Divestco

Management's Discussion & Analysis

For the Three Months Ended March 31, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis ("MD&A") is dated May 24, 2012, and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2012 and the audited consolidated financial statements and notes of Divestco Inc. ("Divestco" or the "Company") for the year ended December 31, 2011. 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.

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 include data integrity validation, mapping, database hosting, and advisory support and consultation; seismic processing services which include 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. 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 decisions 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 condensed consolidated interim financial statements for the three months ended March 31, 2012 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 Notes 12 and 13. As at March 31, 2012, the Company was in violation of its working capital covenant in its operating and subordinated loan agreements. Subsequent to March 31, 2012, the lenders provided waivers of the breach as at March 31, 2012. While the lenders have not demanded repayment, $1.7 million of the subordinated loan was reclassified from long-term to current liabilities. The Company has $5.6 million in operating lease, finance lease and subordinated and shareholder loan commitments over the next 12 months. In aggregate, this exceeds the Company’s projected 2012 cash flow from operating activities net of seismic acquisition costs. The Company is in discussions with the lenders 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.

These condensed consolidated interim 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 condensed consolidated interim 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.

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 (loss):

	Three Months Ended Mar 31	
(Thousands)	**2012**	2011
Net Income (Loss)	**$ 2,645**	$ (4,332)
Income Tax Expense	**-**	49
Finance Costs (Income)	**(360)**	37
Depreciation and Amortization	**5,165**	3,389
EBITDA	**$ 7,450**	$ (857)

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 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 from (used in) operating activities:

	Three Months Ended Mar 31	
(Thousands)	**2012**	2011
Cash from Operating Activities	**$ 12,761**	$ (2,246)
Changes in non-cash Working Capital Balances Related to Operating Activities	**(5,147)**	1,464
Interest Paid (Received)	**(407)**	16
Income Taxes Refunded	**-**	(103)
Funds from (used in) Operations	**$ 7,207**	$ (869)

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). 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 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 32% of the Company's accounts receivable as at March 31, 2012, and five customers accounted for 39% of the Company's revenue for three months ended March 31, 2012. 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.

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 throughout 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 March 31			
	2012	2011	*$ Change*	*% Change*
Revenue	**$ 14,466**	$ 8,815	*$ 5,651*	*64%*
Operating Expenses	**7,015**	9,672	*(2,657)*	*-27%*
Other Loss	**1**	-	*1*	*N/A*
EBITDA [(1)]	**7,450**	(857)	*8,307*	*N/A*
Finance Costs (Income)	**(360)**	37	*(397)*	*N/A*
Depreciation and Amortization	**5,165**	3,389	*1,776*	*52%*
Income (Loss) before Income Taxes	**2,645**	(4,283)	6,928	N/A
Income Tax Expense	**-**	49	*(49)*	*-100%*
Net Income (Loss)	**$ 2,645**	$ (4,332)	*$ 6,977*	*N/A*
Per Share - Basic and Diluted	**0.04**	(0.07)	*0.11*	*N/A*
Funds from (used in) Operations [(1)]	**$ 7,207**	$ (869)	*$ 8,076*	*N/A*
Per Share - Basic and Diluted [(1)]	**0.11**	(0.01)	*N/A*	*N/A*
Class A Shares Outstanding	**66,615**	59,393	*N/A*	*N/A*
Weighted Average Shares Outstanding Basic and Diluted	**66,613**	59,344	*N/A*	*N/A*

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

OVERVIEW OF FINANCIAL AND OPERATIONAL RESULTS

Q1 2012 vs. Q1 2011

During Q1 2012, Divestco generated revenue of $14.5 million compared to $8.8 million in Q1 2011, an increase of $5.7 million (64%) indicative of continued improvements in industry activity levels. Revenue in the Seismic Data segment increased by $5.2 million (346%) as the Company completed two seismic participation surveys and commenced an additional survey in Q1 2012. In line with strong oil prices, the surveys were shot within areas predominantly prospective for oil. Revenue in the Software and Data segment decreased by $45,000 (2%) due to a reduction in geophysical software sales in the quarter while support data experienced cancellations and lower land and spatial data revenue offset by log data continuing to see higher scanning and digitizing revenue. Revenue in the Services segment improved by $458,000 (9%) as demand for geomatics and seismic processing was stronger.

Operating expenses decreased by $2.7 million (27%) to $7 million in Q1 2012 from $9.7 million in Q1 2011. Salaries and wages were down $351,000 (7%) due to reduced staffing levels. G&A expenses were down $2.3 million as occupancy costs decreased by $1.9 million (172%) due to double rent costs in Q1 2011, professional fees decreased by $162,000 (208%) and bad debt expense decreased by $145,000 (152%) million (114%). Depreciation and amortization increased by $1.8 million (52%) mainly due to the completion of two seismic participation surveys in Q1 2012.

Divestco had net income of $2.6 million for the first quarter of 2012 ($0.04 per share – basic and diluted) compared to a net loss of $4.3 million ($0.07 per share – basic and diluted) for the same period in 2011. Revenues increased and operating costs decreased, however, depreciation and amortization increased as two new seismic surveys were completed in Q1 2012.

EBITDA was $7.5 million in Q1 2012, an $8.4 million increase from a loss of $857,000 for the same period in 2011. The Company generated funds from operations of $7.2 million ($0.11 per share – basic and diluted) for the first quarter of 2012, compared to funds used in operations of $869,000 ($0.01 per share – basic and diluted) for the same period in 2011, an increase of $8.2 million.

Operating highlights for Q1 2012 included:

- Generated net income of $2.6 million, an improvement of $6.9 million from Q1 2011
- Reduced operating expenses by $2.7 million (27%)
- Completed two 3D seismic participation surveys covering an area of approximately 265 km^2
- Commenced a 3D seismic participation survey expected to cover an area of approximately 114 km^2

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 a 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 initiatives 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. Overall sales, marketing and support infrastructure, coupled with leveraging technology, remain vital to Divestco's strategic advantage

Deprecation and Amortization

	Three months ended March 31			
(Thousands)	2012	2011	$ Change	% Change
Depreciation and Amortization	**$ 5,165**	$ 3,389	$ 1,776	52%

In the first quarter of 2012, depreciation and amortization was $5.2 million, compared with $3.4 million in the first quarter of 2011, an increase of $1.8 million (52%). Amortization of deferred development costs decreased by $337,000 (31%) due to certain projects being fully amortized. Amortization of data libraries increased by $3 million (297%) due to the completion of two seismic surveys in Q1 2012. Amortization of property and equipment and intangibles decreased by $871,000 (69%) due to a reduction in capital expenditures.

Finance Costs (Income)

	Three months ended March 31			
(Thousands)	2012	2011	$ Change	% Change
Interest on bank indebtedness and long-term debt obligations	**$ (407)**	$ 16	$ (423)	N/A
Amortization of deferred finance charges	**37**	-	37	N/A
Accretion of sublease loss	**10**	21	(11)	-52%
Finance costs (income)	**$ (360)**	$ 37	$ (397)	N/A

In the first quarter of 2012, finance income was $360,000, compared with finance costs of $37,000 in the first quarter of 2011, a decrease of $397,000. In Q1 2012, the Company reversed accrued interest of $620,000 on an overdue payable as an agreement was reached with the vendor. Partially offsetting this was an increase in interest due to higher debt loads. The deferred finance charges in Q1 2012 are related to the subordinated loan.

Income Taxes

	Three months ended March 31			
(Thousands)	2012	2011	$ Change	% Change
Current	**-**	49	(49)	-100%

In the first quarter of 2012, Divestco did not record a current tax expense due to the availability of tax pools to offset taxable income. 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 March 31, 2012 there were $33 million in Federal and $19 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

	Balance at Mar 31	Balance at Dec 31	Balance at Dec 31
	2012	2011	2010
Total Assets	**$ 44,683**	$ 43,761	$ 34,984
Working Capital [(1)(2)]	**(4,385)**	297	3,599
Long-Term Financial Liabilities [(3)]	**7,882**	8,610	3,907

(1) See the "Non-GAAP Measures" section.
(2) Excludes the current portion of deferred revenue of $3.6 million (December 31, 2011: $4.6 million; December 31, 2010: $3.9 million)
(3) Includes long-term debt obligations, deferred rent obligations, sublease loss provision and other long-term liabilities. The long-term debt obligations are comprised of the Company's subordinated debt, shareholder loans and finance leases.

