially offset by severance costs. In addition there was a $3.3 million sublease loss recognized in 2010 which was not repeated in 2011, bad debt expense decreased by $5.4 million (104%) due to a large write-off in 2010, stock based compensation expense decreased by $0.5 million (86%) and seismic data storage costs decreased by $0.5 million (100%) due to the sale of the seismic assets.

Divestco realized a net loss for 2011 of $4.6 million ($0.08 per share – basic and diluted) compared to a net loss of $65.6 million ($1.54 per share – basic and diluted) for the same period in 2010. Excluding an accounting loss of $29.5 million ($40.9 million net of tax of $11.4 million) related to the sale of the Company's seismic data assets in 2010, the reduction in net loss year over year of $31.5 million was due to a $13.1 million (28%) decrease in operating expenses, $2.2 million (73%) decrease in finance costs due to a lower debt load and a $16.7 million (63%) decrease in depreciation and amortization due to the sale of the seismic assets. The proceeds from the 2010 sale of the seismic assets were used to retire the Company's debt being its committed revolver, term loans and convertible debentures.

EBITDA was $6 million in 2011, a $54.9 million increase from a loss of $48.8 million in 2010. The loss in 2010 included a $40.9 million accounting loss on the sale of the seismic assets. Excluding the accounting loss and other non-recurring charges totalling $8.6 million related to a sublease loss provision, large bad debt write-off and lawsuit settlement, EBITDA would have been $0.7 million for 2010. The Company generated funds from operations of $5.7 million ($0.10 per share – basic and diluted) for the year ended December 31, 2011, compared funds used in operations of $5.3 million ($0.13 per share – basic and diluted) for the same period in 2010, an increase of $11 million.

Operating highlights for 2011 included:

- Securing a $5 million subordinated bridge loan and completing a $1 million private placement for working capital and capital expenditure purposes
- Completing three seismic participation surveys covering an area of approximately 322 km^2 and acquiring another survey covering an area of approximately 66 km^2 through a data exchange
- Commencing two 3D seismic participation surveys expected to cover an area of approximately 260 km^2
- Surrendering five floors of space in the Company's current office premises for a savings of $4 million expected for 2012 and $5 million thereafter as compared to 2011 occupancy costs

Outlook and Future Operations

To date in 2012, industry activity has shown signs of positive recovery with certain areas of the business at capacity. Work in progress coupled with winter activity commitments from clients point to continued but slow recovery to pre-recession levels. Successful completion of Divestco's 2011 corporate objectives to reduce operating expenses will be fully realized by the Company in 2012. The most significant of these initiate being the surrender of five floors of office space commencing in December 2011. The savings to Divestco for this initiative alone is approximately $29 million in base rent costs until the end of the lease in 2025.

To better align with industry activity, Divestco has adjusted its strategy for the rebuild of its seismic data library. The focus is on oil-rich zones as opposed to natural gas-rich zones due to current commodity prices. In addition, the Company's pre-funding level targets have been set higher on new surveys than they have been in the past due to the capital intensive nature of seismic acquisition.

Divestco's other core business lines continue to optimize efficiencies and maximize their individual strategic advantages. As in previous post recession recovery periods, the Company recognizes the importance in finding and retaining key staff and as a result it has put in place a number of strategic human resource initiatives. Customers continue to be satisfied and overall sales, marketing and support infrastructure, coupled with leveraging technology, remain vital to Divestco's strategic advantage.

Deprecation and Amortization

	Three months ended December 31				Year ended December 31			
(Thousands)	**2011**	2010	$ Change	% Change	**2011**	2010	$ Change	% Change
Depreciation and Amortization	**$ 3,823**	$ 1,795	$ 2,028	113%	**$ 9,904**	$ 26,642	$ (16,738)	-63%

In the fourth quarter of 2011, depreciation and amortization was $3.8 million, compared with $1.8 million in the fourth quarter of 2010, an increase of $2 million (113%). Amortization of deferred development costs decreased by $396,000 (32%) due to certain projects being fully amortized. Amortization of data libraries increased by $2.4 million (2346%) due to the completion of two seismic surveys in Q4 2011 and the sale of the Company's seismic assets in Q3 2010 resulting in little amortization in Q4 2010. Amortization of property and equipment and intangibles decreased slightly due to a reduction in capital expenditures and a significant portion of leaseholds being amortized in the prior quarter.

In 2011, depreciation and amortization was $9.9 million, compared with $26.6 million in 2010, a decrease of $16.7 million (63%). Amortization of data libraries decreased by $17.4 million (82%) due to the sale of the Company's seismic assets in 2010 offset by the subsequent completion of three seismic surveys in 2011. Amortization of deferred development costs increased by $472,000 (53%) due to certain projects being completed and the amortization commencing on these in 2010. Depreciation of property and equipment increased by $280,000 (11%) due to $1.3 million in depreciation recorded in Q4 2011 for leasehold improvements (net of tenant inducements) related to the surrender of leased office space which offset by a decrease in depreciation of computer hardware and software.

Finance Costs

	Three months ended December 31				Year ended December 31			
(Thousands)	**2011**	2010	$ Change	% Change	**2011**	2010	$ Change	% Change
Interest on bank indebtedness and long-term debt obligations	**$ 203**	$ 703	$ (500)	-71%	**$ 593**	$ 2,402	$ (1,809)	-75%
Amortization of deferred finance charges	**38**	-	38	N/A	**102**	572	(470)	-82%
Accretion of sublease loss and equity portion of convertible debentures	**11**	21	(10)	-48%	**64**	75	(11)	-15%
Finance costs	**$ 252**	$ 724	$ (472)	-65%	**$ 759**	$ 3,049	$ (2,290)	-75%

In the fourth quarter of 2011, finance costs were $252,000, compared with $724,000 in the fourth quarter of 2010, a decrease of $472,000 (65%). Interest expense decreased due to lower debt loads being carried by the Company. The deferred finance charges in Q4 2011 are related to the subordinated loan.

In 2011, finance costs were $759,000, compared with $3 million for 2010, a decrease of $2.3 million (75%). Interest expense and amortization of deferred finance charges decreased due to lower debt loads being carried by the Company. There was no accretion of the sublease loss provision for the same period in 2010.

Income Taxes

	Three months ended December 31				Year ended December 31			
(Thousands)	**2011**	2010	$ Change	% Change	**2011**	2010	$ Change	% Change
Current (Recovery)	**25**	(1)	26	N/A	**86**	(113)	199	N/A
Deferred (Reduction)	**-**	-	-	N/A	**-**	(12,808)	12,808	N/A
Income Taxes (Benefit)	**$ 25**	$ (1)	$ 26	N/A	**$ 86**	$ (12,921)	$ 13,007	N/A

In the fourth quarter of 2011, Divestco recorded a current tax expense of $25,000. No deferred tax provision was recorded as the Company has not recognized any benefit associated with its tax pools as it is not probable that the asset will be realized.

In 2011, Divestco recorded a current tax provision of $86,000. No deferred tax provision was recorded as the Company has not recognized any benefit associated with its tax pools as it is not probable that the asset will be realized.

As at December 31, 2011 there were $40 million in Federal and $25 million in Alberta non-capital loss carry-forwards ($2.7 million was assumed through various acquisitions in 2007) which begin to expire in 2027. In addition the Company has $1.7 million in federal scientific research and experimental development investment tax credits to reduce taxes payable in the future which begin to expire in 2029.

Financial Position

Divestco ended 2011 with positive working capital of $0.3 million, excluding deferred revenue $4.6 million (December 31, 2010 - $3.6 million; December 31, 2009 $(6.3) million). The Company’s funded debt to equity ratio at December 31, 2011 was 0.64:1 (2010 - 0.14:1).

SELECTED ANNUAL INFORMATION

Divestco's 2011 annual results reflect an increase in activity and revenue in the Seismic Data segment while Services was down and Software and Data was flat year over year. In Q3 2010, the Company sold it seismic data library and recognized an accounting loss of $40.9 million before taxes. Following the sale, the Company commenced rebuilding its seismic data library. In addition the Company recognized $8.6 million in additional expenses related to a sublease loss provision, large bad debt write-off and lawsuit settlement in 2010. Excluding these items EBITDA would have been $0.7 million for 2010.

