Management's Discussion & Analysis

For the Three and Twelve Months Ended

December 31, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) for Divestco Inc. ("Divestco" or the "Company"), dated April 20, 2011, should be read in conjunction with the audited consolidated financial statements and notes for the years ended December 31, 2010 and 2009. All financial information in this section has been prepared in accordance with Canadian generally accepted accounting principles (GAAP) 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 - provides and is responsible for development, maintenance and support of over 20 geological, geophysical and land applications used by oil and gas professionals, including geologists, geophysicists, engineers, land agents and land administrators worldwide. The Company offers customized software and data bundles to clients depending on their needs. It also offers the market over 120 datasets including drilling data and a full suite of exploration and production data (well, land, drilling, log and mapping). Data also provides ancillary document management services such as high-quality technical document digitizing and rasterizing and scanning services for customers' data management needs.

- Services - offers geomatics (seismic survey audit and custom mapping), seismic processing and database services to customers who require data quality assurance, processing and data management services for geophysical and geological information. It also offers land management services through Cavalier Land Ltd.

- Seismic Data - although the Company divested of its seismic assets in September 2010, Divestco has commenced rebuilding its seismic data library and offering the market proprietary seismic data. The segment also continues to provide seismic brokerage services through the largest division of its kind in Canada with 11 independent brokers.

- Corporate and Other - responsible for setting Divestco's overall strategic plan and allowing the segments to operate which includes providing finance, accounting, sales, marketing, human resources (HR) and information technology (IT) services to the Company. The segment is discussed under the "Results of Operations 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 that provides a comprehensive and integrated portfolio of data, software and services to the oil and gas industry. Through continued commitment to align and bundle products and services to generate value for customers, Divestco is creating an unparalleled set of integrated solutions and unique benefits for the marketplace. Divestco's breadth of software, services, and data solutions offers customers the ability to access and analyze the information required to make business decisions and to optimize their success in the upstream oil and gas industry.

FUTURE OPERATIONS AND SUBSEQUENT EVENT

The consolidated financial statements 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 divested its 2D and 3D seismic data library (the "Seismic Assets") which closed on September 29, 2010. A portion of the proceeds were used to retire the term loans, committed revolver and convertible debentures and attend to overdue vendor accounts at that time. In Q4 2010, the Company used a portion of the proceeds to pay a one-time special cash dividend of $8.6 million (20 cents a share).

At December 31, 2010 the Company had working capital of $251,000 including deferred revenue of $3.4 million. The Company incurred losses of $65 million for 2010, which included a loss of $40.9 million on the disposition of the Seismic Assets and has a deficit of $63.3 million. The net loss was in part due to the Company's lease for its new office space that commenced on May 1, 2010, whereby the Company is paying rental obligations on its current and new premises and also recognized a net expense of $3 million related to two floors which are to be sublet out at a reduced rate. The double rent obligations will cease at various times throughout 2011. Additionally, the Company needs to re-establish positive earnings from its remaining operations and is looking at additional sources of capital to continue its activities and discharge its commitments as they become due. As a result in Q4 2010, management secured a new $5 million operating line for working capital purposes, raised gross proceeds of $3.5 million through a private placement, continues to review costs and evaluates all material capital expenditures before commencement to ensure they meet appropriate funding criteria. However as at December 31, 2010, the Company was in violation of its debt service coverage ratio covenant. The lender has acknowledged the breach and has provided the Company with a waiver of the covenant as at December 31, 2010. The Company and the lender are in discussions to amend the covenants going forward. These matters cast doubt on the ability of the Company to continue to achieve profitable operations and meet its obligations.

Management believes that the going concern assumption is appropriate for the consolidated financial statements. Adjustments to the carrying amounts of the balance sheet classifications used, assets and liabilities, and revenues and expenses, may be necessary should the going concern assumption be inappropriate.

FORWARD-LOOKING INFORMATION

Divestco's MD&A and consolidated financial statements contains 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, general administrative costs, costs of services 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 headings of this MD&A: "Overall Performance", "Outlook", and "Results of Operations by Segment", "Liquidity and Capital Resources", and "New Accounting 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 and in the Company's Annual Information Form for the year ended December 31, 2010, incorporated here by reference.

NON-GAAP MEASURES

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This MD&A uses the terms "EBITDA" (earnings before interest, income taxes, depreciation and amortization), "operating income", "funds from operations", and "funds from operations per share (basic and diluted)"; however, these terms are not measures that have any standardized meaning prescribed by

Canadian GAAP and are considered non-GAAP measures. While these measures may not be comparable to similar measures presented by other issuers, 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.

EBITDA AND OPERATING INCOME

Divestco uses EBITDA and operating income as key measures to evaluate the performance of its segments and divisions as well as the Company overall, with the closest GAAP measure being net income. EBITDA and operating income are measures 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 and operating income assist 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 and operating income are not calculations based on Canadian GAAP and should not be considered alternatives to net income in measuring the Company's performance. As well, EBITDA and operating income should not be used as exclusive measures of cash flow, because they do 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 and operating income have 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 and operating income as reported by Divestco may not be comparable in all instances to EBITDA and operating income as reported by other companies. Investors should also carefully consider the specific items included in Divestco's computation of EBITDA and operating income.

The following is a reconciliation of EBITDA and operating income with net income:

	Three months ended December		Year ended December 31	
(Thousands)	**2010**	2009	**2010**	2009
Net Loss	**$ (7,500)**	$ (7,291)	**$ (65,003)**	$ (6,197)
Income Tax Expense (Reduction)	**(1)**	(1,442)	**(12,455)**	(3,316)
Other Income (Loss) [1]	**(10)**	(19)	**(41,416)**	4,371
Operating Loss	**$ (7,491)**	$ (8,714)	**$ (36,042)**	$ (13,884)
Interest	**703**	473	**3,028**	2,941
Depreciation and Amortization	**1,857**	7,248	**26,706**	34,692
EBITDA (LOSS)	**$ (4,931)**	$ 122	**$ (6,308)**	$ 24,864

[1] Other income (loss) includes foreign exchange gains or losses, gains or losses on sales of property, plant and equipment/investments, and equity investment income or loss.

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. It is not a calculation based on Canadian GAAP 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 GAAP measure is cash flows from operating activities, funds from operations is considered relevant because it provides an indication of how much cash generated by operations is available before proceeds from divested assets and changes in certain working capital items.

The following reconciles funds from operations with cash flows from operating activities:

	Three months ended December		Year ended December 31	
(Thousands)	**2010**	2009	**2010**	2009
Cash Flows from (used in) Operating Activities	**$ (8,374)**	$ 4,538	**$ 3,846**	$ 23,822
Changes in Non-Cash Working Capital Balances related to operating activities	**3,573**	(4,520)	**(10,264)**	354
Decrease in Non-Current Deferred Revenue	**-**	-	**-**	263
Decrease in Long-Term Prepaid Expenses	**-**	(65)	**(238)**	(354)
Funds from Operations (Deficiency)	**$ (4,801)**	$ (47)	**$ (6,656)**	$ 24,085

BUSINESS RISKS AND ENVIRONMENT

DEMAND FOR PRODUCTS AND SERVICES

Divestco's business is tied primarily to the oil and gas exploration and production industry. The demand 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).

Prior to the divestiture of its seismic assets in Q3 2010, Divestco historically received a significant portion of its revenue from the licensing of seismic data. The Company commenced rebuilding its seismic library in Q4 2010. 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. Revenue is recognized on the date the data is delivered to the client.

Divestco depends on qualified contractors to complete the surveys on time and within budget. To help ensure this, Divestco obtains written cost estimates before a survey begins, and then regularly follows up with the contractor on the progress and costs incurred during the survey.

Other segments of the Company, such as Services, normally exhibit a noticeable reduction in sales from mid-April through to the end of September and a noticeable increase in sales during the fall and winter months when significant drilling and exploration activities are underway in North America. Divestco tries to minimize these fluctuations by performing specific types of contract work appropriate for lower-activity months. The Software and Data segment typically experiences a slowdown during July and August, which is generally a slower period for the oil and gas industry in western Canada.

COMPETITION

The Company operates in a highly competitive, price-sensitive industry. In addition, Divestco competes with some senior companies that generally have access to a larger pool of capital resources and may have 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.

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.

In addition to the "Business Risks and Environment" section in this MD&A, see the "Risk Factors" section in the Company's Annual Information Form (AIF) for the year ended December 31, 2010. A copy of the Company's AIF and other continuous disclosure documents can be viewed at www.sedar.com or on the Company's website at www.divestco.com.

OVERALL PERFORMANCE

Financial Results (Thousands, Except Per Share Amounts)	Three Months Ended December 31				Year ended December 31			
	2010	2009	*$ Change*	*% Change*	**2010**	2009	*$ Change*	*% Change*
Revenue	**$ 8,235**	$ 10,268	*$ (2,033)*	*-20%*	**$ 41,140**	$ 61,976	*$ (20,836)*	*-34%*
Operating Expenses	**13,166**	10,146	3,020	*30%*	**47,448**	37,112	10,336	*28%*
EBITDA [1]	**(4,931)**	122	(5,053)	*-4142%*	**(6,308)**	24,864	(31,172)	*-125%*
Interest	**703**	473	230	*49%*	**3,028**	2,941	87	*3%*
Depreciation and Amortization	**1,857**	7,248	(5,391)	*-74%*	**26,706**	34,692	(7,986)	*-23%*
Impairment of Goodwill and Intangibles	**-**	1,115	(1,115)	*-100%*	**-**	1,115	(1,115)	*-100%*
Operating Loss [1]	**(7,491)**	(8,714)	1,223	*-14%*	**(36,042)**	(13,884)	(22,158)	*160%*
Other Income (Loss)	**(10)**	(19)	9	*-47%*	**(41,416)**	4,371	(45,787)	*-1048%*
Income Tax Expense Reduction	**(1)**	(1,442)	1,441	*-100%*	**(12,455)**	(3,316)	(9,139)	*276%*
Net Loss	**$ (7,500)**	$ (7,291)	$ (209)	*3%*	**$ (65,003)**	$ (6,197)	$ (58,806)	*949%*
Per Share - Basic	**(0.17)**	(0.17)	-	*0%*	**(1.53)**	(0.15)	(1.38)	*920%*
Per Share - Diluted	**(0.17)**	(0.17)	-	*0%*	**(1.53)**	(0.15)	(1.38)	*920%*
Funds from Operations [1]	**$ (4,801)**	$ (47)	$ (4,754)	*10115%*	**$ (6,656)**	$ 24,085	$ (30,741)	*-128%*
Per Share - Basic [1]	**(0.11)**	-	(0.11)	*N/A*	**(0.16)**	0.57	(0.73)	*-128%*
Per Share - Diluted [1]	**(0.11)**	-	(0.11)	*N/A*	**(0.16)**	0.57	(0.73)	*-128%*
Shares Outstanding	**58,938**	41,958	*N/A*	*40%*	**58,938**	41,958	*N/A*	*40%*
Weighted Average Shares Outstanding								
Basic	**44,491**	41,958	*N/A*	*6%*	**42,601**	41,958	*N/A*	*2%*
Diluted	**44,491**	41,958	*N/A*	*6%*	**42,601**	41,958	*N/A*	*2%*

Financial Position (Thousands)	Balance as at		
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
Total Assets	**$ 34,984**	$ 175,923	$ 209,735
Working Capital [2]	**3,673**	(6,250)	(9,737)
Long-Term Debt Obligations	**556**	30,504	48,085

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

[2] *Excluding the current portion of deferred revenue of $3.4 million, the Company's working capital was $3.7 million at December 31, 2010, compared to a deficit of $6.3 million at December 31, 2009, excluding deferred revenue of $5.5 million and a deficit of $9.7 million as at December 31, 2008, excluding deferred revenue of $11.2 million. The improvement in working capital in 2010 was mainly due to the cash proceeds received from sale of the seismic data library which closed in September 2010 and a $3.5 million private placement that closed in December 2010.*

EARNINGS VARIANCE ANALYSIS

Q4 2010 VERSUS Q4 2009

Divestco incurred a net loss of $7.5 million ($0.15 per share (basic and diluted)) for the fourth quarter of 2010 compared with a net loss of $7.3 million (17 cent per share (basic and diluted)) in Q4 2009. There was a decline in revenue by $2 million (20%) and an increase in occupancy costs as the Company's new office lease commenced in May 2010. This was offset by a decrease in depreciation and amortization by $5.4 million (74%) due to sale of the Company's seismic data assets in Q4 2010.