Divestco ended Q1 2012 with a working capital deficiency of $4.4 million, excluding deferred revenue $3.6 million (December 31, 2011 - $0.3 million). The decrease was primarily due to seismic expenditures exceeding funding as certain sales transactions expected to close in Q1 2012 are now expected to close during the remainder of 2012. In addition, $1.7 million of the subordinated loan was reclassified from long-term to current liabilities as a result of the debt covenant volitions. The Company's funded debt to equity ratio at March 31, 2012 was 0.56:1 (December 31, 2011 - 0.64:1).

SELECTED QUARTERLY INFORMATION

	2012	2011				2010		
(Thousands, Except Per Share Amounts)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	**$ 14,466**	$ 11,447	$ 9,565	$ 10,637	$ 8,815	$ 8,949	$ 8,516	$ 10,647
EBITDA [(1)]	**7,450**	3,332	1,721	1,943	(857)	(4,587)	(50,310)	2,420
Income (loss) before income taxes	**2,645**	(743)	251	251	(4,283)	(7,106)	(59,296)	(5,961)
Net Income (Loss)	**2,645**	(768)	255	235	(4,332)	(7,105)	(49,685)	(4,561)
Per Share - Basic and Diluted	**0.04**	(0.01)	0.00	0.00	(0.07)	(0.15)	(1.18)	(0.11)
Funds from Operations [(1)]	**7,207**	2,908	1,639	2,067	(869)	(3,382)	(6,294)	2,422
Per Share - Basic and Diluted	**0.11**	0.05	0.03	0.03	(0.01)	(0.08)	(0.15)	0.06

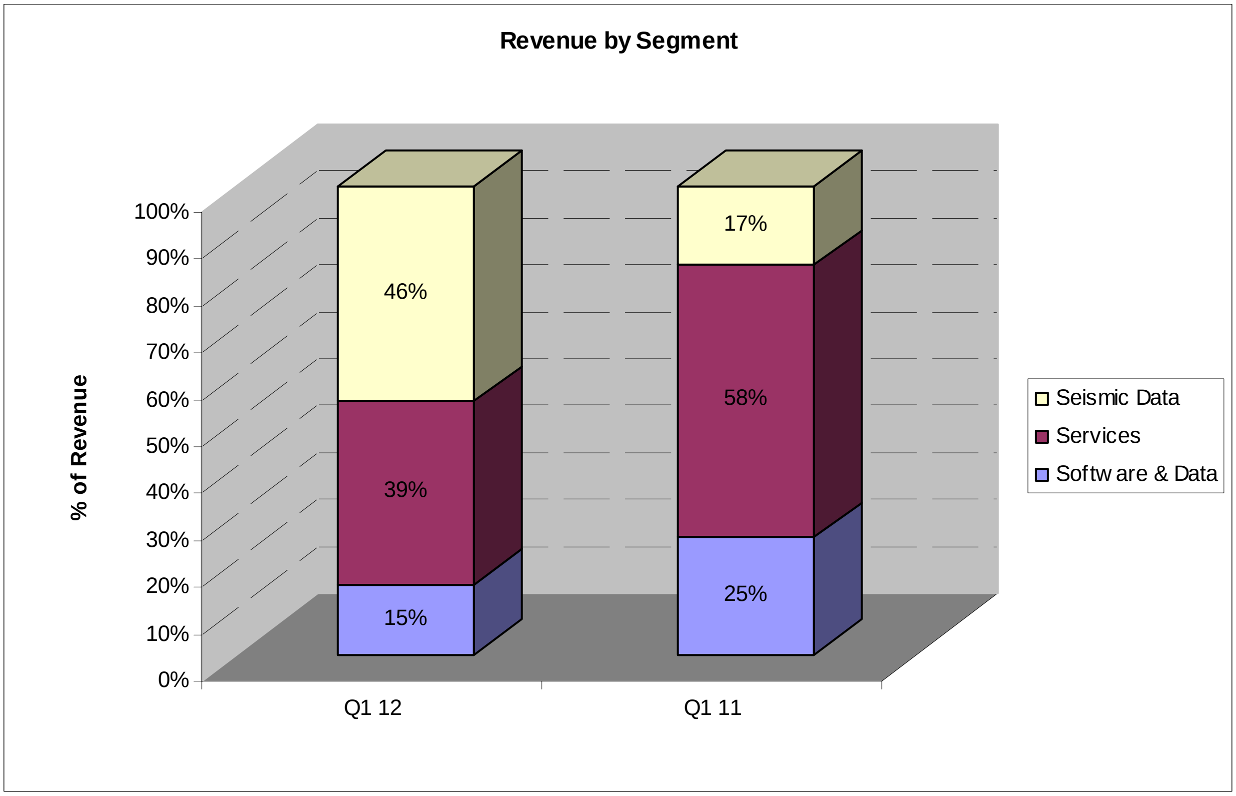
(1) See the "Non-GAAP Measures" section.

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 approximately 389 square kilometers 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 were stronger in Q1 2012. The Company added a further 265 square kilometers of 3D data in Q1 2012 with the completion of two seismic participation surveys.

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 will 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 peak 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 March 31, 2012 (Thousands)	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	**$ 2,132**	**$ 5,584**	**$ 6,750**	**$ -**	**$ 14,466**
Operating Expenses	**1,645**	**3,637**	**761**	**972**	**7,015**
Other Loss (Income)	**-**	**-**	**-**	**1**	**1**
EBITDA [1]	**487**	**1,947**	**5,989**	**(973)**	**7,450**
Finance Costs	**-**	**(1)**	**(4)**	**(355)**	**(360)**
Depreciation and Amortization	**800**	**230**	**3,934**	**201**	**5,165**
Income (Loss) Before Income Taxes	**(313)**	**1,718**	**2,059**	**(819)**	**2,645**

For the three months ended March 31, 2011 (Thousands)	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	$ 2,177	$ 5,126	$ 1,512	$ -	$ 8,815
Operating Expenses	1,407	3,724	945	3,596	9,672
Other Loss (Income)	-	-	-	-	-
EBITDA [1]	770	1,402	567	(3,596)	(857)
Finance Costs	-	(1)	(3)	41	37
Depreciation and Amortization	1,248	400	968	773	3,389
Income (Loss) Before Income Taxes	(478)	1,003	(398)	(4,410)	(4,283)

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

SOFTWARE AND DATA

	Three months ended March 31			
(Thousands)	**2012**	**2011**	**$ Change**	**% Change**
Revenue	**$ 2,132**	$ 2,177	$ (45)	-2%
Operating Expenses	**1,645**	1,407	238	17%
EBITDA [1]	**487**	770	(283)	-37%
Depreciation and Amortization	**800**	1,248	(448)	-36%
Income (Loss) Before Income Taxes	**(313)**	(478)	165	N/A

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

Q1 2012 vs. Q1 2011

Software and Data had revenues of $2.1 million in Q1 2012, compared to $2.2 million in Q1 2011. The decrease of $45,000 (2%) was due to lower software and support data revenues offset by higher log data revenues. The reduction in software revenues was due to a decrease in geophysical software sales in the quarter. Support Data experienced cancellations and lower land and spatial data revenue. Log Data continued to see higher scanning and digitizing revenue.