	Year Ended December 31		
	2011	2010	2009
Accounting base	***IFRS***	*IFRS*	*CGAAP*
Revenue	**$ 40,464**	$ 40,190	$ 61,976
EBITDA [1]	**6,139**	(48,792)	$ 28,120
Net Loss	**(4,610)**	(65,562)	(6,197)
Net Loss Per Share - Basic and Diluted	**(0.08)**	(1.54)	(0.15)
Cash Dividends per Class A Share	**-**	0.20	-
Funds from (used in) Operations [1]	**5,745**	(5,316)	24,085
Funds from (used in) Operations Per Share - Basic and Diluted [1]	**0.10**	(0.13)	0.57
Class A Shares Outstanding	**66,610**	58,938	41,958
Weighted Average Shares Outstanding - Basic and Diluted	**59,797**	42,601	41,958

	Balance at December 31		
	2011	2010	2009
Accounting base	***IFRS***	*IFRS*	*CGAAP*
Total Assets	**$ 43,761**	$ 34,984	$ 175,923
Working Capital [1][2]	**297**	3,599	(6,250)
Long-Term Financial Liabilities [3]	**8,610**	3,907	30,504

[1] See the "Non-GAAP Measures" section.
[2] Excludes the current portion of deferred revenue of $4.6 million (2010:
[3] Includes long-term debt obligations, deferred rent obligations, sublease loss provision, other long-term liabilities and convertible debentures. The long-term debt obligations are comprised of the Company's subordinated debt, shareholder loans and finance leases.

SELECTED QUARTERLY INFORMATION

	2011				2010			
(Thousands, Except Per Share Amounts)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Accounting base	*IFRS*	*IFRS*	*IFRS*	*IFRS*	*IFRS*	*IFRS*	*IFRS*	*IFRS*
Revenue	**$ 11,447**	$ 9,565	$ 10,637	$ 8,815	$ 8,949	$ 8,516	$ 10,647	$ 12,078
EBITDA [1]	**3,332**	1,721	1,943	(857)	(4,587)	(50,310)	2,420	3,685
Income (loss) before income taxes	**(743)**	251	251	(4,283)	(7,106)	(59,296)	(5,961)	(6,120)
Net Income (Loss)	**(768)**	255	235	(4,332)	(7,105)	(49,685)	(4,561)	(4,211)
Per Share - Basic and Diluted	**(0.01)**	0.00	0.00	(0.07)	(0.15)	(1.18)	(0.11)	(0.10)
Funds from Operations [1]	**2,908**	1,639	2,067	(869)	(3,382)	(6,294)	2,422	1,938
Per Share - Basic and Diluted	**0.05**	0.03	0.03	(0.01)	(0.08)	(0.15)	0.06	0.04

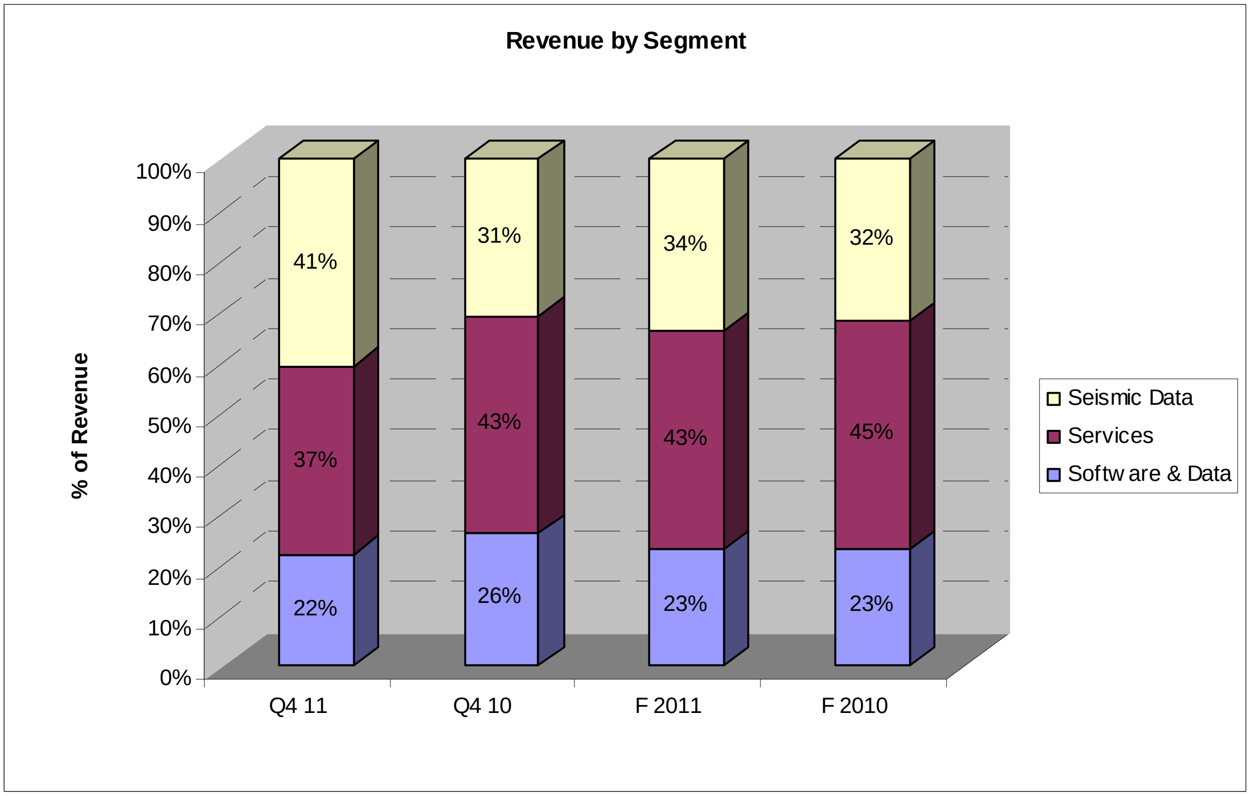
[1] *See the “Non-GAAP Measures” section.*

The variances in the quarterly results illustrated in the table above are a result of divestments made by Divestco and in particular the sale of its seismic data library in Q3 2010. The Company recognized an accounting loss on the sale of $40.9 million (before taxes) and amortization of data libraries decreased significantly since the sale. In Q4 2010, the Company commenced rebuilding its seismic data library and added approximate 389 square kilometres of 3D data in 2011. For the first three quarters of 2011, the Company’s remaining segments continued to feel the effects of the uncertainty in the Canadian oil and gas industry with clients remaining hesitant on certain spending. Activity levels started to improve in Q4 2011 and results are expected to be stronger in 2012 compared to 2011.

The steady improvement in the Company’s financial performance is also due to austerity measures it introduced in 2009 in reaction to negative regional and global market conditions. Salary austerity measures continue to be used to mitigate the effect on earnings during seasonally slow periods. In addition, the Company has reduced its occupancy costs, its largest G&A expense, through shedding unused office space starting in Q1 2011. The Company began to realize the economic benefit of this in Q4 2011 and have significant savings going forward.

The variance in quarterly results is also a factor of seasonality. Typically, the first and fourth quarters are the busiest for the Company when drilling activities are at their peaks in western Canada. As temperatures rise in the spring, the ground thaws and becomes unstable resulting in government road bans which severely restrict activity in the second quarter. These seasonal trends typically lead to quarterly fluctuations in Canadian operating results and working capital requirements, which should be considered in any quarter over quarter analysis of performance of the Company.