Operating highlights included:

- Gross proceeds of $3.5 million were raised by way of a private placement through the issuance of 15.8 million units at a price of $0.22 per unit. Each unit consisted of a common share and a share purchase warrant to purchase a common share at price of $0.32 until December 31, 2012.
- Obtained a new revolving credit facility of $5 million
- Commenced rebuilding the seismic data library
- Positive working capital of $3.7 million as at December 31, 2010 (excluding deferred revenue of $3.4 million)

TWELVE MONTHS ENDED DECEMBER 31, 2010 VERSUS TWELVE MONTHS ENDED DECEMBER 31, 2009

Divestco incurred a net loss of $65 million ($1.50 per share (basic and diluted)) for the year ended December 31, 2010 compared with net loss of $6.2 million (15 cent per share (basic and diluted)) for 2009. The increase in net loss was primarily due to a loss of $40.9 million incurred on the sale of the Seismic Assets, a decline in revenue of $20.8 million (34%) related to the sale of the Seismic Assets and an increase in operating expenses by $10 million (27%) which included the Company's new office space lease which commenced in May 2010 and sublease loss accrual of $3 million.

Operating highlights included:

- Gross proceeds of $3.5 million were raised by way of a private placement through the issuance of 15.8 million units at a price of $0.22 per unit. Each unit consisted of a common share and a share purchase warrant to purchase a common share at price of $0.32 until December 31, 2012.
- Obtained a new revolving credit facility of $5 million
- Divestiture of the Seismic Assets for $55.7 million in cash (excluding a purchase price adjustment of $0.5 million and transaction costs of $1.8 million) and 14,285,000 shares of Pulse Data Inc. ("Pulse"). All the shares of Pulse received as part of the divestiture were distributed to the shareholders of Divestco.
- Commenced rebuilding the seismic data library in Q4 2010
- Retired bank debt and convertible debentures totalling $29.2 million with proceeds of the sale of the Seismic Assets (including accrued interest)
- Paid a cash dividend of $8.6 million ($0.20 per share)
- Positive working capital of $3.7 million as at December 31, 2010 (excluding deferred revenue)

OUTLOOK AND FUTURE OPERATIONS

On, September 29, 2010, Divestco closed the sale of the Seismic Assets. The purchase price was $55.7 million cash (excluding a purchase price adjustment of $0.5 million and transaction costs of $1.8 million) plus 14,285,000 Pulse common shares. The effective date of the transaction was July 1, 2010, but the benefits of certain pending seismic data transactions were retained by Divestco or will be shared by Divestco and Pulse. Divestco has relentlessly focused its efforts to improve its balance sheet since the fall of 2008. This divestiture eliminated Divestco's bank debt and convertible debt, and restored the Company's working capital to a positive position. Furthermore, it also provides the Company's

shareholders the opportunity to participate in the combined upside of one of the largest and most successful seismic data libraries in Western Canada through the distribution of the Pulse shares. A recapitalized Divestco will allow its shareholders to take part in a well-focused software, data and service company going forward. To help rebuild its seismic data library, the Company also raised $3.5 million in Q4 2010 through a private placement. Divestco commenced on its seismic field acquisition strategy in the end of the fourth quarter. In addition it secured a $5 million operating line with a Canadian lender for operating purposes.

SELECTED QUARTERLY INFORMATION

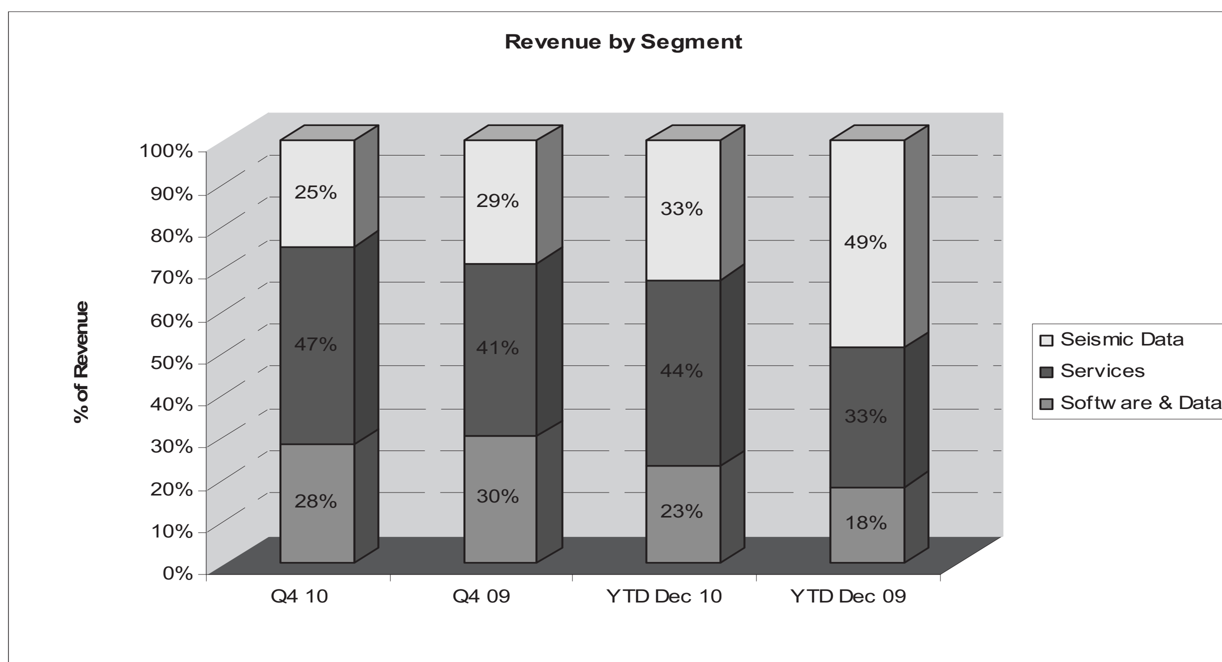
	2010				2009			
(Thousands, Except Per Share Amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**$ 8,235**	**$ 8,516**	**$ 10,648**	**$ 13,741**	$ 10,268	$ 13,411	$ 19,532	$ 18,765
EBITDA [1]	**(4,931)**	**(9,009)**	**2,389**	**5,239**	122	5,903	10,683	8,152
Operating Income (Loss) [1]	**(7,491)**	**(17,995)**	**(5,991)**	**(4,566)**	(8,714)	(2,740)	1,818	(4,250)
Net Income (Loss)	**(7,500)**	**(49,883)**	**(4,577)**	**(3,043)**	(7,291)	(1,245)	1,558	781
Per Share - Basic	**(0.17)**	**(1.19)**	**(0.11)**	**(0.07)**	(0.17)	(0.03)	0.04	0.02
Per Share - Diluted	**(0.17)**	**(1.19)**	**(0.11)**	**(0.07)**	(0.17)	(0.03)	0.04	0.02
Funds from Operations [1]	**(4,801)**	**(6,970)**	**1,970**	**3,143**	(47)	9,984	6,719	7,427
Per Share - Basic	**(0.11)**	**(0.17)**	**0.05**	**0.07**	0.00	0.24	0.16	0.18
Per Share - Diluted	**(0.11)**	**(0.17)**	**0.05**	**0.07**	0.00	0.24	0.16	0.18

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

The trend illustrated in the table above is a result of divestments made by Divestco, unanticipated negative regional and global market conditions including a worldwide economic recession, depressed equity and credit markets and low natural gas.

RESULTS OF OPERATIONS BY SEGMENT

FINANCIAL SUMMARY BY SEGMENT



For the three months ended December 31, 2010 (Thousands)					
	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	**$ 2,303**	**$ 3,896**	**$ 2,036**	**$ -**	**$ 8,235**
EBITDA [1]	**838**	**93**	**(1,075)**	**(4,787)**	**(4,931)**
Interest (Net of Interest Revenue)	**-**	**(1)**	**(1)**	**705**	**703**
Depreciation and Amortization	**1,251**	**414**	**47**	**145**	**1,857**
Operating Loss [1]	**(413)**	**(320)**	**(1,121)**	**(5,637)**	**(7,491)**

For the three months ended December 31, 2009 (Thousands)					
	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	$ 3,086	$ 4,244	$ 2,938	$ -	$ 10,268
EBITDA [1]	1,621	141	553	(2,193)	122
Interest (Net of Interest Revenue)	-	-	-	473	473
Depreciation and Amortization	351	496	5,991	410	7,248
Impairment of Goodwill and Intangibles	-	1,115	-	-	1,115
Operating Income (Loss) [1]	1,270	(1,470)	(5,438)	(3,076)	(8,714)

For the year ended December 31, 2010 (Thousands)					
	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	**$ 9,386**	**$ 18,044**	**$ 13,710**	**$ -**	**$ 41,140**
EBITDA [1]	**3,265**	**2,247**	**4,484**	**(16,304)**	**(6,308)**
Interest (Net of Interest Revenue)	**-**	**(1)**	**(1)**	**3,030**	**3,028**
Depreciation and Amortization	**3,327**	**1,658**	**20,940**	**781**	**26,706**
Operating Income (Loss) [1]	**(62)**	**590**	**(16,455)**	**(20,115)**	**(36,042)**

For the year ended December 31, 2009 (Thousands)					
	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	$ 11,224	$ 20,333	$ 30,419	$ -	$ 61,976
EBITDA [1]	5,036	1,875	25,808	(7,855)	24,864
Interest (Net of Interest Revenue)	17	-	20	2,904	2,941
Depreciation and Amortization	2,298	2,670	28,187	1,537	34,692
Impairment of Goodwill and Intangibles	-	1,115	-	-	1,115
Operating Income (Loss) [1]	2,721	(1,910)	(2,399)	(12,296)	(13,884)

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

SOFTWARE AND DATA

	Three months ended Dec 31				Year ended Dec 31			
(Thousands)	2010	2009	$ Change	% Change	2010	2009	$ Change	% Change
Revenue	**$ 2,303**	$ 3,086	$ (783)	-25%	**$ 9,386**	$ 11,224	$ (1,838)	-16%
EBITDA [1]	**838**	1,621	(783)	-48%	**3,265**	5,036	(1,771)	-35%
Interest (Net of Interest Revenue)	**-**	-	-	N/A	**-**	17	(17)	-100%
Depreciation and Amortization	**1,251**	351	900	256%	**3,327**	2,298	1,029	45%
Operating Income (Loss) [1]	**(413)**	1,270	(1,683)	-133%	**(62)**	2,721	(2,783)	-102%

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

Q4 2010 VERSUS Q4 2009

In the fourth quarter of 2010, Software and Data recorded operating loss of $413,000, compared with operating income of $1.3 million in the fourth quarter of 2009.

The decrease in revenue of $783,000 (25%) is primarily due to two consulting and license revenue sales completed in Q4 2009 which were not replicated in 2010. Excluding these non-recurring sales, revenues were steady or experienced slight declines across several core software product lines.

The $783,000 (48%) decrease in EBITDA was mainly attributable to a decrease in revenue offset by a marginal decrease in salaries and benefits of $18,000 (12%) and decrease of $25,000 (9%) in G&A expenses compared to Q4 2009. Amortization of deferred development costs increased by $984,000 (2116%) due to the completion of projects for which amortization commenced in the quarter.

YEAR ENDED DECEMBER 31, 2010 VERSUS YEAR ENDED DECEMBER 31, 2009

In the year ended December 31, 2010, Software and Data recorded operating loss of $62,000, compared with operating income of $2.7 million in the year ended December 31, 2009. The decrease is primarily related to lower revenues and a significant increase in amortization of deferred development costs due to a two large projects that were completed during 2010.