In Q1 2012, Software and Data recorded a loss before taxes of $313,000, compared with loss of $478,000 in the first quarter of 2011, a decrease in the loss of $165,000. EBITDA decreased by $283,000 (37%). Operating expenses were $1.6 million in Q1 2012 compared to $1.4 million in Q1 2011, an increase of $238,000 (17%). Salaries and benefits decreased by $45,000 (38%) due to lower headcounts while G&A costs increased by $249,000 (56%) due to higher occupancy costs, consulting fees and IT allocations offset by lower bad debt write-offs. Depreciation and amortization decreased by $448,000 (36%) as amortization of deferred development costs decreased by $297,000 (32%) due to some large projects being fully amortized by the end of 2011 while depreciation of property and equipment and intangibles increased by $151,000 (46%).

Outlook

As always, Software and Data proceed with the continuous improvement and evolution of its product lines. Late Q2 2012 will bring the release of the next iteration of the GeoCarta application enabling web-service based delivery of digital logs into the recently released Log Viewer product. In addition, the segment will continue to commit resources to the modernization of the WinPICS geophysical interpretation system.

The segment is also pleased to see consistent activity levels in 2012 along with new opportunities in both the support data and logs division. New data handling processes for the support data division are currently in the testing and quality-assurance phase which when implemented into production will provide efficiencies and quality benefits.

SERVICES

	Three months ended March 31			
(Thousands)	**2012**	**2011**	**$ Change**	**% Change**
Revenue	**$ 5,584**	$ 5,126	$ 458	9%
Operating Expenses	**3,637**	3,724	(87)	-2%
EBITDA [1]	**1,947**	1,402	545	39%
Finance Costs	**(1)**	(1)	-	N/A
Depreciation and Amortization	**230**	400	(170)	-43%
Income (Loss) Before Income Taxes	**1,718**	1,003	715	71%

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

Q1 2012 vs. Q1 2011

Services generated revenues of $5.6 million in Q1 2012, compared to $5.1 million in Q1 2011, an increase of $458,000 (9%). Geomatics revenue increased by $212,000 (16%) compared to Q1 2011 mainly due to a rise in audit services due to a large project awarded to the Company late in 2011. This was offset by shortfalls in consulting and spatial data/mapping services. Revenue for the processing division increased by $773,000 (36%) due to work related to the recent resurgence in industry activity levels, some large projects that were awarded to the division and the Company's seismic data acquisition activities. Land management services division revenue decreased by $535,000 (35%) due to lower surface land work offset by an increase in freehold, mineral and telecom services revenue.

Services recorded income before taxes of $1.7 million, compared to $1 million in the first quarter of 2011, an increase of $715,000 (71%). EBITDA increased by $545,000 (39%). Operating expenses were $3.6 million in Q1 2012 compared to $3.7 million in Q1 2011, a decrease of $87,000 (2%). Salaries and benefits decreased by $177,000 (6%) due to reduced headcounts and lower severance costs. G&A expenses increased by $90,000 (9%), mainly due to an increase in IT allocations offset by a decrease in occupancy costs and direct operating expenses for the land management division. Amortization and depreciation decreased by $170,000 (43%) due to a reduction in computer hardware costs.

Outlook

Seismic processing recently announced the expansion of their in-house seismic data processing and imaging solutions with an agreement to license software technologies from Paradigm™. The addition of the Paradigm seismic data analysis suite will expand the division's offering to include near surface tomographic statics, modern multi component processing and imaging, seismic characterization and interpretation, velocity model building and pre Stack imaging technologies. A large portion of these additional expenditures are expected to be offset by a reduction in overall support costs and higher revenues. Some of the new technologies will be tested and applied to current projects with the expectation of increasing revenue and to correct for historically low level activities during the summer months. Processing is hoping to reap full benefits of the new technologies by the end of 2012.

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 with various presentations planned for the current year. During the first part of Q2 2012 the division completed a very large mapping project for a banking institution client and began preparing a significant bid for an international client.

The land services division continues to be impacted by low natural gas commodity prices. Increased activity in the mineral and telecom departments of the division offset lower activity in surface land. A significant marketing effort to oil-based exploration and production companies is underway and expected to offset the current gas-based client base. The division remains optimistic regarding the remainder of 2012 and its ability to reach budgeted financial targets.

SEISMIC DATA

	Three months ended March 31			
(Thousands)	**2012**	**2011**	**$ Change**	**% Change**
Revenue	**$ 6,750**	$ 1,512	$ 5,238	346%
Operating Expenses	**761**	945	(184)	-19%
EBITDA [(1)]	**5,989**	567	5,422	956%
Finance Costs	**(4)**	(3)	(1)	N/A
Depreciation and Amortization	**3,934**	968	2,966	306%
Income (Loss) Before Income Taxes	**2,059**	(398)	2,457	N/A

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

Seismic Data Library	Balance as at Mar 31	Balance as at Dec 31
	2012	2011
2D in Gross KM	**49**	49
2D in Net KM	**49**	49
3D in Gross KM^2	**654**	389
3D in Net KM^2	**654**	389

Q1 2012 vs. Q1 2011

Seismic Data had revenues of $6.8 million in Q1 2012, compared to $1.5 million in Q1 2011, an increase of $5.2 million (346%). Excluding seismic brokerage revenue, seismic data revenue (includes sales of existing data and participation survey revenue) in Q1 2012 was $6.2 million compared to $0.9 million in Q1 2011, a $5.3 million increase (586%). There were no sales of existing seismic data in Q1 2012 as compared to $0.1 million (100%) in Q1 2011. Participation survey revenue was $6.2 million for Q1 2012 compared to $0.8 million for Q1 2011, a $5.4 million (688%) increase due to the completion of two 3D surveys and commencement of an additional survey in Q1 2012 while a single survey was completed in Q1 2011. Brokerage revenue was $595,000 in Q1 2012 compared to $614,000 in Q1 2011. The decrease of $19,000 (3%) was due to a slowdown in seismic purchases and the delay of some larger deals.

Seismic data recorded income before taxes of $2.1 million, compared with a loss of $0.4 million in the first quarter of 2011 an increase of $2.5 million. EBITDA increased by $5.4 million. Operating expenses were $761,000 in Q1 2012 compared to $945,000 in Q1 2011, a decrease of $184,000 (19%). Salaries and benefits decreased by $27,000 (7%) while G&A expenses decreased by $157,000 (29%) mainly due to a decrease in consulting costs and bad debt expense. Amortization of data libraries increased by $2.9 million (100%) due to more seismic data being acquired during the current quarter.

Outlook

Divestco commenced its Ante Creek survey in Q1 2012 which was completed in May 2012 and covers approximately 120 square kilometers. Presently, the Company has a number of new 3D seismic surveys proposed for the remainder of 2012 and heading into 2013 and is in discussions with potential participants.

CORPORATE AND OTHER

	Three months ended March 31			
(Thousands)	**2012**	**2011**	**$ Change**	**% Change**
Revenue	**$ -**	$ -	$ -	N/A
Operating Expenses	**972**	3,596	(2,624)	-73%
Other Loss (Income)	**1**	-	1	N/A
EBITDA [(1)]	**(973)**	(3,596)	2,623	N/A
Finance Costs	**(355)**	41	(396)	N/A
Depreciation and Amortization	**201**	773	(572)	-74%
Income (Loss) Before Income Taxes	**(819)**	(4,410)	3,591	N/A

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

Q1 2012 vs. Q1 2011

Loss before income taxes in Q1 2012 was $0.8 million, compared to $4.4 million in Q1 2011, a decrease of $3.6 million. Salaries and benefits decreased by $135,000 (13%) mainly due to reduced headcounts. G&A expenses decreased by $2.5 million (99%) mainly due to a reduction in occupancy costs as the Company surrendered four floors office space in its new premises in 2011 in addition to paying rent in its previous office space until August 2011. Interest expense decreased by $396,000 as the Company reversed $620,000 in accrued interest on an overdue payable as agreed to by the vendor. This was offset by higher debt load as compared to 2011. Amortization decreased by $572,000 (74%) due to a net impairment recorded on leasehold improvements in Q1 2011 related to the surrendered office space.