RESULTS FOR THE PERIODS BY SEGMENT



For the three months ended December 31, 2011 (Thousands)	**Software & Data**	**Services**	**Seismic Data**	**Corporate & Other**	**Total**
Revenue	**$ 2,566**	**$ 4,195**	**$ 4,686**	**$ -**	**$ 11,447**
Operating Expenses	**1,424**	**3,009**	**720**	**3,095**	**8,248**
Other Loss (Income)	**-**	**-**	**-**	**(133)**	**(133)**
EBITDA [(1)]	**1,142**	**1,186**	**3,966**	**(2,962)**	**3,332**
Finance Costs	**-**	**(1)**	**(1)**	**254**	**252**
Depreciation and Amortization	**706**	**294**	**2,631**	**192**	**3,823**
Income (Loss) Before Income Taxes	**436**	**893**	**1,336**	**(3,408)**	**(743)**
Gain (Loss) on Sale of Intangibles and Property and Equipment	**-**	**-**	**-**	**146**	**146**

For the three months ended December 31, 2010 (Thousands)	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	$ 2,303	$ 3,896	$ 2,750	$ -	$ 8,949
Operating Expenses	1,465	3,803	3,113	5,145	13,526
Other Loss (Income)	-	-	-	10	10
EBITDA [(1)]	838	93	(363)	(5,155)	(4,587)
Finance Costs	-	(1)	(1)	726	724
Depreciation and Amortization	1,251	414	47	83	1,795
Income (Loss) Before Income Taxes	(413)	(320)	(409)	(5,964)	(7,106)
Gain (Loss) on Sale of Intangibles and Property and Equipment	-	-	-	-	-

For the year ended December 31, 2011 (Thousands)	**Software & Data**	**Services**	**Seismic Data**	**Corporate & Other**	**Total**
Revenue	**$ 9,414**	**$ 17,266**	**$ 13,784**	**$ -**	**$ 40,464**
Operating Expenses	**5,873**	**13,646**	**3,133**	**11,833**	**34,485**
Other Loss (Income)	**-**	**-**	**-**	**(160)**	**(160)**
EBITDA [(1)]	**3,541**	**3,620**	**10,651**	**(11,673)**	**6,139**
Finance Costs	**-**	**(3)**	**(6)**	**768**	**759**
Depreciation and Amortization	**3,453**	**1,098**	**3,632**	**1,721**	**9,904**
Income (Loss) Before Income Taxes	**88**	**2,525**	**7,025**	**(14,162)**	**(4,524)**
Gain (Loss) on Sale of Intangibles and Property and Equipment	**-**	**-**	**-**	**146**	**146**

For the year ended December 31, 2010 (Thousands)	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	$ 9,386	$ 18,044	$ 12,760	$ -	$ 40,190
Operating Expenses	6,121	15,797	9,227	16,421	47,566
Other Loss (Income)	-	(90)	41,496	10	41,416
EBITDA [(1)]	3,265	2,337	(37,963)	(16,431)	(48,792)
Finance Costs	-	(1)	(1)	3,051	3,049
Depreciation and Amortization	3,327	1,658	20,940	717	26,642
Income (Loss) Before Income Taxes	(62)	680	(58,902)	(20,199)	(78,483)
Gain (Loss) on Sale of Intangibles and Property and Equipment	-	90	(41,496)	-	(41,406)

[(1)] *See the “Non-GAAP Measures” section.*

SOFTWARE AND DATA

	Three months ended December 31				Year ended December 31			
(Thousands)	2011	2010	$ Change	% Change	2011	2010	$ Change	% Change
Revenue	**$ 2,566**	$ 2,303	$ 263	11%	**$ 9,414**	$ 9,386	$ 28	0%
Operating Expenses	**1,424**	1,465	(41)	-3%	**5,873**	6,121	(248)	-4%
Other Loss (Income)	**-**	-	-	N/A	**-**	-	-	N/A
EBITDA [(1)]	**1,142**	838	304	36%	**3,541**	3,265	276	8%
Depreciation and Amortization	**706**	1,251	(545)	-44%	**3,453**	3,327	126	4%
Income (Loss) Before Income Taxes	**436**	(413)	849	N/A	**88**	(62)	150	N/A

[(1)] *See the "Non-GAAP Measures" section.*

Q4 2011 vs. Q4 2010

Software and Data had revenues of $2.6 million in Q4 2011, compared to $2.3 million in Q4 2010. The increase of $263,000 (11%) was due to an increase in software and log data revenues offset by lower support data revenues. There was a significant GeoCarta sale in Q4 2011 offset by lower software development consulting activities and weaker recurring revenue across geophysical and geological offerings. Support Data experienced cancellations and lower consulting revenue. Log Data continued to see higher digitizing revenue.

In Q4 2011, Software and Data recorded income before taxes of $436,000, compared with loss of $413,000 in the fourth quarter of 2010, an increase of $849,000. EBITDA increased by $304,000 (36%). Operating expenses were $1.4 million in Q4 2011 and Q4 2010. Salaries and benefits decreased by $121,000 (12%) due to lower headcounts offset by higher severance costs while G&A costs increased by $80,000 (21%) due to higher occupancy costs and consulting fees offset by lower bad debt write-offs. Depreciation and amortization decreased by $545,000 (44%) as amortization of deferred development costs decreased by $508,000 (49%) due to some large projects being fully amortized by the end of 2010 while depreciation of property and equipment and intangibles increased by $37,000 (17%).

Year ended December 31, 2011 vs. December 31, 2010

Software and Data had revenues of $9.4 million in 2011 and 2010. Higher software and log data revenues were offset by a decrease in support data revenue. Software licenses sales were relatively flat year over year as each product line except land experienced a decrease in revenue in 2011 compared to 2010 due to cancellations and scale back of seat counts after a major client re-organized its operations. Training centre revenue was also down due in part to a lack of new sales as well as a lack of training centre facilities. Log data had two large digital subscriptions, and increased raster subscription and digitizing revenue due to increased activity. Support data experienced cancellations and lower consulting revenue.

Software and Data recorded income before taxes of $88,000, compared with loss of $62,000 in the fourth quarter of 2010, an increase of $150,000. EBITDA increased by $276,000 (8%). Operating expenses were $5.9 million in 2011 compared to $6.1 million in 2010, a decrease of $248,000 (4%). Salaries and benefits decreased by $656,000 (15%) due to lower head counts while G&A expenses increased by $408,000 due to higher occupancy and royalty costs. Depreciation and amortization decreased by $126,000 (4%) as amortization of deferred development costs increased by $398,000 (18%) due to the completion of projects for which amortization commenced in 2010 while depreciation of property and equipment and intangibles increased by $272,000 (26%).

Outlook

As the market improves, Software and Data continue to pursue a number of solid opportunities with close dates later in 2012. Software product releases slated for end of Q1 2012 will provide further opportunity for product integration and bundling, including the introduction of on-line digital log delivery into the

GeoCarta system. There is also a heavy focus on upgrading the Geophysical software suite and expanding land conversion activities.

The segment is pleased to see the 2011 activity levels in the log data division carrying into 2012. There has also been an increase in opportunities for the support data division beginning in Q4 2011 and carrying into 2012. The division will also benefit from the adoption of newly developed, more efficient data handling processes that have been under development throughout 2011 and will be incorporated into daily operations in the first half of 2012.

SERVICES

	Three months ended December 31				Year ended December 31			
(Thousands)	**2011**	2010	$ Change	% Change	**2011**	2010	$ Change	% Change
Revenue	**$ 4,195**	$ 3,896	$ 299	8%	**$ 17,266**	$ 18,044	$ (778)	-4%
Operating Expenses	**3,009**	3,803	(794)	-21%	**13,646**	15,797	(2,151)	-14%
Other Loss (Income)	**-**	-	-	N/A	**-**	(90)	90	N/A
EBITDA [(1)]	**1,186**	93	1,093	1175%	**3,620**	2,337	1,283	55%
Finance Costs	**(1)**	(1)	-	N/A	**(3)**	(1)	(2)	N/A
Depreciation and Amortization	**294**	414	(120)	-29%	**1,098**	1,658	(560)	-34%
Income (Loss) Before Income Taxes	**893**	(320)	1,213	N/A	**2,525**	680	1,845	271%
Gain (Loss) on Sale of Intangibles and Property and Equipment	**-**	-	-	N/A	**-**	90	(90)	-100%

[(1)] *See the "Non-GAAP Measures" section.*

Q4 2011 vs. Q4 2010

Services had revenues of $4.2 million in Q4 2011, compared to $3.9 million in Q4 2010, an increase of $299,000 (8%). Geomatics revenue increased by $75,000 (8%) compared to Q4 2010 mainly due to a rise in audit services offset by shortfalls in consulting and spatial data/mapping services. Revenue for the processing division increased by $180,000 (10%) due to work related to the Company's seismic data acquisition activities. Land management services division revenue was up $33,000 (3%) due to higher crown land activity from increased land sales in Alberta offset by a decrease in freehold, mineral and telecom services revenue.

Services recorded income before taxes of $893,000, compared with loss of $320,000 in the fourth quarter of 2010, an increase of $1.2 million. EBITDA increased by $1.1 million (1175%). Operating expenses were $3 million in 2011 compared to $3.8 million in 2010, a decrease of $794,000 (21%). Salaries and benefits decreased by $558,000 (22%) due to reduced headcounts offset by severance costs. G&A expenses were also lower, decreasing by 236,000 (22%), mainly due to a decrease in occupancy costs and direct operating expenses for the land management division. Amortization and depreciation decreased by $120,000 (29%) due to a reduction in computer hardware costs.