Revenue decreased by $1.8 million (16%) in 2010. Non-recurring revenue suffered through a tight year, dropping by nearly $500,000. This was particularly prevalent in the scanning and log digitizing areas where long-time clients reduced their activity or internalized some activities. In addition, there were larger one-time sales in 2009. A number of large development projects wrapped up in 2010, revenues from which should be realized in 2011 onward. There was also a significant decrease in general data sales as many redistributors of Divestco data, within the local market, exited out of that business line. Lastly, the business suffered some erosion in recurring revenue as core small business clients continued to consolidate or cease operations.

The $1.8 million (35%) decrease in EBITDA was mainly attributable to the decrease in revenue and a marginal increase in salaries and benefits of $127,000 (3%) offset by a decrease of $115,000 (9%) in G&A expenses compared to Q4 2009. Amortization of deferred development costs increased by $1.3 million (134%) due to the completion of projects for which amortization commenced in the quarter.

OUTLOOK

2010 was an extremely challenging year for the Data and Software segment. However, expectations for 2011 remain positive and it is expected that several core service lines will pick up rapidly as activity in the oil and gas industry increases. There are also several new products which will be released into the market this year.

The continued commitment to growing existing product lines remains and there have been several key releases in Q1 2011 including improvements to Landrite, WinPICS, GeoWiz and GeoCarta. With the recent changes to EnerGISite, the segment should be well positioned to grow its log subscription product lines and related services.

SERVICES

	Three months ended Dec 31				Year ended Dec 31			
(Thousands)	2010	2009	$ Change	% Change	2010	2009	$ Change	% Change
Revenue	**$ 3,896**	$ 4,244	$ (348)	-8%	**$ 18,044**	$ 20,333	$ (2,289)	-11%
EBITDA [1]	**93**	141	(48)	-34%	**2,247**	1,875	372	20%
Interest (Net of Interest Revenue)	**(1)**	-	(1)	N/A	**(1)**	-	(1)	N/A
Depreciation and Amortization	**414**	496	(82)	-17%	**1,658**	2,670	(1,012)	-38%
Impairment of Intangibles	**-**	1,115	(1,115)	-100%	**-**	1,115	(1,115)	-100%
Operating Income (Loss) [1]	**(320)**	(1,470)	1,150	-78%	**590**	(1,910)	2,500	-131%

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

Q4 2010 VERSUS Q4 2009

In the fourth quarter of 2010, Services recorded an operating loss of $320,000, compared to an operating loss of $1.5 million in the fourth quarter of 2009. There was an intangible impairment charge of $1.1 million in Q4 2009. Excluding this charge, the operating loss would have been $355,000 in Q4 2009.

Geomatics revenue in Q4 2010 decreased by $143,000 (14%) compared to Q4 2009 mainly due to decreases in audit services of $81,000 (13%) and rig activity maps of $29,000 (84%) due to the decrease in seismic acquisition activity. Other revenue areas in Geomatics also showed slight decreases except for spatial data which remained unchanged. Processing division revenue increased only marginally by $22,000 (1%) due to the prolonged slump in natural gas prices and lower customer budgets. Land management services division revenue was up $320,000 (37%) due to an increase in land acquisition activity over the comparative quarter. Overall, the Services segment revenue decreased by $348,000 (8%) in the quarter compared to Q4 2009.

While revenue decreased, salaries and benefits also decreased by $103,000 (4%) mainly due to reductions in gross pay, vacation pay and commissions compared to Q4 2009. G&A expenses decreased by 163,000 (13%) mainly due to the sale of the Business Consulting division in March 2010. Amortization of R&D increased by $140,000 due to completion of new projects and this was offset by a decrease in amortization and depreciation by $230,000 due to a decrease in capital spending and certain intangibles being fully amortized at the end of 2009.

YEAR ENDED DECEMBER 31, 2010 VERSUS YEAR ENDED DECEMBER 31, 2009

For the year ended December 31, 2010, Services recorded operating income of $590,000 compared with operating loss of $1.9 million in the year ended December 31, 2009. There was an intangible impairment charge of $1.1 million in Q4 2009. Excluding this charge, the operating loss would have been $795,000.

Geomatics division revenue was $4.3 million in 2010 compared to $4.5 million in 2009, a decrease of $179,000 (4%). An increase of $221,000 (9%) in audit services was attributed to the onset of an economic recovery as well as the introduction of rate increases at the end of 2009. This was offset by a decrease of $407,000 (27%) in spatial data services, geospatial mapping and rig activity maps as some clients moved to producing maps and reports in-house. Processing division revenue decreased by $410,000 (5%) mainly due to lower exploration activity levels caused by low natural gas prices and continued economic uncertainty which restricted clients' budgets early on 2010. Archive and technical records had no revenue in 2010 compared to revenue of $731,000 in 2009 as these divisions were sold in March 2009. Business consulting revenue was down $969,000 (14%) as the division was sold in March 2010. Land management services revenue was up $945,000 (23%) largely due to an increase in land acquisition activity over the comparative year.

Offsetting the decline in revenue, salaries and benefits decreased $1.7 million (14%) mainly due to overall reductions in staffing levels, disposition of the Archive and Technical Records divisions in March 2009 and disposition of the Business Consulting division in March 2010. G&A expenses decrease by $798,000 (14%) mainly due to the sale of the sale of the Archive and Technical Records divisions and Business Consulting division. The decrease in amortization by $1 million (38%) was the result of the segment's intangible assets being fully amortized by the end of 2009 and a change in the useful lives of property and equipment in 2009 which accelerated depreciation.

OUTLOOK

Seismic processing work levels have been steady throughout 2010 as revenue from international projects continues to bolster weak domestic activity. One positive emerging trend is that historical customers who were inactive during the downturn are now returning, albeit with modest work levels. Looking forward, the expectation is a slow but steady increase in work levels until the end of the year. Reduced costs, especially in terms of salary, have placed the Services division in a stable position relative to market

conditions, and poised to take advantage when seismic processing levels return to historically higher levels.

Geomatics expects a strong Q1 2011 as is typical for the winter season. However these results are not expected to be better than what was experienced prior to the economic downturn. Survey Audit will continue to lead the way and will be offset by a small decline in Spatial Data Services. Geomatics is expected to get under way with Phase II of a large NAD Consulting project for a major oil and gas client in the latter part of Q1 2011 with a second client expected to begin in either Q2 or Q3 2011. The SynerGISite product is expected to pick up traction in Q1 2011 and should also have a beneficial impact on other Geomatics services.

For Divestco's Land Management Services division (Cavalier Land), sales volumes are expected to rise due to a few key factors. First, the continued rise and stability of oil and gas prices is expected to lead to increased exploration and production among many clients. Second, the hiring of a professional account representative in January 2010 led to the addition of 14 new clients and this trend is expected to continue. Third, Cavalier has expanded into other markets, including telecommunications and environmental assessments. The telecommunications market is expected to provide the greatest growth for Cavalier in 2011 as there has been an emergence of new providers in the market. Finally, a significant contract with a major utility supplier signed in 2009 will continue throughout 2011 which will lead to increased field agent work across Alberta. On the expense side, the division continues to monitor labour and G&A costs very closely. This will continue throughout the year.

Divestco's Consulting segment (Land Management Services and Business Consulting) was consolidated into the Services segment effective January 1, 2010. This reorganization will better position the Land Management division with the Company's other oil and gas focused service offerings. As previously announced, Divestco is pursing a more focused strategy and as such the Business Consulting division was divested in March 2010.

SEISMIC DATA

	Three months ended Dec 31				Year ended Dec 31			
(Thousands)	**2010**	2009	$ Change	% Change	**2010**	2009	$ Change	% Change
Revenue	**$ 2,036**	$ 2,938	$ (902)	-31%	**$ 13,710**	$ 30,419	$ (16,709)	-55%
EBITDA [1]	**(1,075)**	553	(1,628)	-294%	**4,484**	25,808	(21,324)	-83%
Interest (Net of Interest Revenue)	**(1)**	-	(1)	N/A	**(1)**	20	(21)	-105%
Depreciation and Amortization	**47**	5,991	(5,944)	-99%	**20,940**	28,187	(7,247)	-26%
Operating Income (Loss) [1]	**(1,121)**	(5,438)	4,317	-79%	**(16,455)**	(2,399)	(14,056)	586%

[1] See the Non-GAAP Measures section.

Seismic Data Library	Balance as at		
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
2D in Gross KM	**49**	103,848	103,848
2D in Net KM	**49**	82,802	82,802
3D in Gross KM[2]	**-**	16,319	15,961
3D in Net KM[2]	**-**	15,122	14,764

Q4 2010 VERSUS Q4 2009

In the fourth quarter of 2010, Seismic Data recorded an operating loss of $1.1 million compared with operating loss of $5.4 million in the fourth quarter of 2009. Total seismic revenue in Q4 2010 was $1.2 million compared to $2.4 million in Q4 2009. These results were expected by management as they were due to the sale of the Seismic Assets in Q3 2010. Seismic revenue includes seismic data library sales and participation survey revenue. Brokerage revenue was $799,000 in Q4 2010 compared to $529,000 in

Q4 2009. The increase of 270,000 (51%) was due to three large data management sales in December sales.

Seismic data library sales were $1.2 million in Q4 2010 compared to $2.4 million in Q4 2009, a decrease of $1.2 million (50%). There was no participation survey revenue in Q4 2010 or in the comparative quarter. Again, due to the seismic database divestiture, these results were expected by management.

Salaries and benefits increased by marginally $40,000 (10%) due to one-time salary adjustments related to austerity measures that had been in place until August 2010. The austerity measures were mainly unpaid leave-of-absence (LOA) days (suspended in August 2010), a 5% cut in salary (suspended in January 2010) and reduction of staff. G&A expenses increased by $672,000 (34%) mainly due to an increase in bad debt expense. Amortization of data libraries decreased by $5.9 million primarily due to the sale of the Seismic Assets in Q3 2010.

YEAR ENDED DECEMBER 31, 2010 VERSUS YEAR ENDED DECEMBER 31, 2009

For the year ended December 31, 2010, Seismic Data recorded an operating loss of $16.5 million, compared with an operating loss of $2.4 million for the year ended December 31, 2009. Total seismic data division revenue in 2010 was $10.7 million compared to $29 million in 2009. Seismic division revenue includes seismic data library sales and participation survey revenue. The decrease in seismic library revenue was due to the sale of Seismic Assets in Q3 2010. Brokerage revenue was $3 million in 2010 compared to $1.4 million in the comparative period. The increase (114%) in the year was due to a bounce back in the brokerage market, maintaining a large staff of brokers and large sales in Q3 and Q4.

Participation survey revenue was $2 million in 2010 compared to $5.7 million in 2009, a decrease of $3.7 million (65%). This was due to a smaller survey being shot in 2010 compared to the survey that was shot in 2009. In addition, demand for new data was down as clients did not have the budget funds available to participate in any new programs.

Salaries and benefits increased by $400,000 (30%) due to one-time salary adjustments related to austerity measures that had been in place till August 2010. The austerity measures were mainly unpaid leave-of-absence (LOA) days (suspended in August 2010), a 5% cut in salary (suspended in January 2010) and reduction of staff. G&A expenses increased by $4.2 million (132%) mainly due an increase in bad debt expense of $3.5 million and higher commissions associated with higher brokerage revenue and third party archive costs as the Company sold its archive division and therefore had to outsource this service. Amortization of data libraries decreased by $6.4 million (24%) due to the sale of the Seismic Assets while amortization of intangibles decreased by $830,000 as these assets were fully amortized at the end of 2009.

OUTLOOK

On September 30, 2010, the Company announced that it had successfully closed the disposition of the Seismic Assets to Pulse. The purchase price for Divestco's seismic data library was $55.7 million cash (excluding a purchase price adjustment of $0.5 million and transaction costs of $1.8 million) plus 14,285,000 Pulse common shares. The effective date of the transaction was July 1, 2010, but the benefits of certain pending seismic data transactions were retained by Divestco or will be shared by Divestco and Pulse.

Divestco has relentlessly focused its efforts to improve its balance sheet since the fall of 2008. The asset divestiture eliminated Divestco's bank and convertible debt and restored the Company working capital to a positive position. Furthermore, it also provided the Company's shareholders the opportunity to participate in the combined upside of one of the largest and most successful seismic data libraries in Western Canada. A recapitalized Divestco allows its shareholders to take part in a well focused software, data and service company going forward.