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 annually going forward until the lease expires in 2025.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Financial Position	**Balance at Mar 31**	**Balance at Dec 31**
(Thousands, except as otherwise indicated)	**2012**	2011
Working Capital [(1)]		
Current Assets	**$ 13,207**	$ 16,242
Current Liabilities [(2)]	**17,592**	15,945
Working Capital [(1)]	**$ (4,385)**	$ 297
Funded Debt to Equity Ratio [(1)(5)]		
Funded Debt [(3)]	**$ 9,692**	$ 9,434
Shareholders' Equity [(4)]	**17,398**	14,711
Funded Debt to Equity Ratio [(1)(5)]	**0.56**	0.64

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

(2) Excludes deferred revenue of $3.6 million (December 31, 2011 - $4.6 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 March 31, 2012, Divestco's main sources of liquidity included:

- Funds from operations of $7.2 million for the three months ended March 31, 2012
- a $5 million revolving operating loan facility, $0.7 million which was available, and $4.3 million drawn at March 31, 2012

Management believes that the Company's working capital, funds from operations and operating line will provide some of the capital 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 funds 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 equity through the issuance of additional shares or secure additional debt, 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. As at March 31, 2012, the Company was in violation of its working capital covenants in its operating and subordinated loan agreements. The lenders have provided waivers of the breach as at March 31, 2012. While the lenders have not demanded repayment, $1.7 million of the subordinated loan was reclassified from long-term to current liabilities. The Company has $5.6 million in operating lease, finance lease and subordinated and shareholder loan commitments over the next 12 months. 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 amend the covenant going forward.

Working capital

As at March 31, 2012, Divestco had a working capital deficiency of $4.4 million (excluding deferred revenue of $3.6 million) compared to positive working capital of $0.3 million (excluding deferred revenue of $4.6 million) as at December 31, 2011. The decrease was primarily due to seismic expenditures exceeding funding as a number of sales transactions expected to close in Q1 2012 are now expected to close during the remainder of 2012. In addition, $1.7 million of the subordinated loan was reclassified from long-term to current liabilities during Q1 2012 due to the covenant violation.

Current assets increased by $3 million (19%). Current liabilities increased by $1.6 million (10%) excluding deferred revenue. In Q1 2012, the Company drew $0.6 million on its operating line to cover operating costs. Accounts payable decreased by $0.5 million (5%) due to payments made offset by costs related to new seismic surveys. The current portion of long-term debt obligations increased by $1.6 million (145%) due to a portion of the subordinated bridge loan becoming current.

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 March 31, 2012, Divestco had a funded debt to equity ratio of 0.56:1. The Company's practice is to utilize an appropriate mix of debt and equity to finance its current capital expenditures and growth initiatives. Consistent with the year ended December 31, 2011, 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:

(Thousands)	**<1 year**	**1-2 years**	**2-5 years**	**Thereafter**	**Total**
Operating Line	$ 4,250	$ -	$ -	$ -	**$ 4,250**
Debt [1]	1,664	2,686	1,858	-	**6,208**
Finance Leases	168	92	109	-	**369**
Operating Leases [2]	4,381	3,588	11,699	37,672	**57,340**
Other Obligations [3]	356	356	948	867	**2,527**
Total Contractual Obligations	**$ 10,819**	**$ 6,722**	**$ 14,614**	**$ 38,539**	**$ 70,694**

(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

	Three Months Ended Mar 31	
(Thousands)	2012	2011
Operating Activities		
Funds from (used in) Operations [1]	$ 7,207	$ (869)
Changes in Non-Cash Working Capital Balances	5,147	(1,464)
Interest Received (Paid)	407	(16)
Income Taxes Refunded	-	103
Cash From (Used in) Operating Activities	12,761	(2,246)
Financing Activities		
Bank Indebtedness	550	950
Long-Term Debt Obligations	(329)	(117)
Issue of Common Shares (Net of Related Costs)	-	99
Other - Net	14	-
Cash From (Used in) Financing Activities	235	932
Investing Activities		
Additions to intangible assets	(9,780)	(2,453)
Participation Surveys in Progress	1,299	1,176
Additions to Property, Plant and Equipment	(151)	(3,624)
Additions to Tenant Inducements	-	3,035
Payments Towards Sublease Loss Provision	(89)	-
Investment in Affiliates	-	(29)
Deferred Development Costs	(587)	(710)
Changes in Non-Cash Working Capital Balances	(3,417)	1,822
Cash From (Used in) Investing Activities	(12,725)	(783)
Change in Cash	$ 271	$ (2,097)

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

Operating Activities

In Q1 2012, funds from operations were $7.2 million ($0.11/share (basic and diluted)), compared with funds used in operations of $0.9 million ($0.01/share (basic and diluted) in Q1 2011. The increase of $8.1 million was mainly due to an increase in revenue and a reduction of operating expenses.

Financing Activities

In Q1 2012, the Company drew $550,000 on its revolving credit facility. The funds were used for working capital purposes. The Company made $270,000 in principal payments on its subordinated loan and $59,000 on its finance leases.

Investing Activities

During Q1 2012, Divestco acquired $151,000 of computer hardware and spent $72,000 on consulting fees for the re-write of a commercial software product. A further $8.4 million was spent to complete two 3D seismic surveys covering an area of approximately 265 km^2 and commence an additional survey which was completed in Q2 2012 covering an area of approximately 114 km^2.

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 March 31, 2012, $4.3 million (December 31, 2011: $3.7 million) was drawn on the facility with $0.7 million of availability (December 31, 2011: $2.3 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 1.25:1 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, depreciation and amortization. As at March 31, 2012, the Company was in violation of its working capital covenant. The lender provided the Company with a waiver of the covenant breach as at March 31, 2012.

Subordinated Debt

The Company has 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. Monthly principal payments of $90,000 commenced on January 1, 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 monthly principal payments being $60,000. The loan will be repaid in full by December 31, 2014. As at March 31, 2012, the principal amount due on the loan was $4.7 million (December 31, 2011: $5 million).

The loan is subject to the Company meeting certain debt covenants as follows: current ratio cannot fall below 1.25:1 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 March 31, 2012, the Company was in violation of its working capital covenant. Subsequent to March 312, 2012, the lender provided the Company with a waiver of the covenant breach as at March 31, 2012.

Unsecured loans from shareholders

The Company has $500,000 in unsecured loans from two of the Company's directors. The loans bear interest of 10% per annum, payments are interest only until December 2012 and monthly principal payments of $12,681 commence in January 2013.

Finance leases

As at March 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

The Company has an office lease with a term of 15 years expiring in 2025. Excluding subleases, the monthly commitment is approximately $325,000 including operating costs for 2012 and is $241,000 for 2013. The annual square foot rate increases in 2012, 2016, 2018, 2020 and 2023. 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 increased to 15,000 square feet in May 2012 and expires in 2025. The monthly commitment is approximately $60,000 including operating costs for 2012 and $63,000 for 2013.

In 2011 the Company surrendered four floors of space in its new office premises and will surrender a fifth floor on January 1, 2013. Total savings will be approximately $4 million 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)	**May 24, 2012**	**Mar 31, 2012**	Dec 31, 2011
Class A shares			
Outstanding	66,615	**66,615**	66,610
Weighted Average Outstanding			
Basic and diluted - YTD [(1)]		**66,613**	60,575
Basic and diluted - QTR [(1)]		**66,613**	59,797
Stock Options			
Outstanding	2,961	**3,006**	3,030
Exercise Price Range	$0.17 to $3.52	**$0.17 to $3.68**	$0.17 to $3.68
Performance Share Units			
Outstanding	-	**-**	-
Share Purchase Warrants			
Outstanding	16,280	**16,280**	16,280
Exercise Price	$0.32	**$0.32**	$0.32

(1) In computing diluted net loss per share, no shares were added for the three months ended March 31, 2012 to the weighted average number of Class A Shares outstanding as the options and warrants were antidilutive. As there was a net loss for the three months ended March 31, 2011, the options and warrants were anti-dilutive in addition to being out of the money.