Year ended December 31, 2011 vs. December 31, 2010

Services had revenues of $17.2 million in Q4 2011, compared to $18 million in Q4 2010, an increase of $778,000 (4%). Geomatics revenue decreased by $208,000 (5%) compared to 2010. Audit revenues were higher than 2010 which was more than offset by decreases in the remaining areas. Consulting projects that either did not occur or were greatly reduced in size contributed to the shortfall. The spatial data/mapping group was down as clients are not requiring the same services they once had due to technology advancements that have put the solutions on their desktops. Processing division revenue decreased by $400,000 (5%) due to some larger projects that were delayed until after the end of 2011. Revenue for the land management services division was up $172,000 (3%) due to an increase in crown land services related to a rise in land sales in Alberta over the comparative period and telecom services due to increases in activity in eastern Canada. These were offset by a decrease in surface and mineral land services. Due to the sale of the business consulting division in March 2010, revenue in Services was lower by $300,000. An accounting gain of $90,000 was realized on the sale.

Services recorded income before taxes of $2.5 million, compared with $680,000 in the fourth quarter of 2010, an increase of $1.8 million. EBITDA increased by $1.3 million (55%). Operating expenses were $13.7 million in 2011 compared to $15.8 million in 2010, a decrease of $2.1 million (14%). Salaries and benefits decreased by $990,000 (10%) due to lower headcounts offset by severance costs in 2011. G&A expenses were also lower, decreasing by $1.2 million (25%) mainly due to a decrease in occupancy costs, bad debts, and the sale of the business consulting division in Q1 2010. Amortization and depreciation decreased by $559,000 (34%) due to a reduction in computer hardware costs.

Outlook

Seismic processing activity levels for 2012 are expected to increase as an earlier trend of previously dormant customers is reversing with these customers becoming active and continuing to bring in new projects. With the division being awarded some large projects, it will require investment in new hardware and software. The new processing software will allow development of new products and services. A large portion of these additional expenditures are expected to be offset by a reduction in overall support costs and higher revenues.

Geomatics will be focusing on international opportunities throughout 2012 through both sales and marketing efforts with the goal of generating leads as the year unfolds. In addition, geographic information system mapping and survey re-construction/validation will be a major focus for Geomatics through 2012 and going forward with various presentations planned for the current year.

For the land management services division (Cavalier Land), sales volumes are expected to rise due to a few key factors. The continued stability of oil prices is expected to lead to increased exploration and production for many clients, and Cavalier is planning to aggressively market and pursue new opportunities in the oil prone areas of the Western Canadian Sedimentary Basin. Cavalier Land continues to focus on growth in the telecommunications and mineral markets. The telecommunications department is encouraged as the federal government has recently changed the regulations to allow new entrants into the market. The telecommunications department is well positioned to aggressively pursue any new entrants to the market. Mineral land services continues to work steadily with the two major oil and gas clients gained in 2011, as well as a number of smaller oil and gas clients. The group also began working in south-eastern Saskatchewan and now has three active clients in the area. In addition, minerals is seeking another major oil and gas client and has a good potential lead that may bring work by Q2 2012.

SEISMIC DATA

	Three months ended December 31				Year ended December 31			
(Thousands)	**2011**	2010	$ Change	% Change	**2011**	2010	$ Change	% Change
Revenue	**$ 4,686**	$ 2,750	$ 1,936	70%	**$ 13,784**	$ 12,760	$ 1,024	8%
Operating Expenses	**720**	3,113	(2,393)	-77%	**3,133**	9,227	(6,094)	-66%
Other Loss (Income)	**-**	-	-	N/A	**-**	41,496	(41,496)	-100%
EBITDA [1]	**3,966**	(363)	4,329	N/A	**10,651**	(37,963)	48,614	N/A
Finance Costs	**(1)**	(1)	-	N/A	**(6)**	(1)	(5)	N/A
Depreciation and Amortization	**2,631**	47	2,584	5498%	**3,632**	20,940	(17,308)	-83%
Income (Loss) Before Income Taxes	**1,336**	(409)	1,745	N/A	**7,025**	(58,902)	65,927	N/A
Gain (Loss) on Sale of Intangibles and Property and Equipment	**-**	-	-	N/A	**-**	(41,496)	41,496	N/A

[1] *See the "Non-GAAP Measures" section.*

Seismic Data Library	Balance as at Dec 31	
	2011	2010
2D in Gross KM	**49**	49
2D in Net KM	**49**	49
3D in Gross KM^2	**389**	-
3D in Net KM^2	**389**	-

Q4 2011 vs. Q4 2010

Seismic Data had revenues of $4.7 million in Q4 2011, compared to $2.8 million in Q4 2010, an increase of $1.9 million (70%). Excluding seismic brokerage revenue, seismic data revenue (includes sales of existing data and participation survey revenue) in Q4 2011 was $3.7 million compared to $1.9 million in Q4 2010, a $1.8 million increase (90%). Sales of existing seismic data decreased by $1.2 million (100%) as the Company sold its seismic data library in Q3 2010 and commenced rebuilding its data library late in 2010. Participation survey revenue was $3.7 million for Q4 2011 compared to $0.7 million for Q4 2010, a $3 million (420%) increase due to the completion of two 3D surveys and commencement of two additional surveys. Brokerage revenue was $989,000 in Q4 2011 compared to $799,000 in Q4 2010. The increase of $190,000 (24%) was due to a large sale during the period.

Seismic data recorded income before taxes of $1.3 million, compared with a loss of $409,000 in the fourth quarter of 2010, an increase of $1.8 million. EBITDA increased by $4.3 million. Operating expenses were $720,000 in 2011 compared to $3.1 million in 2010, a decrease of $2.4 million (77%). Salaries and benefits decreased by $13,000 (3%) while G&A expenses decreased by $2.4 million (91%) mainly due to a decrease in bad debt expense. Amortization of data libraries increased by $2.4 million (100%) as compared to Q4 2010 due to new data being acquired during the current quarter offset by the sale of the seismic assets in Q3 2010.

Year ended December 31, 2011 vs. December 31, 2010

Seismic Data had revenues of $13.8 million in 2011, compared to $12.8 million in 2010, an increase of $1 million (8%). Excluding seismic brokerage revenue, seismic data revenue (includes sales of existing data and participation survey revenue) for 2011 was $10.9 million compared to $9.8 million in for the same period in 2010, a $1.1 million increase (11%). Participation survey revenue increased by $9.8 million (960%) due to the completion of three 3D surveys during 2011 and the commencement of two additional 3D surveys in Q4 2011. Sales of existing seismic data decreased by $8.7 million (99%) as a result of the sale of the Company's seismic data library in Q3 2010. Brokerage revenue was $2.9 million during 2011 compared to $3 million for 2010. The decrease of $86,000 (3%) was due to an increase in brokered data sales more than offset by a decrease in data management contracts.

Seismic data recorded income before taxes of $7 million, compared with a loss of $58.9 million in 2010, an increase of $65.9 million. EBITDA increased by $48.6 million. Included in income before taxes and EBITDA for 2010 was a loss of $40.9 million from the divestiture of the Company's seismic data library. Excluding the accounting loss, the loss before taxes in 2010 would have been $18 million and EBITDA would have been a positive $2.9 million. Operating expenses were $3.1 million in 2011 compared to $9.2 million in 2010, a decrease of $6.1 million (66%). Salaries and benefits decreased by $271,000 (2%) while G&A expenses decreased by $5.8 million (79%) mainly due to a large bad debt provision recorded in 2010. Amortization decreased by $17.3 million (83%) in 2011 as compared to 2010 due to the sale of the seismic data assets in the previous year.

Outlook

Divestco commenced the rebuild of its seismic data library in Q4 2010, adding 49 kilometres of 2D and 389 square kilometres of 3D seismic by the end of 2011 subsequent to the divestiture of its seismic data assets in Q3 2010. In Q4 2011, the Company commenced two more 3D surveys, Brazeau and Big Valley, which were completed in Q1 2012 covering an area of approximately 260 square kilometers. In Q1 2012, Divestco commenced its Ante Creek survey which is expected to be completed early in Q2 2012 and cover approximately 120 square kilometers.