Although the Company divested the Seismic Assets in September 2010, Divestco commenced to rebuild its seismic data library in Q4 2010 and completed its first survey, since the disposition, in Q1 2011. The segment continues to provide seismic brokerage services through the largest division of its kind in Canada with 13 independent brokers.

CORPORATE AND OTHER

	Three months ended Dec 31				Year ended Dec 31			
(Thousands)	2010	2009	$ Change	% Change	2010	2009	$ Change	% Change
Revenue	**$ -**	$ -	$ -	N/A	**$ -**	$ -	$ -	N/A
EBITDA [1]	**(4,787)**	(2,193)	(2,594)	118%	**(16,304)**	(7,855)	(8,449)	108%
Interest (Net of Interest Revenue)	**705**	473	232	49%	**3,030**	2,904	126	4%
Depreciation and Amortization	**145**	410	(265)	-65%	**781**	1,537	(756)	-49%
Operating Loss [1]	**(5,637)**	(3,076)	(2,561)	83%	**(20,115)**	(12,296)	(7,819)	64%

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

Q4 2010 VERSUS Q4 2009

Salaries and benefits increased by $117,000 (13%) due to restoring salaries to pre-austerity levels earlier in the year, certain one-time salary adjustments and retention incentives granted to key employees. The austerity measures were comprised of unpaid leave-of-absence (LOA) days (commenced on April 1, 2009 and suspended in August 2010), a 5% cut in salary (commenced on April 1, 2009 and suspended in January 2010) in addition to staff reductions. G&A expenses increased by $2.5 million (160%) mainly due to a $2.7 million (656%) increase in occupancy costs as Divestco's new building lease commenced on May 1, 2010 but the related space was vacant up to the end of 2010 due to a delay in the build out. Therefore 2010 included double rent which will end in 2011 once the entire Company is moved into the new location. Bad debt expense went down by $524,000 (74%) as the general provision booked by the Company for accounts over 120 days old was lower due to a reduction in the related receivables through improved collections efforts. Interest expense increased by $232,000 (49%) mainly due to the accruing interest owed to creditors. Amortization decreased by $265,000 (65%) due to a reduction in overall capital spending.

YEAR ENDED DECEMBER 31, 2010 VERSUS YEAR ENDED DECEMBER 31, 2009

Salaries and benefits increased by $599,000 (15%) due to restoring salaries to pre-austerity levels earlier in the year, certain one-time salary adjustments and retention incentives granted to key employees. The austerity measures were comprised of unpaid leave-of-absence (LOA) days (commenced on April 1, 2009 and suspended in August 2010), a 5% cut in salary (commenced on April 1, 2009 and suspended in January 2010) in addition to staff reductions. G&A expenses increased by $7.6 million (152%) mainly due to an $8.1 million (530%) increase in occupancy costs as Divestco's new building lease commenced on May 1, 2010 but the related space was vacant up to the end of 2010 due to a delay in the build out. In addition, $3 million related to an estimated loss on subleasing unused office space in the Company's new premises and its related accretion was included in G&A expenses during the year. Therefore 2010 included double rent which will end in 2011 once the entire Company is moved into the new location. Stock compensation costs also increased due to all of the outstanding stock options vesting as part of the sale of the Seismic Assets. This increase was offset by decreases in advertising and promotion by $142,000 (93%), professional fees by $139,000 (14%) and bad debt expense went down by $845,000 (89%) as the general provision booked by the Company for accounts over 120 days old was lower due to a reduction in the related receivables through improved collections efforts. Interest expense was up by $127,000 (4%) due to the accruing interest owed to creditors. Amortization decreased by $756,000 (49%) due to a reduction in overall capital spending.

OUTLOOK

The Company continues to look for ways to reduce costs and appropriately manage corporate overhead.

DEPRECIATION AND AMORTIZATION

	Three months ended Dec 31				Year ended Dec 31			
(Thousands)	**2010**	2009	$ Change	% Change	**2010**	2009	$ Change	% Change
Depreciation and Amortization	**$ 1,857**	$ 7,248	$ (5,391)	-74%	**$ 26,706**	$ 34,692	$ (7,986)	-23%

In the fourth quarter of 2010, depreciation and amortization was $1.9 million, compared with $7.2 million of depreciation and amortization in the fourth quarter of 2009, a decrease of $5.4 million (74%). Amortization of deferred development costs increased by $1.1 million (1039%) due to certain major projects being completed and the related amortization commencing in Q4 2010. Amortization of data libraries decreased by $6 million (98%) due to sale of Seismic Assets in Q3 2010 and no new surveys being completed in Q4 2010. Amortization of property and equipment (PP&E) and intangibles was down by $638,000 (60%). For PP&E, overall capital expenditures were down due to reductions in spending. With the exception of software code, the Company's remaining intangibles were fully amortized by the end of 2009.

In 2010, depreciation and amortization was $26.7 million, compared with $34.7 million in depreciation and amortization in 2009, a decrease of $8 million (23%). Amortization of deferred development costs increased $1.4 million (93%) due to the completion of certain large projects for which amortization commenced in 2010. Amortization of data libraries decreased by $6.5 million (23%) due to the sale of the data libraries in Q3 2010. Amortization of PP&E and intangibles decreased $3 million (54%). For PP&E, overall capital expenditures were down. For amortization of intangible assets, with the exception of software code, the Company's remaining intangibles were fully amortized by the end of 2009.

INCOME TAXES

	Three months ended Dec 31				Year ended Dec 31			
(Thousands)	**2010**	2009	$ Change	% Change	**2010**	2009	$ Change	% Change
Current	**(1)**	(217)	216	-100%	**(113)**	(4,685)	4,572	-98%
Future (Reduction)	**-**	(1,225)	1,225	-100%	**(12,342)**	1,369	(13,711)	-1002%
Income Taxes (Reduction)	**$ (1)**	$ (1,442)	$ 1,441	-100%	**$ (12,455)**	$ (3,316)	$ (9,139)	276%

In the fourth quarter of 2010, the Company recorded a current tax recovery of $1,000 and a future tax reduction of nil as the Company recorded a valuation allowance for the full amount of its tax pools.

In 2010, the Company recorded a current tax recovery of $113,000 and a future tax reduction of $12.3 million as the Company recorded a valuation allowance for the full amount of its tax pools.

As at December 31, 2010, Divestco and its Canadian subsidiaries had $3.4 million in undepreciated capital cost pools, $40.2 million in Federal and $25.7 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 had $1.3 million in federal scientific research and experimental development investment tax credits to reduce taxes payable in the future which expire in 2029.

MAJOR TRANSACTIONS

SEISMIC RELATED

In Q4 2010, Divestco commenced a 130 km^2 3D seismic survey which was completed in Q1 2011 at a cost of $2.1 million. The Company also signed an agreement during the quarter whereby in exchange for a license to the survey it commenced acquiring in Q4 2010, it obtained the ownership rights to an existing 3D survey in Q1 2011 covering an area of 67 km^2.

In 2010, Divestco completed a 3D seismic participation survey for $2 million covering an approximate area of 41 km^2 and acquired 140 km of 2D and 145 km^2 of existing 3D seismic for $1.9 million. Except for $144,000, the existing data was acquired by way of a data exchange whereby the Company sold $2.5 million of seismic data licenses and related services in exchange for the seismic data. In addition the Company recorded favourable adjustments to its reclamation cost accruals for certain surveys. The Company also commenced a new 3D seismic program and signed an agreement to exchange a licence to this new program for the ownership rights in another existing 3D survey.

On September 29, 2010, the Company completed the sale of the Seismic Assets to Pulse for total consideration of $73.4 million including $53.4 million in cash (net of purchase price adjustments of $0.5 million and transaction costs of $1.8 million) and 14,285,000 shares of Pulse valued at $1.40 per share or $20 million for accounting proposes. This resulted in an accounting loss on the transaction of $40.9 million. All the shares of Pulse received as part of the divestiture were distributed to the shareholders of Divestco. Prior to the sale to Pulse and excluded from the deal, a client exercised a right to acquire the ownership interest in a 3D seismic data set that was shot by Divestco for the client and as a result, the Company received $1 million. An accounting loss of $591,000 was recognized on the transaction.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Financial Position	**Balance as at December 31**		
(Thousands, except as otherwise indicated)	**2010**	2009	2008
Current Assets	**$ 15,994**	$ 21,151	$ 32,120
Current Liabilities [1]	**12,321**	27,401	41,857
Working Capital (Deficiency)	**3,673**	(6,250)	(9,737)
Funded Debt [2]	**556**	30,504	48,085
Shareholders' Equity	**17,675**	106,350	111,973
Funded Debt to Equity [3] - %	**3%**	29%	43%

[1] Excludes deferred revenue
[2] Current and long-term portion of debt obligations and convertible debentures
[3] Funded debt divided by shareholders' equity

WORKING CAPITAL

Divestco's working capital at the end of December 2010, excluding deferred revenue of $3.4 million was $3.7 million, compared to a deficit of $6.3 million at the end of 2009, excluding deferred revenue of $5.5 million. The improvement was due to the sale of the Seismic Assets in Q3 2010 and closing of the private placement in Q4 2010. Of the proceeds received on sale, Divestco used $29.2 million to repay its bank loans and convertible debentures, $15.5 million to pay vendors and transaction costs and in October 2010, the Company paid a special cash dividend of $8.6 million ($0.20 per share). The proceeds of the private placement were used to acquire new seismic data in Q1 2011 and for working capital purposes.

While the Company has focused on collection of its receivables, especially those that are greater than 90 days old, the Company records an allowance for doubtful accounts of 20% of balances over 120 days old. In 2010, the Company recorded a $4.5 million (2009 - $1.2 million) bad debt write-off on two large receivables totalling $5.9 million which were over 120 days past due. The Company continues with its collections efforts, however there are indications that legal action may be required which could further delay the process. As outlined in the Seismic Data Purchase Agreement incorporated by reference in the August 26, 2010 Information Circular and filed on SEDAR, Divestco retained the right to litigate and retain in whole or in part the proceeds of past breaches in regards to certain of the disposed seismic assets. 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. 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 current and past seismic data library. In an effort to protect the Company's seismic data asset both past

and present, Divestco has commenced (or is contemplating) legal action(s) against companies for breaches of its license agreement(s), 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 commenced or contemplated could have a material financial impact to the firm. Given the nuances it is difficult to quantify the timing or potential financial impact of any legal action commenced or contemplated.

To mitigate further economic pressure the Company remains committed to limiting capital expenditures unless they are well funded (mainly seismic participation surveys) and implemented further cost-cutting measures to reduce aggregate labour costs. The Company also secured a new $5 million operating line in Q4 2010 for working capital purposes.

Divestco's debt summary for fiscal 2010:

	Balance as at January 1, 2010	Payments (net of advances)	Balance as at December 31, 2010	Expected payments	Forecasted balance as at December 31, 2011
Operating Line [1]	-	2,050	2,050	-	2,050
Term Loans & committed revolver	26,545	(26,545)	-	-	-
Promissory Notes	67	(67)	-	-	-
Capital Leases	718	(162)	556	(368)	188
	27,330	(24,724)	2,606	(368)	2,238

[1] Included in bank indebtedness on the consolidated balance sheets

COMMITMENTS AND CONTINGENCIES

On May 1, 2010, the Company's lease for its new premises commenced. The lease term is 15 years. The monthly commitment was approximately $612,000 including operating costs for 2010. The annual square foot rate increases in years 3, 6, 9, 11 and 14. All other leases expire in 2011 except for approximately 9,500 square feet of space that occupies the Company's IT infrastructure.

In 2010, management anticipated that the Company would not occupy all of the space in its new premises and as such began negotiating with various potential subtenants. In accordance with the Emerging Issues Committee Abstract EIC-135, Accounting for Costs Associated with Exit and Disposal Activities, although nothing had been formalized as at December 31, 2010 and based on current market conditions, a liability of $3 million was accrued towards the estimated sub-lease loss, which is calculated as the present value of the difference between estimated current day sublease rental rates that could be reasonably obtained for the property and those which the Company is committed to pay to the landlord. The Company recorded accretion of $65,000 in 2010. In Q1, 2011, the Company finalized an agreement whereby a new tenant would take over the lease on two floors for 10 years after which time the Company will be no longer be responsible for the lease obligations for that space. The lease commences on April 1, 2010 and includes an eight month rent-free period and additional tenant inducements to match with current inducement rates. The total savings to the Company is approximately $2 million per year after 2011.