Long-Term 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 three months ended March 31, 2012, 4,688 shares were issued. From April 1, 2012 to May 24, 2012, no 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 share contributions are issued from treasury. The value of the Company's contribution is included in salaries and benefits in profit or loss. During three months ended March 31, 2012, no shares were issued as the contributions were all in cash. From April 1, 2012 to May 24, 2012, no shares were issued as the Company contributions were all in cash.

Stock Options

As at March 31, 2012, there were 6,662,000 Class A common shares reserved for grants of stock options combined with all other forms of stock-based compensation.

During three months ended March 31, 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.

From April 1, 2012 to May 24, 2012:

- 45,000 options were forfeited with an exercise price of $0.17.

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 cannot exceed 2% of the issued and outstanding Class A common shares of the Corporation and a maximum of 1% for any one insider. Compensation expense related to the PSUs is 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.

During the months ended March 31, 2012, no PSU's were granted. There were no PSU's outstanding as at March 31, 2012.

RELATED PARTY TRANSACTIONS

Loans from directors

The Company has $500,000 in unsecured loans from two directors.

$2 million of the $5 million subordinated bridge loan was loaned to the Company 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.

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. 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 three months ended March 31		Balance due from (to) as at Mar 31	Balance due from (to) as at Mar 31
Name	**Position**	**Transaction**	**2012**	**2011**	**2012**	**2011**
W. Brillon	Director	Consulting fees and commissions[1]	46	46	(46)	(193)
W. Tobman	Director	Seismic data management services [2]	40	-	-	-
B. Gough	Director	Seismic processing and geomatics services[3]	10	-	-	-

(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 commissions for providing seismic brokerage services. The contract terms were made on terms equivalent to those that prevail in arm's length transactions.
(2) The Company managed a seismic data survey for a company controlled by Mr. Tobman. The contract terms were made on terms equivalent to those that prevail in arm's length transactions.
(3) The Company provided seismic processing and geomatics services to a company where Mr. Gough is the Vice President, Operations. The contract terms were made on terms equivalent to those that prevail in arm's length transactions.

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 as at March 31, 2012, and have not been applied in preparing the interim 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 grouping 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" filed Form 52-109FV2, the "Certification of interim filings – venture issuer basic certificate" (the "Interim Form"), for the three months ended March 31, 2012. The Interim Form 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 Interim 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 Company 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 Company's GAAP.

However, the Company's management, and its certifying officers on the Interim 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 Interim Form. The Interim 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 interim filings do not contain any untrue statement of a 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 was made, with respect to the period covered by the interim filings and that (ii) the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented in the interim filings.

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
KPMG LLP

LEGAL COUNSEL
Field LLP

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Divestco Inc.
Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2012

Contents

Divestco Inc.
Condensed Consolidated Interim Statements of Financial Position

(Thousands - Unaudited)	Note	March 31 2012	December 31 2011
Assets			
Current Assets			
Cash		**$ 1,818**	$ 1,547
Funds held in trust		**48**	40
Accounts receivable		**10,765**	11,810
Prepaid expenses, supplies and deposits		**382**	235
Income taxes receivable		**194**	110
Asset held for sale	6	**-**	2,500
Total current assets		**13,207**	16,242
Investment in affiliated company		**128**	141
Participation surveys in progress		**3,809**	5,108
Property and equipment	7	**4,000**	4,147
Intangible assets	8	**23,539**	18,123
Total assets		**$ 44,683**	$ 43,761
Liabilities and Shareholders' Equity			
Current Liabilities			
Bank indebtedness	12	**$ 4,250**	$ 3,700
Accounts payable and accrued liabilities		**10,111**	10,669
Deferred revenue		**3,560**	4,561
Current loss on sublease loss provision		**322**	320
Current portion of long-term debt obligations	13	**2,796**	1,143
Current portion of tenant inducement		**113**	113
Total current liabilities		**21,152**	20,506
Deferred rent obligations		**867**	1,124
Long-term debt obligations	13	**2,646**	4,591
Sublease loss provision		**1,251**	1,332
Tenant Inducements		**1,369**	1,397
Other long-term liabilities		**-**	100
Total liabilities		**27,285**	29,050
Shareholders' Equity			
Equity instruments		**76,432**	76,431
Contributed surplus		**5,704**	5,663
Deficit		**(64,738)**	(67,383)
Total shareholders' equity		**17,398**	14,711
Total liabilities and shareholders' equity		**$ 44,683**	$ 43,761

The notes are an integral part of the condensed consolidated interim financial statements.

Divestco Inc.
Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive (Income) Loss

		Three months ended Mar 31	
(Thousands, Except Per Share Amounts - Unaudited)	**Note**	**2012**	**2011**
Revenue	9	**$ 14,466**	$ 8,815
Operating expenses			
Salaries and benefits		**4,808**	5,159
General and administrative	10	**2,166**	4,513
Share-based payments		**41**	-
Total operating expenses		**7,015**	9,672
Finance costs (income)	11	**(360)**	37
Depreciation and amortization		**5,165**	3,389
Other loss		**1**	-
Income (loss) before income taxes		**2,645**	(4,283)
Income taxes			
Current		**-**	49
Net income (loss) and comprehensive income (loss) for the period		**$ 2,645**	$ (4,332)
Net income (loss) per share			
Basic and Diluted	14	**$ 0.04**	$ (0.07)

The notes are an integral part of the condensed consolidated interim financial statements.

Divestco Inc.
Condensed Consolidated Interim Statements of Changes in Equity

(Thousands - Unaudited)	Number of Shares Issued	Share Capital	Number of Warrants Issued	Warrants	Equity Instruments	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
Balance at January 1, 2011	58,938	$ 73,445	15,825	$ 1,808	$ 75,253	$ 5,590	$ (62,773)	$ 18,070
Net loss and comprehensive loss for the period							(4,332)	(4,332)
Transactions with owners, recorded in equity contributions by and distributions to owners:								
Issue of Class A common shares	455	48	455	52	100			100
Share issue costs		(1)			(1)			(1)
Balance at March 31, 2011	59,393	$ 73,492	16,280	$ 1,860	$ 75,352	$ 5,590	$ (67,105)	$ 13,837
Balance at January 1, 2012	66,610	$ 74,571	16,280	$ 1,860	$ 76,431	$ 5,663	$ (67,383)	$ 14,711
Net income and comprehensive income for the period							**2,645**	**2,645**
Transactions with owners, recorded in equity contributions by and distributions to owners:								
Issue of Class A common shares	**5**	**1**			**1**			**1**
Share-based payment transactions					**-**	**41**		**41**
Balance at March 31, 2012	**66,615**	**$ 74,572**	**16,280**	**$ 1,860**	**$ 76,432**	**$ 5,704**	**$ (64,738)**	**$ 17,398**

The notes are an integral part of the condensed consolidated interim financial statements.

Divestco Inc.
Condensed Consolidated Interim Statements of Cash Flows

		Three months ended Mar 31	
(Thousands - Unaudited)	**Note**	**2012**	**2011**
Cash from operating activities			
Net income (loss) for the period		**$ 2,645**	$ (4,332)
Items not affecting cash:			
Equity investment income		**(1)**	(4)
Depreciation and amortization		**5,165**	3,389
Amortization of tenant inducements		**(28)**	(7)
Deferred rent obligations		**(258)**	-
Income taxes		**-**	49
Unrealized foreign exchange loss		**2**	(1)
Non-cash employment benefits		**1**	-
Share-based payments		**41**	-
Finance costs (income)		**(360)**	37
Funds from (used in) operations	19	**7,207**	(869)
Changes in non-cash working capital balances	15	**5,147**	(1,464)
Interest received (paid)		**407**	(16)
Income taxes refunded (paid)		**-**	103
Net cash from (used in) operating activities		**12,761**	(2,246)
Cash from (used in) financing activities			
Bank indebtedness		**550**	950
Advances to affiliated company		**14**	-
Issue of common shares (net of related costs)		**-**	99
Repayment of long-term debt obligations		**(329)**	(117)
Net cash from (used in) financing activities		**235**	932
Cash from (used in) investing activities			
Additions to intangible assets		**(9,780)**	(2,453)
Decrease (increase) in participation surveys in progress		**1,299**	1,176
Purchase of property and equipment		**(151)**	(3,624)
Additions to tenant inducements		**-**	3,035
Payments towards sublease loss provision		**(89)**	-
Investment in affiliates		**-**	(29)
Deferred development costs		**(587)**	(710)
Changes in non-cash working capital balances	15	**(3,417)**	1,822
Net cash from (used in) investing activities		**(12,725)**	(783)
Increase (decrease) in cash		**271**	(2,097)
Cash, beginning of period		**1,547**	3,696
Cash, end of period		**$ 1,818**	$ 1,599

The notes are an integral part of the condensed consolidated interim financial statements.