CORPORATE AND OTHER

	Three months ended December 31				Year ended December 31			
(Thousands)	**2011**	2010	$ Change	% Change	**2011**	2010	$ Change	% Change
Revenue	**$ -**	$ -	$ -	N/A	**$ -**	$ -	$ -	N/A
Operating Expenses	**3,095**	5,145	(2,050)	-40%	**11,833**	16,421	(4,588)	-28%
Other Loss (Income)	**(133)**	10	(143)	N/A	**(160)**	10	(170)	N/A
EBITDA [(1)]	**(2,962)**	(5,155)	2,193	N/A	**(11,673)**	(16,431)	4,758	N/A
Finance Costs	**254**	726	(472)	-65%	**768**	3,051	(2,283)	-75%
Depreciation and Amortization	**192**	83	109	131%	**1,721**	717	1,004	140%
Income (Loss) Before Income Taxes	**(3,408)**	(5,964)	2,556	N/A	**(14,162)**	(20,199)	6,037	N/A
Gain (Loss) on Sale of Intangibles and Property and Equipment	**146**	-	146	N/A	**146**	-	146	N/A

[(1)] *See the "Non-GAAP Measures" section.*

Q4 2011 vs. Q4 2010

Loss before income taxes in Q4 2011 was $3.4 million, compared to $5.2 million in Q4 2010, a decrease of $2.6 million. EBITDA increased by $2.2 million. Salaries and benefits decreased by $208,000 (20%) mainly due to reduced headcounts. G&A expenses decreased by $1.5 million (34%) mainly due to a sublease loss provision of $1.2 million that was recognized in Q4 2010, offset by a reduction in occupancy costs, charges and fees and the general bad debt provision. This was offset by real estate commissions incurred in Q4 2011 to surrender excess office space. Interest expense decreased by $471,000 (65%) as the Company repaid a significant portion of its debt in Q3 2010 with its seismic sale proceeds. Amortization increased by $112,000 (17%) due to leasehold improvements.

Year ended December 31, 2011 vs. December 31, 2010

Loss before income taxes in 2011 was $14.2 million, compared to $20.2 million in 2010, a decrease of $6 million. EBITDA increased by $4.8 million. Salaries and benefits decreased by $682,000 (15%) mainly due reduced headcounts offset by higher severance costs. G&A expenses decreased by $3.5 million (27%) mainly due to sublease loss provision recognized in 2010 offset by an increase in occupancy costs in 2011 due to the Company paying rent on multiple office premises. The double rent payments ceased in August 2011. Interest expense decreased by $2.2 million (75%) as the Company significantly reduced its debt 2010 with the proceeds from the sale of its seismic data library. Amortization increased by $1 million (142%) mainly due to a net impairment recorded on leasehold improvements related to the leases surrendered by the Company on five floors of office space in its new premises.

Outlook

Divestco continues to reduce its corporate overhead costs. In 2011, the Company finalized two agreements whereby the lease of five floors of space in its current office premises were assumed by another company. Combined, this will save the Company approximately $4 million in 2012 and $5 million going forward until the lease expires in 2025.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Financial Position	Balance at December 31	
(Thousands, except as otherwise indicated)	2011	2010
Working Capital [(1)]		
Current Assets	**$ 16,242**	$ 15,994
Current Liabilities [(2)]	**15,945**	12,395
Working Capital [(1)]	**$ 297**	$ 3,599
Funded Debt to Equity [(1)]		
Funded Debt [(3)]	**$ 9,434**	$ 2,606
Shareholders' Equity [(4)]	**14,711**	18,070
Funded Debt to Equity Ratio [(1)(5)]	**0.64**	0.14

(1) See the “Non-GAAP Measures” section.
(2) Excludes deferred revenue of $4.6 million (2010 - $2.7 million)
(3) Includes bank indebtedness (operating line), shareholder and subordinated loans, and finance leases for both current and long-term portions
(4) Includes equity instruments, contributed surplus and deficit
(5) Funded debt divided by shareholders' equity

LIQUIDITY

As of December 31, 2011, Divestco’s main sources of liquidity included:

- working capital of $297,000, excluding deferred revenue of $4.6 million; and
- a $5 million revolving operating loan facility, $1.3 million which was available, and $3.7 million drawn at December 31, 2011

Management believes that the Company’s working capital, cash generated from operations and operating line will provide some of the capital to fund to continue to operate in the short-term. In the medium to long-tem, additional financing may be required to meet the Company’s planned growth. This could comprise additional debt, equity or a combination thereof.

Management also believes that the ongoing cash generated from operations will be sufficient to allow it to meet ongoing requirements for working capital, maintenance costs, administrative expenses, and finance costs. The Company’s funds from operations will be dependent upon future financial performance, which in turn will be subject to financial, business and other risk factors, including elements beyond the Company’s control. Management also believes that, dependent on capital market conditions, the Company has the ability to raise additional debt or equity through the issuance of additional shares, if required.

Divestco is in continuous negotiations with its lenders and potential lenders to ensure that the Company’s credit facilities combined with its working capital and funds from operations will be sufficient in the short-term and long-term to meet planned growth and to fund future capital expenditures. Furthermore, Divestco has implemented significant cost-cutting measures which included surrendering a significant portion of its office space lease in 2011 and utilizing salary austerity measures during seasonally slow periods. In addition the Company evaluates all material capital expenditures before commencement to ensure they meet appropriate funding levels, mainly seismic participation surveys. The Company may also continue to dispose of non-core assets (which could result in an accounting gain or loss).

The Company is required to meet certain debt covenants in 2012 as described in the “Financial Instruments” section. At December 31, 2011, the Company was not in violation of its debt covenants. However, based on projections and assumptions, the Company anticipates violating the working capital covenant in its revolving operating loan and subordinated bridge loan during 2012. If the covenant is breached and the lenders demand payment on the outstanding balances, the Company's 2012 contractual obligations under the loan facilities will increase by approximately $5.6 million. In addition, the Company has $5.7 million in operating lease, finance lease and subordinated loan commitments in 2012. In aggregate, this exceeds the Company's projected 2012 cash flow from operating activities net of seismic participation revenue. The Company is in discussions with the lenders to obtain a waiver as at and for the three months ended March 31, 2012 and to amend the covenant going forward.

Working capital

As at December 31, 2011, Divestco had working capital of $297,000 (excluding deferred revenue of $4.6 million) compared to $3.6 million (excluding deferred revenue of $2.7 million) as at December 31, 2010. The decrease in working capital from 2010 was mainly due to the funds required for the build-out of the Company's new office premises (net of tenant inducements), covering double-rent costs and a portion of the long-term debt obligations becoming current.

Current assets increased by $248,000 (2%). Assets held for sale increased by $2.5 million while cash decreased by $2.1 million (58%). Current liabilities increased by $3.6 million (29%) excluding deferred revenue. In 2011, the Company drew $1.7 million on its operating line to cover the build-out of its new office premises (net of tenant inducements), double-rent costs and real-estate commissions. Accounts payable increased by $2.4 million (29%) due to new seismic surveys being shot. The current portion of long-term debt obligations increased by $775,000 (211%) due to the subordinated bridge loan secured in May 2011 offset by finance lease payments. The current portion of the sublease loss liability decreased by $1.4 million (82%) decrease in due to payments made during the year.

While Divestco focuses on the collection of its receivables, especially older accounts, the Company records an allowance for doubtful accounts of 20% of balances over 120 days old. There are instances where legal action may be required to collect an overdue account which could further delay a possible settlement.

Funded Debt to Equity

At December 31, 2011, Divestco had a funded debt to equity ratio of 0.66:1. The Company's practice is to utilize an appropriate mix of debt and equity to finance its maintenance capital expenditures and growth initiatives. Consistent with the year ended December 31, 2010, the strategy of the Board of Directors and management is to operate the Company with the lowest possible debt load in reaction to the poor economic conditions in 2009 and 2010. This is to ensure adequate financial flexibility to meet the financial obligations, both current and long-term and as part of Company's effort to maintain a healthy statement of financial position. The Company's strategy is to maintain a funded debt to equity ratio of less than 1:1.