Below is a summary of capital leases and the new building lease commitment net of (estimated) sub-leases combined with the Company's commitment on its current premises until the leases expire:

(Thousands)	2011	2012	2013	2014	2015+	Total
Capital Leases	413	185	92	48	46	784
Operating Leases [1]	8,727	6,348	6,668	6,820	87,109	115,672
Total Contractual Obligations	**$ 9,140**	**$ 6,533**	**$ 6,760**	**$ 6,868**	**$ 87,155**	**$ 116,456**

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. Such accruals are based on information known about the matters, the Company's estimates of the outcomes of such matters and its experience in contesting, litigating and settling similar matters. 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.

On February 25, 2011, the plaintiff in a lawsuit against the Company was awarded judgement in the amount of $500,000. In addition to the principal amount, the Company is liable for costs and interests in the estimated total amount of $42,000. Steps are being taken to satisfy the judgment which included the transfer of securities and cash held in trust pending the resolution of this matter. An accrual has been recorded in 2010 for the amount of settlement plus costs and interest less the approximate value of the securities. The lawsuit relates to $500,000 in convertible debentures issued by BlueGrouse Seismic Solutions Ltd. ("BlueGrouse") to the plaintiff on November 21, 2005 at a conversion price of $4.48 (post acquisition of BlueGrouse). BlueGrouse was acquired by the Company in 2007.

SELECTED CASH FLOW ITEMS

	Three months ended December 31		Year ended December 31	
(Thousands)	**2010**	2009	**2010**	2009
Operating Activities				
Funds from operations [1]	**$ (4,801)**	$ (47)	**$ (6,656)**	$ 24,085
Non-Cash Working Capital Change (Current and Long-Term Portions)	**(3,573)**	4,585	**10,502**	(263)
Cash Flows From (Used in) Operating Activities	**(8,374)**	4,538	**3,846**	23,822
Financing Activities				
Bank Indebtedness	**2,050**	-	**2,050**	-
Long-Term Debt Obligations	**(190)**	(8,423)	**(30,896)**	(21,543)
Proceeds from Debenture Issue	**-**	3,750	**-**	3,750
Issue of Common Shares, Net of Repurchases	**3,452**	-	**4,180**	-
Dividends paid	**(8,623)**	-	**(8,623)**	-
Other - Net	**-**	(98)	**(50)**	(173)
Cash Flows From (Used in) Financing Activities	**(3,311)**	(4,771)	**(33,339)**	(17,966)
Investing Activities				
Acquisition of Data Libraries	**-**	(56)	**(2,195)**	(7,246)
Surveys in Progress	**(1,201)**	(1,978)	**933**	2,522
Additions to Property, Plant and Equipment	**(1,058)**	(81)	**(1,760)**	(1,500)
Acquisitions	**-**	-	**-**	-
Proceeds on sale of data libraries	**-**	-	**54,434**	-
Proceeds on sale of property and equipment	**-**	-	**93**	3,340
Other - Net	**(4,844)**	1,763	**(19,086)**	(4,015)
Cash Flows From (Used in) Investing Activities	**(7,103)**	(352)	**32,419**	(6,899)
Foreign Exchange Gain on Cash Held in a Foreign Currency	**(1)**	2	**2**	-
Change in Cash	**$ (18,789)**	$ (583)	**$ 2,928**	$ (1,043)

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

OPERATING ACTIVITIES

In Q4 2010, funds from operations were a negative $4.8 million (($0.11) /share (basic and diluted)), compared with a negative $47,000 (($0.00) /share (basic and diluted)) in Q4 2009. The decrease was mainly due to a $2 million (20%) decrease in revenue caused primarily by the sale of the Seismic Assets and a $2.7 million (26%) increase in operating expenses caused primarily by the lease on the Company's new premises which commenced in May 2010.

In 2010, funds from operations were a negative $6.7 million (($0.16) /share (basic and diluted)), compared with $24.1 million (($0.57) /share (basic and diluted)) in 2009. The $20.8 million (34%) decrease in revenue was primarily due to the drop in services and seismic data revenue as clients did not have budgeted funds available for their winter exploration programs as they would have normally had in prior years in addition to the sale of Seismic Assets in Q3 2010. The $10 million (27%) increase in operating expenses resulted mainly from the lease on the Company's new premises which commenced in May 2010, including a related estimated sublease loss accrual of $3 million, and an additional bad debt expense of $3 million. There were offset by $542,000 decrease in salaries and benefits due to the cost reduction strategies which remained in place until August 2010 (except for salary roll-backs that were reversed on January 1, 2010).

FINANCING ACTIVITIES

In Q3 2010, the Company paid off the term loan and committed revolving credit facilities with the proceeds from the sale the Seismic Assets and in Q4 2010, the Company used a portion of the proceeds to pay a cash dividend of $8.6 million (20 cents per share).

In Q4 2010, the Company secured a new operating $5 million credit facility of which $2 million was drawn as at December 31, 2010. The facility is subject to the Company meeting certain debt covenants as follows: current ratio cannot fall below 1.25:1; funded debt to equity ratio cannot exceed 1.75:1; and debt service coverage ratio cannot fall below 3:1. As at December 31, 2010, the Company was in violation of its debt service coverage ratio covenant. The lender has acknowledged the breach and has provided the Company with a waiver of the covenant as at December 31, 2010. In addition, the Company and the lender are in discussions to amend the covenants going forward.

On December 23, 2010, the Company closed a private placement whereby it sold 15,825,217 units ("Units") at a price of $0.22 per Unit for total gross proceeds of $3,481,548. Each Unit was comprised of one Class A share of Divestco (the "Share") and one non-transferable share purchase warrant (the "Warrant"). Each Warrant entitles the holder to purchase one Share on or before December 31, 2012 at an exercise price of $0.32 per Share. The shares and the warrants, and any shares issued on exercise of the warrants are subject to a hold period under applicable Canadian securities laws and polices of the TSX Venture Exchange. Directors and officers subscribed for 9,865,214 Units for gross proceeds of $2,170,347.

INVESTING ACTIVITIES

On September 29, 2010, the Company completed the sale of its 2D and 3D seismic data library to Pulse for net proceeds of $73.4 million. This included cash of $53.4 million after taking into consideration purchase price adjustments and transaction costs of $1.8 million. The Company also received 14.285 million Pulse shares valued at $20 million on the closing date. The Company also sold a seismic survey prior to the sale to Pulse for proceeds of $1 million giving total net cash proceeds of $54.4 million for 2010.

During Q4 2010, the Company acquired $1.1 million of property, plant and equipment (excluding $54,000 in computer equipment acquired under capital lease) mainly related to build out costs for the Company's new office space. The Company commenced a new 130 km^2 3D seismic survey in Q4 2010 and incurred costs of $1.2 million during the quarter. It was completed in Q4 2010 and was fully funded with pre-sale commitments. The Company also signed an agreement during the quarter whereby in exchange for a

license to the seismic survey it commenced in Q4 2010, it obtained the ownership rights to an existing 3D survey in Q1 2011 covering an area of 67 km^2. No revenue or costs were recognized as the net cash paid/received was zero.

During 2010, the Company acquired $1.7 million of property, plant and equipment (excluding $372,000 in computer equipment acquired under capital lease) mainly related to build out costs for the Company's new office space. In addition, the Company completed a 3D seismic participation survey for $2 million covering an approximate area of 41 km^2 and acquired 140 km of 2D and 145 km^2 of existing 3D seismic for $1.9 million. Except for $144,000, the existing data was acquired by way of a data exchange. In Q4 2010, Divestco commenced a 130 km^2 3D seismic survey which was completed in Q1 2011 at a cost of $2.1 million. The Company also signed an agreement during the quarter whereby in exchange for a license to the seismic survey it commenced in Q4 2010, it obtained the ownership rights to an existing 3D survey in Q1 2011 covering an area of 67 km^2.

OUTSTANDING SHARE DATA

As a result of the sale of its seismic data library, Divestco's shares were delisted from the Toronto Stock Exchange (TSX) on October 5, 2010. Divestco's Class A shares were listed on the TSX Venture Exchange (TSXV) on October 6, 2010 and trade under the symbol DVT. The Company is authorized to issue an unlimited number of voting Class A shares.

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

	Balance as at (thousands)		
	Apr 20, 2011	Dec 31, 2010	Dec 31, 2009
Class A shares			
Outstanding	59,392	58,938	41,958
Weighted Average Outstanding			
Basic		42,601	41,958
Diluted [1]		42,601	41,958
Stock Options			
Outstanding	835	907	2,137
Exercise Price Range	$0.68 to $6.10	$0.68 to $6.10	$0.60 to $6.10
Share Purchase Warrants			
Outstanding	16,280	15,825	-
Exercise Price	$0.32	$0.32	-

[1] In calculating diluted weighted average outstanding shares, conversion or exercise of equity instruments is assumed only if the effect is dilutive. For the twelve months ended December 31, 2010, options to purchase 907,000 Class A common shares have been excluded from the calculation of diluted weighted average outstanding shares as they were anti-dilutive.

PRIVATE PLACEMENT

On December 23, 2010, the Company closed a private placement whereby it sold 15,825,217 units ("Units") at a price of $0.22 per Unit for total gross proceeds of $3,481,548. Each Unit was comprised of one Class A share of Divestco (the "Share") and one non-transferable share purchase warrant (the "Warrant"). Each Warrant entitles the holder to purchase one Share on or before December 31, 2012 at an exercise price of $0.32 per Share. The shares and the warrants, and any shares issued on exercise of the warrants are subject to a hold period under applicable Canadian securities laws and polices of the TSX Venture Exchange. Directors and officers subscribed for 9,865,214 Units for gross proceeds of $2,170,347.

On January 10, 2011, the Company issued an additional 454,546 Units at a price of $0.22 per Unit for gross proceeds of $100,000.

STOCK OPTIONS

As at December 31, 2010, there were 5,893,777 Class A common shares reserved for grants of stock options.

During the year ended December 31, 2010:

- 615,000 options were granted with exercise prices ranging from $0.68 to $0.78
- 689,852 options were forfeited with exercise prices ranging from $0.60 to $6.10 including 187,500 options that were forfeited by former directors, an officer and a former officer.
- 1,155,000 options were exercised with exercise prices ranging from $0.60 to $0.78 including 850,000 options that were exercised by directors, officers and a former officer.

From January 1, 2011 to April 20, 2011:

- 72,333 options were forfeited with exercise prices ranging from $1.30 to $6.00

RELATED PARTY TRANSACTIONS

Divestco had the following related party transactions for the twelve months ended December 31, 2010:

- In 2010, the Company incurred $286,000 (2009 - $268,000) in seismic consulting fees and brokerage commissions from a company controlled by a Director. Included in accounts payable as at December 31, 2010 was $147,000 (December 31, 2009 - $101,000) related to these fees and commissions.
- In 2010, the Company incurred $453,000 (2009 - $423,000) in legal fees from the law firm at which the Company's Corporate Secretary is employed. Included in accounts payable as at December 31, 2010 was $74,000 (December 31, 2009 - $26,000) related to these legal fees.

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

CRITICAL ACCOUNTING ESTIMATES

SEISMIC DATA LIBRARIES

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

STOCK-BASED COMPENSATION

The fair value of share options granted in 2010 were estimated using the Black-Scholes option pricing model, with the following assumptions: an average expected volatility of 92%, an average risk free interest rate of 2.2%, no dividend rate and an expected life of five years. The value of the stock options is recognized as a compensation expense over the three-year vesting period.

NEW ACCOUNTING PRONOUNCEMENTS

BUSINESS COMBINATIONS, CONSOLIDATED FINANCIAL STATEMENTS AND NON-CONTROLLING INTERESTS

As of January 1, 2011, the Company will be required to adopt the following new Canadian accounting standards for:

Business combinations, which replaces the previous business combinations standard. The standard requires assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies to be measured at their fair values as of the date of acquisition. In addition, acquisition-related and restructuring costs are to be recognized separately from the business combination and included in the statement of earnings. The adoption of this standard will impact the accounting treatment of future business combinations.