1. Reporting Entity

Divestco Inc. (the "Company") is a company domiciled in Canada. The address of the Company's registered office is 400, 604 – 1st Street S.W., Calgary, Alberta, Canada. The Company is publicly traded on the TSX Venture Exchange (TSX-V) under the symbol DVT. The condensed consolidated interim financial statements of the Company as at and for the three months ended March 31, 2012 are comprised of the Company and its subsidiaries (together referred to as the "Company") and the Company's interest in entities where the Company holds a significant influence. The Company primarily offers its customers the ability to access and analyze information and make business decisions to optimize their success in the upstream oil and gas industry through three operating segments which include Software & Data, Services and Seismic Data. The Corporate and Other segment provides support services to the operating segments.

2. Future Operations

These condensed consolidated interim financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future.

The Company is required to meet certain debt covenants in 2012 as described in Notes 12 and 13. As at March 31, 2012, the Company was in violation of its working capital covenant in its operating and subordinated loan agreements. Subsequent to March 31, 2012, the lenders provided waivers of the breach as at March 31, 2012. While the lenders have not demanded repayment, $1.7 million of the subordinated loan was reclassified from long-term to current liabilities. The Company has $5.6 million in operating lease, finance lease and subordinated and shareholder loan commitments over the next 12 months. In aggregate, this exceeds the Company's projected 2012 cash flow from operating activities net of seismic acquisition costs. The Company is in discussions with the lenders 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.

These condensed consolidated interim 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 condensed consolidated interim financial statements.

3. Basis of Presentation

(a) Statement of Compliance

These condensed consolidated interim financial statements for the three months ended March 31, 2012 have been prepared in accordance with IAS 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB").

These condensed consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Company for the year ended December 31, 2011. The disclosures below are incremental to those included with annual consolidated financial statements and certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted.

These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2011, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These condensed consolidated interim financial statements were authorized for issuance by the Company's Audit Committee on May 24, 2012.

(b) Use of estimates and judgements

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. This note should be read in conjunction with the annual financial statements for the year ended December 31, 2011.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements is as follows:

- Determination of cash generating units for purposes of impairment testing. Management determined that the Company's non-financial assets, excluding deferred income tax assets, have been allocated to the following CGUs: Geomatics, Seismic Processing, Land Management Services, Seismic Data and Software and Data. These CGUs constitute the smallest identifiable group of assets that generate cash inflows that are independent of cash flows from other assets or groups of assets
- Determination if the Company intends to and has sufficient resources to complete development and to use or sell assets for which development costs have been capitalized
- Determination of the stage of completion with respect to providing products and services over time where revenue is recognized in proportion to the stage of completion
- Determination of when significant risks and rewards of ownership have been transferred to the customer for the purpose of recognizing revenue
- Determination of whether the Company acts as an agent rather than the principal in seismic brokerage transactions

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are as follows:

- Determination of the useful life and recoverable amount of property and equipment
- Determination of the useful life and recoverable amount of intangible assets
- Key assumptions used in discounted cash flow projections with respect to impairment testing
- Key assumptions used determining if the criteria are met for capitalizing development expenditures including: development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset
- Scientific research and development claims are subject to audit by the science advisors from the Canada Revenue Agency. As a result, the amounts recorded as investment tax credits recoverable are subject to specific measurement uncertainty. When the estimate is known to be materially different from the actual recovery, an adjustment is made in the period in which the determination is made
- Determination of the sublease loss provision
- Determination of allowances in respect of trade receivables for which collection is in doubt

4. Seasonality of Operations

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. Revenue is recognized on a percentage of completion basis.

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. The Company’s Software and Data segment has recurring revenue through out the year due to its license and subscription sales.

5. Operating Segments

The Company has four reportable segments which are its strategic segments. The strategic segments offer different products and services, and are managed separately because they require different technology, marketing and financial management strategies. For each of the strategic segments, the Company’s chief operating decision maker reviews internal management reports on a monthly basis.

The following summary describes the operations in each of the Company’s reportable segments.

- Software and Data: includes selling, maintaining, and supporting licensed (perpetual and periodic) software exploration products as well as provides a full suite of support data layers.
- Services: includes providing geomatics, processing and land management services.
- Seismic Data: includes providing seismic brokerage services in addition to building, licensing and maintaining the Company’s seismic data assets.
- Corporate and Other: includes providing overall strategic direction to the Company through executive management, finance, accounting, marketing, human resources, investor relations, and information technology.

March 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

The accounting policies of the segments are the same as those described in Note 4 to the consolidated financial statements of the Company for the year ended December 31, 2011. There are varying levels of integration between Services and Seismic Data reportable segments. This integration includes the provision of geomatics and processing services to the seismic data division. Inter-segment pricing is determined on an arm's length basis. Inter-segment sales and transfers, which are accounted for at market value, are eliminated on consolidation.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment income or loss before tax, as included in the internal management reports that are reviewed by the Company's chief operating decision maker. Segment income or loss before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Taxes reported on the Company's statement of income (loss) and comprehensive income (loss) are not allocated to the reportable segments.

Segment assets and liabilities are those assets and liabilities that are specifically identified with the operations in each reportable segment. Corporate assets primarily include property and equipment. Corporate liabilities primarily include bank indebtedness, shareholder loans and subordinated debt. Corporate expense includes salaries and benefits and general and administrative expenses for the Company's support divisions in addition to finance costs, amortization and deprecation.

As at and for the three months ended March 31, 2012	**Software & Data**	**Services**	**Seismic Data**	**Corporate & Other**	**Total**
Revenue from external customers	**$ 2,132**	**$ 5,584**	**$ 6,750**	**$ -**	**$ 14,466**
Inter-segment revenue	**-**	**268**	**-**	**-**	**268**
Reportable segment income (loss) before tax	**(313)**	**1,718**	**2,059**	**(819)**	**2,645**
Finance costs (income)	**-**	**(1)**	**(4)**	**(355)**	**(360)**
Depreciation and amortization	**800**	**230**	**3,934**	**201**	**5,165**
Share of profit (loss) of equity-accounted investees	**-**	**-**	**-**	**1**	**1**
Reportable segment assets	**12,431**	**8,762**	**21,061**	**2,429**	**44,683**
Reportable segment liabilities	**4,880**	**5,242**	**5,443**	**11,720**	**27,285**
Equity-accounted investees	**-**	**-**	**-**	**128**	**128**
Capital expenditures (1)	**24**	**107**	**8,417**	**84**	**8,632**
Deferred development costs	**587**	**-**	**-**	**-**	**587**

As at and for the three months ended March 31, 2011	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue from external customers	$ 2,177	$ 5,126	$ 1,512	$ -	$ 8,815
Inter-segment revenue	-	81	-	-	81
Reportable segment income (loss) before tax	(478)	1,003	(398)	(4,410)	(4,283)
Finance costs (income)	-	(1)	(3)	41	37
Depreciation and amortization	1,248	400	968	773	3,389
Share of profit (loss) of equity-accounted investees	-	-	-	4	4
Reportable segment assets	10,572	10,489	10,114	2,885	34,060
Reportable segment liabilities	5,013	5,315	4,014	5,881	20,223
Equity-accounted investees	-	-	-	141	141
Capital expenditures (1)	569	1,263	2,272	797	4,901
Deferred development costs	710	-	-	-	710

(1) Capital expenditures include additions to intangible assets (net of changes in participation surveys in progress) and purchases of property and equipment.