Contractual Obligations

Below is a summary of Divestco's contractual obligations including principal and interest payments due for each of the next five years and thereafter:

(Thousands)	2012	2013	2014-2016	Thereafter	Total
Operating Line	$ 3,700	$ -	$ -	$ -	**$ 3,700**
Debt [(1)]	1,671	2,847	2,119	-	**6,637**
Finance Leases	184	96	105	-	**385**
Operating Leases [(2)]	4,450	3,567	11,573	38,710	**58,300**
Other Obligations [(3)]	356	456	1,037	1,124	**2,973**
Total Contractual Obligations	**$ 10,361**	**$ 6,966**	**$ 14,834**	**$ 39,834**	**$ 71,995**

(1) Includes subordinated and shareholder loans
(2) See "Off Balance Sheet Arrangements" section
(3) Includes deferred rent obligations, sublease loss liability and other long-term liabilities (deferred financing fees)

SELECTED CASH FLOW ITEMS

(Thousands)	Year Ended Dec 31 2011	2010
Operating Activities		
Funds from (used in) Operations [1]	**$ 5,745**	$ (5,316)
Changes in Non-Cash Working Capital Balances	**(411)**	11,112
Changes in Long-Term Prepaid Expense	**-**	238
Interest Paid	**(593)**	(2,403)
Income Taxes Refunded	**352**	12
Cash Flows From Operating Activities	**5,093**	3,643
Financing Activities		
Bank Indebtedness	**1,650**	2,050
Long-Term Debt Obligations	**5,094**	(30,896)
Issue of Common Shares (Net of Related Costs)	**1,093**	4,180
Dividends paid	**-**	(8,623)
Other - Net	**(153)**	(50)
Cash Flows From (Used in) Financing Activities	**7,684**	(33,339)
Investing Activities		
Additions to intangible assets	**(9,012)**	(2,196)
Participation Surveys in Progress	**(3,855)**	933
Additions to Property, Plant and Equipment	**(5,907)**	(1,760)
Additions to Tenant Inducements	**3,596**	-
Lease Incentive	**1,000**	-
Payments Towards Sublease Loss Provision	**(922)**	-
Investment in Affiliates	**(29)**	-
Proceeds on Sale of Data Libraries	**-**	54,434
Proceeds on Sale of Property and Equipment	**-**	93
Deferred Development Costs	**(2,475)**	(2,695)
Changes in Non-Cash Working Capital Balances	**2,678**	(16,185)
Cash Flows From (Used in) Investing Activities	**(14,926)**	32,624
Change in Cash	**$ (2,149)**	$ 2,928

[1] *See the "Non-GAAP Measures" section.*

Operating Activities

In Q4 2011, funds from operations were $2.9 million ($0.05/share (basic and diluted)), compared with funds used in operations of $3.4 million ($0.08/share (basic and diluted) in Q4 2010. The increase of $6.3 million was mainly due to an increase in revenue and a reduction of operating expenses.

For 2011, funds from operations were $5.7 million ($0.10/share (basic and diluted)) compared to funds used in operations $5.3 million ($0.13/share (basic and diluted)) for 2010. The increase of $11 million was mainly due to a decrease in operating expenses.

Financing Activities

In Q4 2011, the Company drew $600,000 on its revolving credit facility and $1.7 million in 2011. The funds were used for capital expenditures and working capital purposes.

In Q2 2011, the Company secured a $5 million subordinate bridge loan with $2 million of the loan proceeds being provided by two directors in accordance with a condition of the financing. The proceeds were used towards leasehold improvements in the Company's new office premises.

In October 2011, the Company received an aggregate $500,000 in unsecured loans from two of the Company's directors. The proceeds were used for capital expenditures.

In January 2011, the Company closed a private placement for gross proceeds of $100,000. In December 2011, the Company closed a private placement for gross proceeds of $1 million. The funds were used for capital expenditures and working capital purposes.

Investing Activities

During Q4 2011, Divestco acquired $345,000 of computer hardware and spent $438,000 towards the purchase of new seismic processing software and consulting fees for the re-write of a commercial software product. A further $5.3 million was spent to complete two 3D seismic surveys covering an area of approximately 251 km^2 and commence two additional surveys which were completed in Q1 2012 covering an area of approximately 260 km^2.

During 2011, Divestco acquired $5.9 million of property and equipment mainly related to the build-out costs for the Company's new office space and computer hardware (excluding $235,000 in equipment acquired under finance leases). The Company spent $654,000 towards the purchase of new seismic processing software and consulting fees for the re-write of a commercial software product. The Company received $3.6 million in tenant inducements and a lease incentive of $1 million in exchange for surrendering the lease of three floors of office space to a new tenant. In addition, the Company spent $8.4 million to complete three seismic surveys covering an area of approximately 320 km^2 and $3.9 million towards a new 3D survey covering an area of approximately 200 km^2 which was completed in Q1 2012. The Company also signed an agreement in Q4 2010 whereby in exchange for a license to the seismic survey it completed in Q1 2011, it obtained the ownership rights to an existing 3D survey covering an area of approximately 66 km^2. No revenue or costs were recognized as the net cash paid/received was zero.

FINANCIAL INSTRUMENTS

Operating Line

The Company has a $5 million revolving operating loan facility with advances being limited to the lesser of the maximum principal of the facility and the aggregate of 75% of accounts receivable of the Company excluding certain accounts that are outstanding for more than 90 days. The facility consists of a prime-based loan, letters of credit (to an aggregate maximum of $500,000) and corporate MasterCard (to a maximum of $150,000). The interest rate on this facility is Prime + 2.50% per annum with a non-refundable facility fee of 0.75% per annum being charged on the unused portion of the facility. As at December 31, 2011, $3.7 million (December 31, 2010: $2.1 million) was drawn on the facility with $1.3 million of availability (December 31, 2010: $2.9 million). The facility is presented as bank indebtedness in the consolidated statements of financial position.

The facility is subject to the Company meeting certain debt covenants as follows: current ratio cannot fall below 1.00:1 for Q4 2011 and 1.25:1 thereafter; and debt service coverage ratio cannot fall below 2.25:1 on a trailing 12-month basis. The current ratio is current assets divided by current liabilities (excluding deferred revenue). Debt service coverage is the ratio of EBITDA to finance charges and scheduled principal payments in respect of funded debt plus all dividends declared. EBITDA is net income (loss) plus finance charges, income taxes, deprecation and amortization. As at December 31, 2011, the Company was not in violation of any of its debt covenants.

Subordinated Debt

On May 4, 2011, the Company secured a $5 million subordinate bridge loan with $2 million of the loan proceeds being provided by two of the Company's directors in accordance with a condition of the financing. The interest rate on this facility is 12% per annum. Payments were interest only until January 2012. On November 1, 2011, the loan agreement was amended to postpone the director's portion of the principal payments effective January 1, 2012 until the remainder of the loan is repaid. On January 1, 2012, the primary lender commenced receiving their pro-rata share of the monthly principal payments being $90,000. The loan has a maturity date of April 30, 2013 with a balloon payment of $1.6 million due at that time. On May 1, 2013, the directors will commence receiving their pro-rata share of the principal payments being $60,000. The loan will be repaid in full by December 31, 2014. As at December 31, 2011, the face value of loan was $5 million.

The loan is subject to the Company meeting certain debt covenants as follows: current ratio cannot fall below 1.00:1 for Q4 2011 and 1.25:1 thereafter; and debt service coverage ratio cannot fall below 2.25:1. The current ratio is current assets divided by current liabilities (excluding deferred revenue). Debt service coverage is the ratio of EBITDA to finance charges and scheduled principal payments in respect of funded debt plus all dividends declared. EBITDA is net income (loss) plus finance charges, income taxes, deprecation and amortization. As at December 31, 2011, the Company was not in violation of any of its debt covenants.

Unsecured loans from shareholders

On October 26, 2011, the Company received an aggregate $500,000 in unsecured loans from two of the Company's directors. The loans bearing interest of 10% per annum, interest only payments until December 2012 and monthly principal payments of $12,681 commencing in January 2013.

Finance leases

As at December 31, 2012, equipment under finance lease is computer hardware and office equipment. Interest rates are fixed and range between 1.8 to 12.4% and expire between 2012 and 2016.

OFF-BALANCE SHEET ARRANGEMENTS

On May 1, 2010, the Company's commenced a lease for new office space with a term of 15 years. Excluding subleases, the monthly commitment was approximately $613,000 including operating costs for 2011 and is $325,000 for 2012. The annual square foot rate increases in years 3, 6, 9, 11 and 14. A portion of the space is subleased on a month to month basis. Sublease payments of $77,000 are expected to be received during 2012. The Company also leases approximately 9,500 square feet of office space in another location which will increase to 15,000 square feet in May 2012. The monthly commitment was approximately $34,000 including operating costs for 2011 and $60,000 for 2012.