Consolidated financial statements, together with the new rules on non-controlling interests, replace the former consolidated financial statements standard. This standard establishes the requirements for the preparation of consolidated financial statements. The adoption of this standard should not have a material impact on Divestco's consolidated financial statements.

Non-controlling interests, which establishes the accounting for a non-controlling interest in a subsidiary in the consolidated financial statements subsequent to a business combination. The standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interest. The adoption of this standard should not have a material impact on Divestco's consolidated financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Canadian Accounting Standards Board (AcSB) has confirmed that accounting standards in Canada will converge with IFRS. Entities will be required to adopt IFRS effective January 1, 2011 with a restatement of the comparative periods for 2010 including an opening balance sheet as at January 1, 2010. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies and increased note disclosures which must be addressed.

The Company has commenced the process to transition from current Canadian GAAP to IFRS. It has established a project plan and a project team. The project team is led by finance and includes representatives from operations to plan for and achieve an efficient transition to IFRS. The project plan consists of three phases: initiation, detailed assessment and design, and implementation. The Company completed the first phase in 2009, initiation, which involved the development of a detailed timeline for assessing resources and training and the completion of a high level review of the major differences between current Canadian GAAP and IFRS. Education and training sessions for employees within finance and accounting and discussions with the Company’s external auditors commenced in 2010 and will continue throughout the final phase. Regular reporting is provided to the Company’s senior executive management and to the Audit Committee.

The detailed assessment and design phase involved establishing work teams to complete a comprehensive analysis of the impact of the IFRS differences identified in the initial scoping assessment. The Company’s detailed assessment and design phase of the project was expected to be completed by June 30, 2010. In addition, an initial evaluation of IFRS 1, First-time Adoption of IFRS, transition exemptions and the analysis of financial systems was also expected to be completed by September 30, 2010. These were completed by the end of November 2010.

The Company commenced the last phase, implementation, in 2010, which was expected to be completed by the end of 2010. However, a small portion of the external audit of the Company’s opening IFRS balance sheet is yet to be completed as of the date of this MD&A. The Company has executed the

required changes to business processes, financial systems, accounting policies and needs to finalize its disclosure controls and internal controls over financial reporting. The Company will be ready to publish IFRS compliant financial statements by the required deadline.

On a qualitative basis, the Company has identified the key areas where changes are anticipated as follows:

IFRS 1 – First-time Adoption of IFRS

IFRS 1 generally requires that an entity apply all IFRS standards effective at the end of its first IFRS reporting period retrospectively, with specific mandatory exemptions, and a limited number of optional exemptions. A preliminary assessment of the available exemptions has been completed. The Company intends to finalize this assessment and disclose the options selected once its IFRS opening balance sheet has been audited which commenced in Q3 2010. Quantifiable information, if any, about the impact of IFRS on key line items should be available on completion of the audit.

International Accounting Standard (IAS) 36 – Impairment of Assets

This standard deals with the impairment of a variety of non-financial assets, including property, plant and equipment, intangible assets and goodwill. The standard contains a single comprehensive impairment standard under which assets are tested for impairment either individually or within cash-generating units (CGUs), the smallest group of assets that generates cash inflows from continuing use that largely are independent of the cash inflows of other assets or groups thereof. This Standard ensures that assets are carried at no more than their recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use is the discounted present value of the future cash flows expected to arise.

Under this standard, all assets are to be reviewed at each balance sheet date to look for any indication of impairment, based on a list of external and internal indicators of impairment. This standard may result in more frequent write-downs in the carrying value of assets as the carrying values that were previously supported under Canadian GAAP, based on undiscounted cash flows, may not be supportable under the discounted cash flows basis. However, under this standard reversal of impairment is allowed.

The Company has assessed the impairment charges made prior to January 1, 2010 and it appears they are appropriate under IFRS. However, the Company intends to finalize this assessment once its IFRS opening balance sheet has been audited which commenced in Q3 2010.

International Financial Reporting Standards (IFRS) 2 – Share-based payments

A share-based payment is a transaction in which the entity receives goods or services as consideration for its equity instruments or by incurring liabilities for amounts based on the price of the entity's shares or other equity instruments of the entity. Stock options issued to directors, officers, employees and consultants would fall under the purview of this standard.

Under Canadian GAAP, the Company currently accrues compensation costs as if all instruments granted were expected to vest and recognises the effect of actual forfeitures as they occur. Under IFRS 2 the entity is required to estimate the forfeiture rate based on the best available information and adjust the forfeiture rate prospectively if required. In addition, IFRS 2 requires that each tranche of options be treated as a separate arrangement as graded vesting is utilized. As a result of these differences between Canadian GAAP and IFRS there is potential for adjustment.

The Company has completed an internal assessment of the impact of these changes. The Company will finalize this once its IFRS opening balance sheet has been audited which commenced in Q3 2010.

International Accounting Standard (IAS) 38 – Intangible Assets

The Company currently shows its Data Library as a separate asset on the balance sheet. The Company will account for its data libraries as an intangible asset using the historical cost model which is similar to Canadian GAAP. This will only impact the presentation on the face of the balance sheets and the associated note disclosure. The presentation difference between Canadian GAAP and IFRS for this asset class will have no impact on reported earnings or loss or on total equity.

International Accounting Standard (IAS) 1 – Presentation of financial statements

Significant differences between IFRS and Canadian GAAP exist for financial statement presentation and disclosure, which only impact the presentation on the face of the balance sheet, statement of comprehensive income, cash flow statement or within classes of shareholders' equity. The presentation differences between Canadian GAAP and IFRS will have no impact on reported earnings (loss) or total equity.

International Financial Reporting Standards (IFRS) 3 – Business combinations

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses. IFRS 3 does not apply to the formation of a joint venture, combinations of entities or businesses under common control. IFRS 3 also does not apply to the acquisition of an asset or a group of assets that do not constitute a business.

IFRS 1 provides an exemption from restating past business combinations for periods prior to the IFRS transition date, thereby grandfathering the accounting treatment under Canadian GAAP. The Company will likely elect to apply the exemption available to first time IFRS adopters without having to retroactively restate the accounting for those business combinations that occurred prior to January 1, 2010. There were no business combinations in 2010.

International Accounting Standard (IAS) 18 – Presentation of financial statements

IAS 18 *Revenue* sets out criteria for recognizing revenue, identifies the circumstances in which those criteria will be met, and provides practical guidance on applying the criteria. IAS 18 requires using the *percentage of completion method* when accounting for rendering services. Under the percentage of completion method, revenue is recognized as work progresses based on the percentage of work completed at the end of the reporting period. The Company currently recognizes revenue for services rendered, under Canadian GAAP, using the *completed contract method.* The Company will be switching to the percentage of completion method, for services rendered, and making the necessary adjustments to its opening balance sheet and financial statements for 2010. The Company has quantified the change as a result of this change and is awaiting auditors approval on this.

However, the IASB has issued an exposure draft for a new standard on revenue that would replace IAS 18 Revenue and Related Interpretations. The final standard is expected in the second quarter of 2011. The new guidance may represent a substantial change from the application of existing IFRS guidance. The exposure draft proposes 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, one which the Company already follows under Canadian GAAP. The proposals include the withdrawal of the percentage of completion method, which the Company will be using in 2011, and its comparative periods for services rendered. If the exposure draft is adopted as outlined above, the Company does not expect any material change in its revenues under IFRS as the policy is then expected to mirror the policy already being followed by the Company under Canadian GAAP.

Internal Controls over Financial Reporting and Disclosure Controls and Procedures

In Q4 2010, the Company commenced updating internal controls documentation related to the preparation of the IFRS opening balance sheet, including controls related to the completeness of the adjustments. This will be completed in time for filing of the first IFRS statements.

Information Technology (IT)

In Q4 2010, the Company completed the review of its IT systems to ensure they are able to adequately support conversion to IFRS and ongoing financial reporting. The Company has implemented and tested a method to generate GAAP and IFRS financial reports in parallel.

Business Policy Assessment

Based on the Company's debt covenants, certain calculations will be affected by the adoption of IFRS as they include cash items such as EBITDA. The calculation of EBIDTA may be affected by the change from the completed contract method to the percentage of completion method for purposes of revenue recognition.

At this time, the Company cannot quantify the impact that the adoption of IFRS will have on our future results of operations or financial position. Additional disclosure of the key elements of our plan and progress on the project will be provided as the Company moves toward the changeover date. The Company will continue to monitor the development of new standards and any changes will be incorporated as required.

The following table is summary of the Company's changeover plan and status:

Key Activity (Selected elements only)	Proposed Deadlines	Status as of the date of this MD&A
Financial Statement Preparation		
Identification of differences between Canadian GAAP and IFRS accounting policies and choices that are applicable to the Company	Completed	Significant accounting policy choices identified and their impact is being evaluated in conjunction with the opening IFRS balance sheet audit.
Selection of entity's continuing IFRS policies	Completed	The Company has selected its accounting policies and is currently quantifying the effect.
Selection of IFRS 1 policy choices	Completed	The Company has selected its IFRS 1 policies.
Financial statement format including alternative performance measures	Completed	Draft financial statements format prepared.
Changes in note disclosure	Upon completion of opening balance sheet	Sources of information indentified. Company has commenced building new tables and gathering addition information to populate the tables. Expected to be complete after opening IFRS balance sheet audit completed.
Quantification of IFRS 1 disclosure for 2010	In conjunction with release of Q1 2011 IFRS financial statements	Work expected to be completed once the opening IFRS balance sheet audit is completed.
Infrastructure: IFRS expertise		
IFRS expertise and identification and development at all levels (including Board level)	On-going	Expert resources identified – use of external auditors and industry peer groups, key in-house personnel trained with additional training being provided as needed.
Infrastructure: Information technology (IT)		
Systems are capable of processing transactions, generating reports and maintaining IT controls under GAAP and IFRS, during and after transition.	Completed	ERP system capable of parallel processing transactions. Parallel processing method and report creation method identified in Q2 2010 and tested in Q4 2010.

Business Policy Assessment:		
Renegotiate bank covenants	Completed for new operating line secured in Q4 2010	Debt covenants take IFRS into account.
Customer and supplier contract evaluation	Completed	Review of customer/supplier contracts against IFRS related to revenue/cost recognition completed.
Control Environnement:		
ICFR and DC&P (i) Accounting policy determination, documentation and implementation (ii) CEO/CFO certification process	ICFR and DC&P (i) In conjunction with release of Q1 2011 IFRS financial statements (ii) In conjunction with release of Q1 2011 IFRS financial statements	ICFR and DC&P (i) Policies have been approved by Management and the Audit Committee. (ii) Update CEO/CFO certification process in conjunction with release of Q1 2011 IFRS financial statements

SECURITIES REGULATIONS UPDATE

DISCLOSURE CONTROLS AND PROCEDURES

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

An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was conducted as at December 31, 2010, by and under the supervision of Divestco's management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures, as defined in the Canadian Securities Administrators' National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", are effective to ensure that information required to be disclosed in reports that the Company files or submits under Canadian securities legislation is recorded, processed, summarized, and reported within the time periods specified in those rules and forms.

There were no changes in Divestco's disclosure controls and procedures that occurred during the twelve months ended December 31, 2010, that have materially affected, or are reasonably likely to materially affect, Divestco's internal control over financial reporting.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Divestco maintains a set of internal controls and procedures over financial reporting which have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. The Company used the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework to evaluate the effectiveness of its internal control over financial reporting. Divestco evaluated the effectiveness of its controls and procedures over financial reporting (as defined under National Instrument 52-109) for the year ended December 31, 2010. This evaluation was performed under the supervision of the CEO and the CFO, with the assistance of other Divestco employees. Based on this evaluation, the CEO and the CFO concluded that the effectiveness of these internal controls and procedures provided reasonable assurance regarding the reliability of financial reporting and that there are no material weaknesses in Divestco's internal control over financial reporting that have been identified by management for the year ended December 31, 2010.