March 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

6. Assets Held for Sale

At December 31, 2011, assets held for sale consisted of seismic data the Company acquired in December 2011 that it sold to a third party in February 2012. No gain or loss was recognized on the sale of assets.

7. Property and Equipment

	Computer Hardware and Software	Office Furniture and Equipment	Leasehold Improvements	Assets under Finance Leases	Land	Total
Cost:						
At January 1, 2011	$ 6,485	$ 1,735	$ 3,193	$ 3,894	$ 30	$ 15,337
Additions	732	40	5,138	235	-	6,145
Disposals	-	-	(1,515)	-	-	(1,515)
At December 31, 2011	7,217	1,775	6,816	4,129	30	19,967
Additions	138	5	8	-	-	151
At March 31, 2012	**$ 7,355**	**$ 1,780**	**$ 6,824**	**$ 4,129**	**$ 30**	**$ 20,118**
Accumulated depreciation:						
At January 1, 2011	$ 5,890	$ 1,633	$ 1,227	$ 3,561	$ -	$ 12,311
Depreciation	592	97	2,616	204	-	3,509
At December 31, 2011	6,482	1,730	3,843	3,765	-	15,820
Depreciation	189	5	52	52	-	298
At March 31, 2012	**$ 6,671**	**$ 1,735**	**$ 3,895**	**$ 3,817**	**$ -**	**$ 16,118**
Carrying amounts:						
At January 1, 2011	$ 595	$ 102	$ 1,966	$ 333	$ 30	$ 3,026
At December 31, 2011	735	45	2,973	364	30	4,147
At March 31, 2012	**684**	**45**	**2,929**	**312**	**30**	**4,000**

Land is not subject to depreciation.

The Company's operating lender has a general security agreement over all present and after acquired personal property and a floating charge on all lands of the Company (Note 12). The Company's subordinated lender has a second floating charge security over all personal and real property assets of the Company and a negative pledge and undertaking to provide fixed charges on the Company's corporate assets at the request of the lender (Note 13).

March 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

8. Intangible Assets

	Seismic Data Library	Datasets	Log, Support and Drilling Data Library	Reference Library	Map Library	Total Data Libraries	Proprietary Software and Code	Deferred Development Costs[(1)]	Total
Cost									
At January 1, 2011	$ 62	$ 632	$ 7,209	$ 445	$ 239	$ 8,587	$ 8,256	$ 11,081	$ 27,924
Additions	8,358	-	-	-	-	8,358	653	2,214	11,225
At December 31, 2011	8,420	632	7,209	445	239	16,945	8,909	13,295	39,149
Additions	9,708	-	-	-	-	9,708	72	502	10,282
At March 31, 2012	**$ 18,128**	**$ 632**	**$ 7,209**	**$ 445**	**$ 239**	**$ 26,653**	**$ 8,981**	**$ 13,797**	**$ 49,431**
Accumulated depreciation									
At January 1, 2011	$ 2	$ 520	$ 2,458	$ 445	$ 104	$ 3,529	$ 5,440	$ 4,344	$ 13,313
Amortization	3,353	34	361	-	16	3,764	615	3,334	7,713
Disposals	-	-	-	-	-	-	-	-	-
At December 31, 2011	3,355	554	2,819	445	120	7,293	6,055	7,678	21,026
Amortization	3,886	5	90	-	4	3,985	144	737	4,866
At March 31, 2012	**$ 7,241**	**$ 559**	**$ 2,909**	**$ 445**	**$ 124**	**$ 11,278**	**$ 6,199**	**$ 8,415**	**$ 25,892**
Carrying amount									
At January 1, 2011	$ 60	$ 112	$ 4,751	$ -	$ 135	$ 5,058	$ 2,816	$ 6,737	$ 14,611
At December 31, 2011	5,065	78	4,390	-	119	9,652	2,854	5,617	18,123
At March 31, 2012	**10,887**	**73**	**4,300**	**-**	**115**	**15,375**	**2,782**	**5,382**	**23,539**

(1) During the three months ended March 31, 2012, the Company expensed $437,000 (Q1 2011: $372,000) in research costs.

As at March 31, 2012, management assessed the indicators of impairment and have concluded that there are no triggers for impairment. Therefore, the Company is not required to carry out any tests for impairment as at March 31, 2012.

The Company's operating lender has a general security agreement over all present and after acquired personal property and a floating charge on all lands of the Company (Note 12). The Company's subordinated lender has a second floating charge security over all personal and real property assets of the Company and a negative pledge and undertaking to provide fixed charges on the Company's corporate assets at the request of the lender (Note 13).

March 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

For the three months ended March 31, 2012, amortization of intangible assets in the amount of $4.9 million (Q1 2011: $2.2 million) has been included in depreciation and amortization in the consolidated statements of income (loss) and comprehensive income (loss).

9. Revenue

	For the three months ended March 31	
	2012	**2011**
Sales of goods	**$ 8,287**	$ 3,075
Rendering of services	**5,584**	5,126
Commissions	**595**	614
	$ 14,466	$ 8,815

As at March 31, 2012, the Company had deferred revenue of $3.6 million which represents the fair value of that portion of consideration received or receivable in respect of sales of software licenses, seismic participation surveys and seismic processing services for which revenue has not yet been earned.

Commissions relate to the rendering of services in which the Company acts as an agent in the transactions rather than as the principal.

10. General and Administrative Expenses by Nature

	For the three months ended March 31	
	2012	**2011**
Occupancy costs	**$ 1,047**	$ 2,916
Communications	**81**	117
Advertising and promotion	**121**	170
Operating leases and office supplies	**236**	284
Recruitment and training	**97**	60
Consultant and professional fees	**579**	820
Charges and fees	**22**	18
Bad debt (recovery)	**(17)**	128
	$ 2,166	$ 4,513

March 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

11. Finance costs

	For the three months ended March 31	
	2012	**2011**
Interest expense on financial liabilities measured at amortized cost	**$ (407)**	$ 16
Amortization of deferred finance charges	**37**	-
Accretion of sublease loss	**10**	21
	$ (360)	$ 37

12. Bank Indebtedness

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 lender has a general security agreement over all present and after acquired personal property and a floating charge on all lands of the Company. 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 March 31, 2012, $4.3 million (December 31, 2011: $3.7 million) was drawn on the facility.

The facility is subject to the Company meeting certain debt covenants as follows: current ratio cannot fall below 1.25:1 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 March 31, 2012, the Company was in violation of its working capital covenant. Subsequent to March 312, 2012, the lender provided the Company with a waiver of the covenant breach as at March 31, 2012.

13. Long-term Debt Obligations

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about the Company's exposure to liquidity risk see Note 18.

March 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

	Mar 31, 2012	Dec 31, 2011
Non-current liabilities		
Secured subordinated bridge loan	**$ 2,000**	$ 3,920
Unsecured loans from shareholders	**474**	500
Finance lease obligations	**172**	201
Deferred finance charges	**-**	(30)
	$ 2,646	$ 4,591
Current liabilities		
Secured subordinated bridge loan	**$ 2,730**	$ 1,080
Unsecured loans from shareholders	**26**	-
Finance lease obligations	**154**	184
Deferred finance charges	**(114)**	(121)
	$ 2,796	$ 1,143
Total long-term and current	**$ 5,442**	$ 5,734

	Nominal interest rate	Year of maturity	March 31, 2012		December 31, 2011	
			Face value	Carrying amount	Face value	Carrying amount
Secured subordinated bridge loan	12%	2013	**$ 4,730**	**$ 4,616**	$ 5,000	$ 4,849
Unsecured loans from shareholders	10%	2016	**500**	**500**	500	500
Finance lease obligations	1.8-12.4%	2012-2016	**369**	**326**	434	385
Total interest-bearing liabilities			**$ 5,599**	**$ 5,442**	$ 5,934	$ 5,734

Secured subordinated bridge loan

The Company has a $5 million subordinated 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. Monthly principal payments of $90,000 commenced on January 1, 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. 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 monthly principal payments being $60,000. The loan will be repaid in full by December 31, 2014. As at March 31, 2012, the principal amount due on the loan was $4.7 million (December 31, 2011: $5 million).