In March 2011, the Company finalized an agreement whereby a new tenant assumed the lease for two floors. The assumed lease commenced on April 1, 2011 and included an eight month rent-free period and additional tenant inducements matching then current inducement rates. There is also rent shortfall of approximately $1.7 million, and no recovery of leasehold improvements (net of tenant inducements) and real estate commissions. The commitments reflect the surrender of these floors.

In October 2011, the Company finalized an agreement whereby a new tenant assumed the lease for three additional floors of office space. The assumed lease commences on January 1 and February 1, 2012 respectively for two floors and January 1, 2013 for the third floor. The agreement also includes an additional cash incentive payable to the Company of $1 million. Except for real estate commissions and a portion of tenant improvements, the agreement represents full cost recovery to the Company. The commitments reflect the surrender of these floors.

The aggregate savings to the Company for the five surrendered floors will be approximately $4 million annually in 2012 and $5 million annually after 2012.

CONTINGENCIES

The Company is party to various legal actions arising in the normal course of business. Matters that are probable of an unfavorable outcome to the Company and that can be reasonably estimated are accrued. The Company's estimates of the outcomes of such matters are based on information known and its experience in contesting, litigating and settling similar matters. Except as discussed below, none of the actions are believed by management to involve future amounts that would be material to the Company's financial position or results of operations after consideration of recorded accruals. However, actual amounts could differ materially from management's estimate.

In September 2010, the Company disposed its seismic data library and commenced building another proprietary seismic data library. The Company retained the right to litigate and retain in whole or in part the proceeds of past breaches with respect to certain of the disposed seismic assets. The Company relies on a combination of patent, copyright, trademark and trade secret laws, confidentiality agreements, contractual provisions and other measures to protect its own proprietary information. Despite the Company's efforts to protect its proprietary rights, unauthorized parties may or have attempted to copy aspects of its technology or to obtain and use information that the Company regards as proprietary such as its current and past seismic data library. In an effort to protect the Company's seismic data assets both past and present, the Company has commenced legal action against companies for breaches of its license agreement, copyright and duty of confidentiality for unauthorized sharing of its proprietary seismic data with third parties and will continue to enforce its proprietary rights using all methods at its disposal. These actions could have a material financial impact to the Company. Given the nuances, it is difficult to estimate the timing or quantify the potential financial impact of any legal action commenced or contemplated.

OUTSTANDING SHARE DATA

Divestco's Class A common shares are listed on the TSX-V and trade under the symbol DVT. The Company is authorized to issue an unlimited number of voting Class A common shares.

The following table summarizes the Company's outstanding equity instruments:

	Balance as at		
(Thousands)	**Apr 11, 2012**	**Dec 31, 2011**	**Dec 31, 2010**
Class A shares			
Outstanding	66,615	**66,610**	58,938
Weighted Average Outstanding			
Basic and diluted - YTD [(1)]		**60,575**	42,601
Basic and diluted - QTR [(1)]		**59,797**	44,491
Stock Options			
Outstanding	3,006	**3,030**	907
Exercise Price Range	$0.17 to $3.52	**$0.17 to $3.68**	$0.68 to $6.10
Performance Share Units			
Outstanding	-	**-**	-
Share Purchase Warrants			
Outstanding	16,280	**16,280**	15,825
Exercise Price	$0.32	**$0.32**	$0.32

(1) In computing diluted net loss per share, no shares were added for year ended December 31, 2011 (2010 – nil) to the weighted average number of Class A Shares outstanding. As there was a net loss for 2011 and 2010, the options and warrants were anti-dilutive in addition to being out of the money.

Private Placements

On January 10, 2011, the Company closed a private placement whereby it sold 454,546 Units at a price of $0.22 per Unit for gross proceeds of $100,000. Each Unit was comprised of one Class A share of Divestco (the “Share”) and one non-transferable share purchase warrant (the “Warrant”). Each Warrant entitles the holder to purchase one Share on or before December 31, 2012 at an exercise price of $0.32 per Share. The shares and the warrants, and any shares issued on exercise of the warrants were subject to a hold period under applicable Canadian securities laws and polices of the TSX-V.

On December 22, 2011, the Company closed a private placement whereby it sold 6,666,667 Class A Shares at a price of $0.15 per share for total gross proceeds of $1 million. The Class A Shares are subject to a hold period under applicable Canadian securities laws and polices of the TSX-V. The entire private placement was subscribed for by three of the Company’s directors.

Long Service Awards

On May 1, 2011, the Company adopted a plan whereby 5 and 10-year service awards (“Service Awards”) are issued to employees in the form of Class A shares issued from treasury. The value for a 5-year award is $750 and $1,250 for a 10-year award. The number of shares issued is based on the closing price on the last trading day prior to the issuance of the Service Award. Service Awards are issued at the end of the month in which the employee has their 5 or 10-year anniversary. During 2011, 309,763 shares were issued. From January 1, 2012 to April 11, 2012, 4,688 shares were issued.

Employee Stock Purchase Plan

The Company’s employee stock ownership plan (“ESOP”) allows each employee to contribute up to 25% of their regular salary towards the purchase of Divestco shares. The Company matches the employee’s contribution through a combination of cash and Class A shares issued from treasury up to 4.5% of their monthly regular salary to a maximum of $450 per month. All cash contributions are used to purchase Class A common shares through the facilities of the TSX-V and all shares contributions are issued from treasury. The value of the Company’s contribution is included in salaries and benefits in the consolidated statements of loss and comprehensive loss. During 2011, 131,366 shares were issued. From January 1, 2012 to April 11, 2012, no shares were issued as the contributions were all in cash.

Stock Options

As at December 31, 2011, there were 6,661,000 Class A common shares reserved for grants of stock options combined with all other forms of stock-based compensation.

During 2011:
- 2,585,000 options were granted at an excise price of $0.17 including 1,650,000 to Directors and Officers
- 461,988 options were forfeited with exercise prices ranging from $0.68 to $6.10

From January 1, 2012 to April 11, 2012:
- 100,000 options were granted with an exercise price of $0.17
- 124,090 options were forfeited with exercise prices ranging from $0.17 to $3.68.

Performance share units

On May 19, 2011, the Company’s shareholders approved the establishment of a Performance Share Unit (“PSU”) Plan (the “PSU Plan”). Each PSU awarded conditionally entitles the eligible unit holder to the delivery of one Class A common share of the Company upon attainment of the PSUs non-market performance vesting conditions approved by Board of Directors. As the Company will settle these obligations with Class A common shares, it has classified these awards as equity in the consolidated statement of financial position. These PSUs vest if the performance conditions for the current fiscal year are met.

The aggregate number of Class A common shares reserved for issuance upon the vesting of all PSUs granted under the PSU plan will not exceed 1,188,000, being 2% of the issued and outstanding Class A common shares of the Corporation as of April 13, 2011, the date of Board approval of the Plan. For any one insider a maximum of 594,000 Class A common shares, being 1% of the issued and outstanding Class A common shares of the Corporation as of the date the plan was approved by the Board. Compensation expense related to the PSUs will be accrued over the term of the performance period based on the expected total compensation to be paid out at the end of the performance period.

In 2011, 900,000 PSUs were granted, 880,000 PSU's were forfeited and 20,000 PSUs vested (related Class A shares are expected to be issued by April 30, 2012). Based on the share price on the date of grant and the PSU's that vested, $3,100 was recorded in share-based payments in 2011. There were no PSU's outstanding at December 31, 2011. The Company plans to issue additional PSUs in 2012.

RELATED PARTY TRANSACTIONS

Loans from directors

Unsecured loans from two directors obtained during the year amounted to $500,000. The loans bear interest of 10% per annum and payments are interest only payments until December 2013. Monthly principal payments of $12,681 commence in January 2013. The proceeds were used for capital expenditures.

In 2011 the Company secured a $5 million subordinate bridge loan with $2 million of the loan proceeds being provided by two directors in accordance with a condition of the financing.

Key management personnel compensation

In addition to their salaries, the Company also provides non-cash benefits to directors and executive officers. Executive officers also participate in the Company's stock option plan, PSU plan and ESOP.

All executive officers have employment contracts. Upon resignation at the Company's request, they are entitled to termination benefits of up to 18 months' gross salary.