There were no changes in Divestco's internal control over financial reporting that occurred during the twelve months ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, Divestco's internal control over financial reporting.

CORPORATE INFORMATION

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CORPORATE INFORMATION - CONTINUED

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

[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 and President
Roderick Chisholm – Chief Financial Officer
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
TSXV: DVT

REGISTRAR AND TRANSFER AGENT
CIBC Mellon Company

AUDITORS
KPMG LLP

LEGAL COUNSEL
Field LLP

Divestco Inc.
Consolidated Financial Statements
For the years ended December 31, 2010 and 2009

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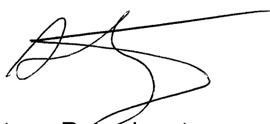
To the Shareholders of Divestco Inc.

Management, in accordance with Canadian generally accepted accounting principles, has prepared the accompanying consolidated financial statements of Divestco Inc. Financial and operating information presented throughout management's discussion and analysis is consistent with that shown in the consolidated financial statements.

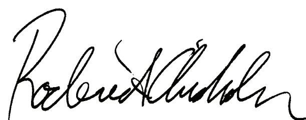
Management is responsible for the integrity of the financial information. Internal control systems are designed and maintained to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial reporting purposes.

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

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



Steve Popadynetz
Chief Executive Officer and President



Rod Chisholm
Chief Financial Officer

Calgary, Canada
April 20, 2011

Independent Auditors' Report

To the Shareholders of Divestco Inc.

We have audited the accompanying consolidated financial statements of Divestco Inc. ("the Company"), which comprise the consolidated balance sheets as at December 31, 2010 and 2009, the consolidated statements of loss, comprehensive loss and retained earnings (deficit), and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2010 and 2009, and the results of its consolidated operations and its consolidated cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes that while a lender has provided a waiver of a covenant violation the Company is dependent upon the continued financial support of the lender as it works to develop profitable operations. This condition indicates the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern.

Chartered Accountants
Calgary, Canada
April 20, 2011

Divestco Inc.
Consolidated Balance Sheets

As at December 31	2010	2009
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	$ 3,696	$ 768
Funds held in trust	15	17
Accounts receivable	11,759	19,267
Prepaid expenses, supplies and deposits	237	708
Income taxes receivable	287	391
	15,994	21,151
Long-term prepaid expense	-	846
Investment in affiliated company	100	88
Data libraries (Note 6)	5,058	138,712
Participation surveys in progress	1,253	2,186
Property and equipment (Note 7)	3,026	2,747
Deferred development costs (Note 8)	6,737	6,699
Intangible assets (Note 9)	2,816	3,494
	$ 34,984	$ 175,923
Liabilities and Shareholders' Equity		
Current Liabilities		
Bank indebtedness (Note 10)	$ 2,050	$ -
Accounts payable and accrued liabilities	8,248	21,184
Current portion of deferred revenue	3,422	5,543
Current loss on sublease (Note 17)	1,655	-
Current portion of long-term debt obligations (Note 11)	368	6,217
	15,743	32,944
Long-term debt obligations (Note 11)	188	20,685
Sublease loss (Note 17)	1,378	-
Convertible debentures (Note 12)	-	3,602
Future income taxes (Note 13)	-	12,342
	17,309	69,573
Shareholders' Equity		
Equity instruments (Note 14(b))	75,253	70,518
Contributed surplus (Note 14(d))	5,744	5,473
Equity portion of convertible debentures (Note 12)	-	56
Retained earnings (deficit)	(63,322)	30,303
	17,675	106,350
Future operations (Note 1)		
Commitment (Note 17)		
Contingencies (Note 22)		
	$ 34,984	$ 175,923

See notes to consolidated financial statements.

Approved by the Board:

Signed "Edward Molnar"

Edward Molnar, Chairman of the Board

Signed "Stephen Popadynetz"

Stephen Popadynetz, Director

Divestco Inc.
Consolidated Statements of Loss, Comprehensive Loss and Retained Earnings (Deficit)

For the year ended December 31	2010	2009
(Thousands, Except Per Share Amounts)		
Revenue	**$ 41,140**	$ 61,976
Operating expenses		
Salaries and benefits	**21,344**	21,889
General and administrative	**22,366**	14,705
Sublease loss (Note 17)	**2,968**	-
Stock compensation expense (Note 14(d))	**770**	518
	47,448	37,112
Interest expense	**3,028**	2,941
Depreciation, amortization and accretion	**26,706**	34,692
Impairment of goodwill and intangible assets	**-**	1,115
Other income (loss) (Note 4)	**(41,416)**	4,371
Income (loss) before income taxes	**(77,458)**	(9,513)
Income taxes (Note 13)		
Current (recovery)	**(113)**	(4,685)
Future (reduction)	**(12,342)**	1,369
	(12,455)	(3,316)
Net loss and comprehensive loss for the year	**(65,003)**	(6,197)
Retained earnings, beginning of year	**30,303**	36,500
Distribution of Pulse shares to Divestco shareholders (Note 4) and cash dividends paid	**(28,622)**	-
Retained earnings (deficit), end of year	**$ (63,322)**	$ 30,303
Net loss per share (Note 14(f))		
Basic and Diluted	**$ (1.53)**	$ (0.15)
Weighted average number of shares		
Basic and Diluted	**42,601**	41,958

See notes to consolidated financial statements.

Divestco Inc.
Consolidated Statements of Cash Flows

For the year ended December 31	2010	2009
(Thousands, Except Per Share Amounts)		
Cash flows from (used in) operating activities		
Net loss for the year	**$ (65,003)**	$ (6,197)
Items not affecting cash:		
Equity investment gain	**(12)**	(8)
Depreciation and amortization of data libraries, property and equipment and intangible assets	**23,778**	33,211
Impairment of intangible assets	**-**	1,115
Amortization of deferred development costs	**2,863**	1,481
Amortization of deferred finance costs	**478**	346
Amortization of deferred finance costs and accretion of liability portion of convertible debentures	**148**	6
Sublease loss (Note 17)	**2,968**	-
Accretion of sublease loss (Note 17)	**65**	-
Future income taxes (reduction)	**(12,342)**	1,369
Data exchanges (Note 6)	**(1,775)**	(3,321)
Loss on sale of data libraries	**41,496**	-
Gain on sale of property and equipment	**(90)**	(4,435)
Stock compensation expense	**770**	518
	(6,656)	24,085
Changes in non-cash working capital balances (Note 16)	**10,264**	(354)
Decrease in non-current deferred revenue	**-**	(263)
Decrease in long-term prepaid expense	**238**	354
	3,846	23,822
Cash flows from (used in) financing activities		
Bank indebtedness	**2,050**	-
Issue of common shares, net of related expenses	**4,180**	-
Dividends paid (Note 4)	**(8,623)**	-
Repayment of long-term debt obligations	**(28,883)**	(14,572)
Repayment of debentures	**(3,750)**	-
Deferred financing costs	**(50)**	(173)
Proceeds received from Debenture Issue	**-**	3,750
Proceeds received from long-term debt obligations (net of committed revolver repayments)	**1,737**	(6,971)
	(33,339)	(17,966)
Cash flows from (used in) investing activities		
Purchase of data libraries	**(2,195)**	(7,246)
Decrease in participation surveys in progress	**933**	2,522
Purchase of property and equipment	**(1,760)**	(1,500)
Proceeds on sale of data libraries	**54,434**	-
Proceeds on sale of property and equipment	**93**	3,340
Deferred development costs	**(2,901)**	(1,979)
Changes in non-cash working capital balances (Note 16)	**(16,185)**	(2,036)
	32,419	(6,899)
Foreign exchange gain on cash held in a foreign currency	**2**	-
Increase (decrease) in cash and cash equivalents	**2,928**	(1,043)
Cash and cash equivalents, beginning of year	**768**	1,811
Cash and cash equivalents, end of year	**$ 3,696**	$ 768

See notes to consolidated financial statements.

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

1. Basis of Presentation and Future Operations

These consolidated financial statements 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 these consolidated financial statements.

The Company closed the sale of its 2D and 3D seismic data library (the “Seismic Assets”) on September 29, 2010 (see Note 4). A portion of the proceeds were used to retire the term loans, committed revolver and convertible debentures and to pay overdue accounts payable. In Q4 2010, the Company used a portion of the proceeds to pay a one-time special cash dividend of $8.6 million (20 cents a share).

In 2010, the Company incurred a net loss of $65 million, including a loss of $40.9 million on the sale of the Seismic Assets. The net loss included the costs related to the Company’s existing office space for all of 2010, its new office space lease which commenced on May 1, 2010 and a year-end $3 million loss provision on the assignment of two floors to a new tenant at rates below the Company’s costs. The double rent obligations will cease at various times throughout 2011.

In Q4 2010, management secured a new $5 million operating line for working capital purposes and raised gross proceeds of $3.5 million through a private placement. The Company is working to re-establish positive earnings from its remaining operations and is looking at additional sources of capital to continue its activities and discharge its commitments as they become due.

The Company had working capital of $251,000, including deferred revenue of $3.4 million, at December 31, 2010, and was in violation of a debt service coverage ratio covenant. While the lender has acknowledged the breach and has provided the Company with a waiver of the covenant as at December 31, 2010, the Company is dependent upon the continued financial support of this lender as it works to develop profitable operations. This matter casts doubt on the Company’s ability to discharge its obligations and realize its assets in the normal course of business.

Management believes that the going concern assumption is appropriate for these consolidated financial statements. Adjustments to the carrying amounts of the balance sheet classifications used, assets and liabilities, and revenues and expenses, may be necessary should the going concern assumption be inappropriate.

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

1. Basis of Presentation and Future Operations (Continued)

Certain figures with respect to the year ended December 31, 2009 have been reclassified to conform to the current year's presentation. Specifically, due to the sale of the Company's Business Consulting division in March 2010, the Land Management division was moved to the Services segment and the Consulting segment was eliminated (Business Consulting results for 2010 and 2009 are also included under Services). In addition, the Company's Log Data and Support Data divisions were moved from the Seismic Data segment to the Software and Data segment. The Data segment was renamed Seismic Data and the Software segment was renamed to Software and Data segment. The Company is still operating its Seismic Data division and commenced rebuilding its seismic database in Q4 2010.

2. Significant Accounting Policies

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles within the framework of the following significant accounting policies:

(a) Principles of consolidation
The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned from the date of acquisition. All significant intercompany accounts and transactions have been eliminated upon consolidation.

(b) Use of estimates
The preparation of financial statements requires management to make estimates based on currently available information. In particular, management makes estimates for the amounts recorded for the amortization of data libraries, property and equipment as well as the valuation of intangible assets. Intangible asset impairment tests involve calculations of fair values which may incorporate estimates such as normalized earnings, future earnings, price earnings multiples, future cash flow, discount rates and terminal values. By their very nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of future periods could be material. The effect on the financial statements resulting from a revision in estimates, if any, will be accounted for prospectively.

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

(d) Investment in affiliated company
The Company uses the equity method to account for an affiliated entity in which the Company exercises significant influence, but does not control. Under the equity method of accounting, the investment is initially recorded at cost and the carrying value of the investment is adjusted to recognize the Company's proportionate share of the net income (loss) of the entity.

2. Significant Accounting Policies (Continued)

(e) Data libraries

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

Amortization is provided for as follows:

	Amortization Method	Rate
Seismic data library	Straight-line	7 to 10 years
Datasets	Straight-line	10 years
Log and drilling library	Straight-line	20 years
Reference library	Straight-line	5 years
Map library	Straight-line	15 years

Data libraries are tested for impairment through a two-step test when there is an indication of impairment. The first test involves comparing the undiscounted cash flows to the carrying value of the data libraries in each reporting unit. If part one of the test is failed, part two requires the carrying values of the data libraries to be compared to fair value to determine the magnitude of the write-down. Any impairment of data libraries assets is charged to income.

(f) Property and equipment

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

	Amortization Method	Rate
Computer hardware and software	Straight-line	3 years
Office furniture and equipment	Straight-line	5 years
Leasehold improvements	Straight-line	Term of lease

Periodically, the Company reviews the appropriateness of its amortization policies.