The security for the loan is a $6.25 million demand debenture providing a second floating charge security over all personal and real property assets of the Company and a negative pledge and undertaking to provide fixed charges on the Company's corporate assets at the request of the lender.

The loan is subject to the Company meeting certain debt covenants as follows: current ratio cannot fall below 1.25:1 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 March 31, 2012, the Company was in violation of its working capital covenant. Subsequent to March 312, 2012, the lender provided the Company with a waiver of the covenant breach as at March 31, 2012.

March 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

Unsecured loans from shareholders

The Company has $500,000 in unsecured loans from two of the Company's directors. The loans bear interest of 10% per annum, payments are interest only until December 2012 and monthly principal payments of $12,681 commence in January 2013.

Finance lease obligations

Finance lease obligations are payable as follows:

	March 31, 2012			December 31, 2011		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 167	$ 12	$ 155	$ 199	$ 15	$ 184
Between one and five years	202	31	171	235	34	201
	$ 369	$ 43	$ 326	$ 434	$ 49	$ 385

Equipment under finance lease is computer hardware and office equipment.

Deferred finance charges

	Mar 31, 2012	Dec 31, 2011
Balance, beginning of year	$ 151	$ -
Additions [1]	-	253
Amortization [2]	(37)	(102)
Balance, end of year	**$ 114**	**$ 151**

(1) Includes $100,000 that is not due to be paid until March 31, 2013
(2) Included in finance costs in the consolidated statements of income (loss) and comprehensive income (loss)

14. Net Income (Loss) per Share

Basic net income (loss) per share is computed using the weighted-average number of Class A Shares outstanding during the period, being 66,613,000 for the three months ended March 31, 2012 (2011 – 59,344,000). In computing diluted net income per share, no shares were added for the three months ended March 31, 2012 to the weighted average number of Class A Shares outstanding as the options and warrants were antidilutive. As there was a net loss for the three months ended March 31, 2011, the options and warrants were anti-dilutive in addition to being out of the money.

March 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

15. Statement of Cash Flows

	For the three months ended March 31	
	2012	2011
Changes in non-cash working capital balances		
Funds held in trust	**$ (8)**	$ (1)
Accounts receivable	**1,045**	92
Prepaid expenses, supplies and deposits	**(147)**	(79)
Accounts payable and accrued liabilities	**1,841**	(717)
Deferred revenue	**(1,001)**	1,063
	$ 1,730	$ 358
Changes in non-cash working capital balances related to operating activities	**$ 5,147**	$ (1,464)
Changes in non-cash working capital balances related to investing activities	**(3,417)**	1,822
	$ 1,730	$ 358

16. Operating Leases

Summary of non-cancellable building lease (net of subleases) and equipment operating leases commitments until expiry:

	Mar 31, 2012	Dec 31, 2011
One year	**$ 4,381**	$ 4,450
Between one and five years	**15,287**	15,140
More than five years	**37,672**	38,710
	$ 57,340	$ 58,300

Movement in the commitments for the three months end March 31, 2012:

Balance, January 1, 2012	**$ 58,300**
Payments (net of subleases)	**(960)**
Balance, March 31, 2012	**$ 57,340**

The Company has an office lease with a term of 15 years expiring in 2025. Excluding subleases, the monthly commitment is approximately $325,000 including operating costs for 2012 and is $241,000 for 2013. The annual square foot rate increases in 2012, 2016, 2018, 2020 and 2023. 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 increased to 15,000 square feet in May 2012 and expires in 2025. The monthly commitment is approximately $60,000 including operating costs for 2012 and $63,000 for 2013.

March 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

17. Related Parties

Transactions with key management personnel

Loans from directors

The Company has $500,000 in unsecured loans from two directors (see Note 13).

$2 million of the $5 million subordinated bridge loan was loaned to the Company by two directors in accordance with a condition of the financing (see Note 13).

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. 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 three months ended March 31		Balance due from (to) as at Mar 31	Balance due from (to) as at Mar 31
Name	**Position**	**Transaction**	**2012**	**2011**	**2012**	**2011**
W. Brillon	Director	Consulting fees and commissions[(1)]	46	46	(46)	(193)
W. Tobman	Director	Seismic data management services[(2)]	40	-	-	-
B. Gough	Director	Seismic processing and geomatics services[(3)]	10	-	-	-

(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 commissions for providing seismic brokerage services. The contract terms were made on terms equivalent to those that prevail in arm's length transactions.

(2) The Company managed a seismic data survey for a company controlled by Mr. Tobman. The contract terms were made on terms equivalent to those that prevail in arm's length transactions.

(3) The Company provided seismic processing and geomatics services to a company where Mr. Gough is the Vice President, Operations. The contract terms were made on terms equivalent to those that prevail in arm's length transactions.

18. Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company uses daily cash flow forecasts projected out three months in advance to ensure that it has sufficient cash on hand to meet expected operational expenses, fund capital expenditures and service financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, to meet short-term financing needs, the Company:

March 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

- maintains a $5 million operating line of credit. Interest is payable at prime plus 2.5%;
- secured a $5 million subordinated demand bridge loan in May 2011. $3 million is repayable by April 30, 2013 and $2 million is repayable by December 31, 2014;
- obtained $500,000 in shareholder loans repayable by December 31, 2016; and
- raised $1 million through a private placement in December 2011.

As at March 31, 2012 the Company had a cash balance of $1.8 million, $10.9 million in accounts receivable and $0.7 million in unused committed bank credit facilities totaling $13.4 million to settle current liabilities of $17.6 million (excluding deferred revenue of $3.6 million). The Company continues to review additional sources of capital to continue its activities and discharge its commitments as they become due.

The tables below summarize the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, including estimated interest payments:

As at March 31, 2012	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total
Bank Indebtedness	$ 4,250	$ 4,250	$ 4,250	$ -	$ -	$ -	$ -	$ 4,250
Accounts payable and accrued liabilities	10,111	10,111	10,111	-	-	-	-	10,111
Deferred rent obligations	867	867	-	-	-	-	867	867
Long-term debt obligations (excluding finance lease obligations)	5,116	6,208	835	829	2,686	1,858	-	6,208
Finance lease obligations	326	369	84	84	92	109	-	369
Loss on sublease	1,573	1,660	178	178	356	948	-	1,660
Total	$ 22,243	$ 23,465	$ 15,458	$ 1,091	$ 3,134	$ 2,915	$ 867	$ 23,465

As at December 31, 2011	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total
Bank Indebtedness	$ 3,700	$ 3,700	$ 3,700	$ -	$ -	$ -	$ -	$ 3,700
Accounts payable and accrued liabilities	10,669	10,669	10,669	-	-	-	-	10,669
Deferred rent obligations	1,124	1,124	-	-	-	-	1,124	1,124
Long-term debt obligations (excluding finance lease obligations)	5,349	6,637	852	819	2,847	2,119	-	6,637
Finance lease obligations	385	434	100	100	109	125	-	434
Loss on sublease	1,652	1,749	178	178	356	1,037	-	1,749
Other long-term liabilties	100	100	-	-	100	-	-	100
Total	$ 22,979	$ 24,413	$ 15,499	$ 1,097	$ 3,412	$ 3,281	$ 1,124	$ 24,413

While the Company does not expect that the undiscounted cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts, the Company has a working capital covenant which the Company breached as at March 31, 2012 and could result in additional payments of approximately $5.9 million in 2012 if the outstanding operating and subordinated loan balances are called by the lenders (included in bank indebtedness and long-term debt obligations).

19. Additional GAAP Measure

The Company included funds from operations in the consolidated statements of cash flows. Funds from operations represents the cash flow from continuing operations, excluding non-cash working capital items.