Key management personnel compensation comprised the following:

	For the year ended December 31	
	2011	2010
Salaries, benefits and annual non-equity incentives	**$ 1,291**	$ 2,828
Termination benefits	**373**	720
Share-based payments	**214**	-
	$ 1,878	$ 3,548

Key management personnel and director transactions

Directors and officers of the Company control 41% percent of the voting shares of the Company. A director controls 13% and the CEO, also a director, controls 13%.

A number of key management personnel and Board members, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company during the year. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence were as follows:

			Transaction value for the year ended December 31		Balance outstanding as at December 31	
Name	**Position**	**Transaction**	**2011**	**2010**	**2011**	**2010**
W. Brillon	Director	Consulting fees and commissions[(1)]	198	286	96	147

(1) The Company pays seismic consulting fees to a company controlled by Mr. Brillon for the purposes of acquiring seismic data. The Company also pays this company for providing seismic brokerage services. The contract terms were made on terms equivalent to those that prevail in arm's length transactions.

From time to time directors of the Company, or their related entities, may purchase goods from the Company. These purchases are on the same terms and conditions as those entered into by other Company employees or customers.

ACCOUNTING POLICIES

Adoption of IFRS

The Company has prepared the consolidated financial statements for the year ended December 31, 2011, and the comparative information the year ended December 31, 2010, in accordance with IFRS 1, as issued by the IASB. Previously, the Company prepared its interim and annual consolidated financial statements in accordance with CGAAP. The adoption of IFRS has not had an impact on the Company's operations and strategic decisions.

The Company's IFRS accounting policies are provided in note 4 to the consolidated financial statements for the year ended December 31, 2011. In addition, note 30 to the consolidated financial statements for the year ended December 31, 2011 presents reconciliations between the Company's 2010 results under CGAAP and IFRS. The reconciliations include a consolidated statement of financial position as at January 1, 2010 and December 31, 2010 and consolidated statements of loss and comprehensive loss for the year ended December 31, 2010.

A detailed explanation of the significant differences between and changes to the Company's CGAAP accounting policies and those applied by the Company under IFRS can be found in Note 30 to the Company's consolidated financial statements for the year ended December 31, 2011. IFRS policies have been consistently and retrospectively applied except where specific IFRS 1 optional and mandatory exemptions permitted an alternative treatment upon transition to IFRS for first-time adopters.

NEW IFRS PRONOUNCEMENTS

A number of new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these consolidated financial statements:

Joint Arrangements and Off Balance Sheet Activities

In May 2011, the IASB issued the following new and amended standards:

- IFRS 10, “Consolidated Financial Statements” (“IFRS 10”) replaces IAS 27, “Consolidated and Separate Financial Statements” (“IAS 27”) and Standing Interpretations Committee (“SIC”) 12, “Consolidation – Special Purpose Entities”. IFRS 10 revises the definition of control and focuses on the need to have power and variable returns for control to be present. IFRS 10 provides guidance on participating and protective rights and also addresses the notion of “de facto” control. It also includes guidance related to an investor with decision making rights to determine if it is acting as a principal or agent.

- IFRS 11, “Joint Arrangements” (“IFRS 11”) replaces IAS 31, “Interest in Joint Ventures” (“IAS 31”) and SIC 13, “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”. IFRS 11 defines a joint arrangement as an arrangement where two or more parties have joint control. A joint arrangement is classified as either a “joint operation” or a “joint venture” depending on the facts and circumstances. A joint operation is a joint arrangement where the parties that have joint control have rights to the assets and obligations for the liabilities, related to the arrangement. A joint operator accounts for its share of the assets, liabilities, revenues and expenses of the joint arrangement. A joint venturer has the rights to the net assets of the arrangement and accounts for the arrangement as an investment using the equity method.

- IFRS 12, “Disclosure of Interest in Other Entities” (“IFRS 12”) replaces the disclosure requirements previously included in IAS 27, IAS 31, and IAS 28, “Investments in Associates”. It sets out the extensive disclosure requirements relating to an entity’s interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. An entity is required to disclose information that helps users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements.

- IAS 28, “Investments in Associates and Joint Ventures” has been amended to conform to the changes made in IFRS 10 and IFRS 11.

The above standards are effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted, providing the above standards are adopted concurrently. The Company is currently evaluating the impact of adopting these standards on its financial statements.

Presentation of Items of Other Comprehensive Income

The IASB also issued “Presentation of Items of Other Comprehensive Income”, an amendment to IAS 1 “Financial Statement Presentation”. The amendment addresses the presentation of other comprehensive income and requires the Companying of items within other comprehensive income that might eventually be reclassified to the profit and loss section of the income statement. The change becomes effective for the annual period beginning January 1, 2013 with earlier adoption permitted.

The Company has not completed its evaluation of the effect of adopting these standards on its financial statements.

Fair value measurement

In May 2011, the IASB issued IFRS 13, “Fair Value Measurement” (“IFRS 13”) which provides a consistent and less complex definition of fair value, establishes a single source for determining fair value and introduces consistent requirements for disclosures related to fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and applies prospectively from the beginning of the annual period in which the standard is adopted. Early adoption is permitted. The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 13 has not yet been determined.

Financial instruments

IFRS 9, “Financial instruments” (“IFRS 9”) was issued by the IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. There is currently an exposure draft that proposes the effective date of IFRS 9 to annual periods beginning on after January 1, 2015. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

Revenue recognition

The IASB has issued an exposure draft for a new standard on revenue from customers that would replace IAS 11 “Construction Contracts” and IAS 18 “Revenue and Related Interpretations”. A final standard was expected in the second quarter of 2011; however, given the importance of revenue numbers, in the third quarter of 2011 the IASB decided to re-expose the proposals for a comment period of 120 days.

The new guidance may represent a substantial change from existing IFRS. The original exposure draft proposed a single revenue recognition model in which revenue is recognized when an entity satisfies a performance obligation by transferring a promised good or service to a customer. The proposals also include the withdrawal of the percentage-of-completion method currently used by Divestco to account for its participation survey revenue.

Selection of amortization method

IFRIC received a request to clarify the meaning of the term ‘consumption of the expected future economic benefits embodied in the asset’ in paragraphs 97 and 98 of IAS 38 “Intangible Assets” when determining the appropriate amortization method for intangible assets.

IFRIC noted that the principle in IAS 38 is that an amortization method should reflect the pattern of consumption of the expected future economic benefits and not the pattern of generation of the expected future economic benefits.

In particular, IFRIC noted that amortization methods based on revenue are not an appropriate reflection of the pattern of consumption of the expected future economic benefit embodied in an intangible asset.

IFRIC’s recommendation will be submitted to the IASB for discussion at a future IASB meeting. If these recommendations are accepted by the IASB, they will be included in the exposure draft of proposed Improvements to IFRSs that is expected to be published during 2012. This could affect the way in which the Company amortizes its seismic data library.

CONTROLS AND PROCEDURES

Under National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings (“NI 52-109”), the Company, as a “Venture Issuer” files on an annual basis Form 52-109FV1, the “Certificate of annual filings – venture issuer basic certificate” (the “Annual Form”) which does not include representations relating to the establishment and maintenance of disclosure controls and procedures (“DC&P”) and internal controls over financial reporting (“ICFR”), as defined in NI 52-109. In particular, the certifying officers filing the Annual Form are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and,

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

However, the Company's management, and its certifying officers on the Annual Form are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in that Annual Form. The Annual Form does contain representations which confirms that management has established processes, which are in place to provide the certifying officers with sufficient knowledge to support their written representations that they have exercised reasonable diligence that (i) the audited annual financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim financial statements and that (ii) the audited annual financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the audited financial statements.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Edward L. Molnar [1,2,3]
Stephen Popadynetz
Brent Gough [2,3,4]
Wade Brillon
Bill Tobman [2,3,4]

[1] Chairman of the Board
[2] Member of the Audit Committee
[3] Member of the Compensation Committee
[4] Member of the Corporate Governance Committee

OFFICERS
Stephen Popadynetz – Chief Executive Officer, Chief Financial Officer and President
Steve Sinclair-Smith – Chief Operating Officer
Lonn Hornsby – Senior VP Operations – Divestco Seismic
Danny Chiarastella – VP Finance
Mathew Hepton – VP Software Development

CORPORATE SECRETARY
Faralee A. Chanin

STOCK EXCHANGE LISTING
TSX-V: DVT

REGISTRAR AND TRANSFER AGENT
CIBC Mellon Trust Company

AUDITORS
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LEGAL COUNSEL
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