(g) Intangible assets

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

	Amortization Method	Rate
Proprietary software and code	Straight-line	10 years

Intangible assets are tested for impairment through a two-step test when there is an indication of impairment. The first test involves comparing the undiscounted cash flows to the carrying value of the intangibles in each reporting unit. If part one of the test is failed, part two requires the carrying values of the intangibles to be compared to fair value to determine the magnitude of the write-down. Any impairment of intangible assets is charged to income.

2. Significant Accounting Policies (Continued)

(h) Revenue recognition and deferred revenue

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

(i) Software and software licences, including maintenance and support
(ii) Data libraries
(iii) Seismic brokerage (recorded on a net basis)
(iv) Seismic data licence sales
(v) Other services including: geomatics, land management and seismic processing services

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

(i) Revenue earned from the sale of perpetual software licences is recognized upon delivery. Maintenance and support, included with the product, is recognized rateably over the term defined in the purchase agreement. Revenue earned from the renewal of maintenance and support contracts is recognized rateably over the term of the agreement. Revenue from software licences, including maintenance and support, which are sold on a monthly, quarterly, semi-annual and annual basis, is recognized rateably over the term of the licence.

(ii) Data sales are recognized when the customer receives the file containing the images. In the cases where the Company sells a copy of its entire log library, revenue is recognized on the sale as milestones are achieved. The revenue recognized is determined based on the total contract value and the milestones achieved to the end of the reporting period. If a loss on a contract is probable, the loss will be recognized at the date of determination.

(iii) Revenue with respect to the seismic brokerage division represents brokerage commissions earned from selling goods on behalf of others and is recognized on a net basis upon the closing of the transaction. As a matter of practice, the Company settles brokerage payables after the related receivables are collected.

(iv) Seismic data licence revenue is recognized on the date the customer receives the data. This occurs when the seismic work, including data processing, is complete and delivery to the customer has occurred. The Company occasionally enters into data and services exchange transactions with third parties. Where there is no or minimal cash consideration, the Company does not recognize revenue or an asset acquisition on these exchanges. In exchange transactions with material cash consideration, the Company recognizes revenue equal to the fair value of the data license and services sold and a seismic data library asset equal to the fair value of the data acquired. Cash flows from investing activities and operating activities reflect only the net cash portion.

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

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

The Company recognizes revenue if it is measurable and ultimate collection is reasonably assured. When uncertainty relates to collectability and arises subsequent to the time revenue was recognized, a separate provision to reflect the uncertainty is made. The amount of revenue originally recorded would not be adjusted.

2. Significant Accounting Policies (Continued)

(i) Future income taxes

Income taxes are accounted for using the asset and liability method whereby future income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be reversed or settled. The effect on future income tax assets and liabilities of a change in rates is included in the period during which the change is considered substantively enacted. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

(j) Stock-based compensation plan

The Company applies the fair value method for valuing stock options. Under this method, compensation costs attributable to all stock options are measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Company does not incorporate an estimated forfeiture rate for stock options that will not vest, rather actual forfeitures are accounted for as they occur.

(k) Employee share ownership plan

The Company has an employee share ownership plan (ESOP) whereby each employee may elect to contribute up to 25% of their regular salary towards the savings plan. The Company matches the employee’s contribution up to 4.5% of their monthly regular salary to a maximum of $450 per month. The common shares are purchased through the facilities of the TSX Venture Exchange. The Company’s contributions under the ESOP for 2010 were $nil (2009 - $111,000) and categorized as salaries and benefits in the consolidated statements of loss and comprehensive loss. Due to the impact of the global recession, the Company matched portion has been suspended until further notice effective April 1, 2009.

(l) Net loss per share

The Company utilizes the treasury stock method of reporting net loss per share amounts which assumes that any proceeds obtained on the exercise of options would be used to purchase common shares at the average market price during the year. Basic net loss per share amounts are calculated by dividing net loss by the weighted average number of common shares outstanding for the year. Diluted net loss per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. The dilutive effect of convertible debentures is reflected in diluted net loss per share by application of the "if-converted" method. Under this method income charges (net of tax) applicable to convertible debentures are added back to net loss. The convertible debentures are assumed to have been converted at the beginning of the year (or at time of issuance or acquisition, if later), and the resulting common shares are included in the weighted average number of common shares outstanding for the year. In applying the "if-converted" method, conversion is not assumed for purposes of computing diluted net loss per share if the effect would be anti-dilutive. Convertible debt is anti-dilutive whenever the related interest (net of income tax) per common share obtainable on conversion exceeds basic net income per share.

2. Significant Accounting Policies (Continued)

(m) Investment tax credits

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

(n) Research and development

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

(o) Foreign currency

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

(i) monetary assets and liabilities – at the rate of exchange prevailing at the period end
(ii) non-monetary items – at the rate of exchange prevailing at the dates of the transactions
(iii) revenues and expenses – at the monthly average rate of exchange

Gains and losses on translation of current monetary assets and liabilities are included in income.

(p) Financial Instruments

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

- Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost determined using the effective interest rate method. Transaction costs attributable to financial instruments classified as other than held-for-trading are included in the recognized amount of the related financial instrument and recognized over the life of the resulting financial instrument. Prior to January 1, 2007, transaction costs were recorded as deferred charges and recognized in net income on a straight-line basis over the life of the financial instrument. On adoption, transaction costs were recognized as if the effective interest rate method had always been applied whereby the amount recognized varies over the life of the financial instrument based on principal outstanding. Amortization of premiums or discounts and losses due to impairment are included in current period net loss.

- Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income and reclassified to net income when derecognized or impaired.

2. Significant Accounting Policies (Continued)

- Held-for-trading financial instruments are measured at fair value. All gains and losses on derivatives that are not designated or do not qualify for hedge accounting are included in net income in the period in which they arise.

The Company has designated its cash and cash equivalents and funds held in trust as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, and long-term debt are classified as other financial liabilities, which are measured at amortized cost.

3. Changes in Accounting Policies and Future Accounting Pronouncements

As of January 1, 2011, the Company will be required to adopt the following new Canadian accounting standards for:

Business combinations, which replaces the previous business combinations standard. The standard requires assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies to be measured at their fair values as of the date of acquisition. In addition, acquisition-related and restructuring costs are to be recognized separately from the business combination and included in the statement of earnings. The adoption of this standard will impact the accounting treatment of future business combinations.

Consolidated financial statements, together with the new rules on non-controlling interests, replace the former consolidated financial statements standard. This standard establishes the requirements for the preparation of consolidated financial statements. The adoption of this standard should not have a material impact on Divestco's consolidated financial statements.

Non-controlling interests, which establishes the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interest. The adoption of this standard should not have a material impact on Divestco's consolidated financial statements.

4. Dispositions

On September 29, 2010, the Company closed the sale of the Seismic Assets to Pulse Seismic Inc. (“Pulse”). The cash proceeds were used to repay bank debt, to retire the convertible debentures and to reduce overdue payables. The disposition is summarized below:

4. Dispositions (Continued)

Assets disposed of:	
Prepaid expenses[1]	$ 908
Accrued liabilities[2]	(1,351)
Seismic data library	114,781
	$ 114,338
Consideration:	
Cash on closing[3]	$ 55,249
Transaction costs[5]	(1,815)
Net cash consideration	53,434
Common shares of Pulse[4]	19,999
	$ 73,433
Loss on sale	**$ (40,905)**

[1] Related to pre-paid archive credits
[2] Related to revenue sharing agreements assumed by Pulse
[3] Net of a $0.5 million purchase price adjustment related to revenue credited to Pulse from July 1 to September 30, 2010
[4] Closing price of $1.40 per Pulse share on September 29, 2010. The Pulse shares were distributed by the Company to its shareholders as part of the plan of arrangement completed in conjunction with the sale of the Seismic Assets. In October 2010, the Company paid a special cash dividend of $8.6 million ($0.20 per share) from the cash proceeds of the sale for a total of $28.6 million.
[5] Includes professional fees, severance costs related to a change of control provision in the employment agreement of the CEO and President and a change of control repayment fee on the convertible debentures (Note 12)

The loss has been reflected in other income (loss) in the consolidated statements of loss and comprehensive loss.

In addition, during the year ended December 31, 2010, the Company sold the following assets:

	Business Consulting Division	Seismic data [1]
Assets disposed of:		
Computer hardware and software	$ 3	$ -
Data libraries	-	1,591
Consideration:		
Cash (including disposition costs)	$ 93	$ 1,000
Gain (loss) on sale	**$ 90**	**$ (591)**

[1] This seismic data set was excluded from the sale of the Seismic Assets to Pulse and was sold prior to the close of the disposition to Pulse.

The gain (loss) has been reflected in other income (loss) in the consolidated statements of loss and comprehensive loss. Also included in other income (loss) in the consolidated statements of loss and comprehensive loss are foreign exchange loss of $22,000 and equity investment income of $12,000.

On March 30, 2009, the Company sold its Archive and Technical Records divisions. The disposition is summarized below:

4. Dispositions (Continued)

Assets disposed of:	
Computer hardware and software	$ 175
Assets under lease	328
Deferred revenue	(98)
	$ 405
Consideration:	
Cash (including disposition costs)	$ 3,340
Prepaid archive services	1,500
	$ 4,840
Gain on sale	**$ 4,435**

The gain has been reflected in other income in the consolidated statements of loss and comprehensive loss. A future income tax expense of $0.8 million was recorded.

The Company received a prepaid archive services credit of $1.5 million or $300,000 per year over five years. The credit was transferred to Pulse as a result of the sale of the Seismic Assets. The Company used $592,000 of the credit prior to the sale.

In addition, the Company has guaranteed a minimum revenue obligation to the purchaser of $400,000 per year over five years for a total of $2 million. Any annual short-fall will be paid in cash by the Company to the purchaser. The Company can discharge its obligation in advance without penalty. The obligation was assumed by Pulse as a result of the sale of the Seismic Assets. The Company fulfilled its annual obligations prior to the sale.

5. Investment in Affiliated Company

The Company owns 36.11% of the common shares of SDLS Inc. (SDLS), a private company. The investment has been accounted for using the equity basis. The Company's pro-rata share of the net income of SDLS for the year ended December 31, 2010 was $12,000 (2009 – net income of $8,000) as has been recorded in other income (loss) in the consolidated statements of loss and comprehensive loss. The fair value of the balances due from SDLS and the investment in SDLS approximate their carrying values as at December 31, 2010.

6. Data Libraries

	Balance as at December 31			
	2010		2009	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Seismic data library	**$ 62**	**$ 2**	$ 253,040	$ 119,765
Datasets	**632**	**520**	632	486
Log and drilling library	**7,209**	**2,458**	7,209	2,098
Reference library	**445**	**445**	445	416
Map library	**239**	**104**	239	88
	$ 8,587	**$ 3,529**	$ 261,565	$ 122,853
Net book value		**$ 5,058**		$ 138,712

6. Data Libraries (Continued)

In 2010, the Company acquired $1.8 million of seismic data libraries and sold $2.5 million of seismic data licenses and related services in data exchanges. The net cash amount of $700,000 was reflected as an investing activity and the non-cash amount of $1.8 million was deducted from cash flows from operating and financing activities in the consolidated statements of cash flows. In 2009, the Company acquired $3.3 million of seismic data libraries and sold $6.3 million of seismic data licenses and related services in data exchanges. The net cash amount of $3 million was reflected as an investing activity and the non-cash amount of $3.3 million was deducted from cash flows from operating and financing activities in the consolidated statements of cash flows in the consolidated statements of cash flows for 2009.

7. Property and Equipment

	Balance as at December 31			
	2010		2009	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Computer hardware and software	**$ 7,384**	**$ 6,789**	$ 6,921	$ 5,556
Office furniture and equipment	**1,286**	**1,184**	1,744	1,461
Leasehold improvements	**3,193**	**1,226**	1,492	1,032
Assets under capital lease	**3,893**	**3,561**	3,521	2,912
Land	**30**	**-**	30	-
	$ 15,786	**$ 12,760**	$ 13,708	$ 10,961
Net book value		**$ 3,026**		$ 2,747

8. Deferred Development Costs

	Balance as at December 31	
	2010	2009
Balance, beginning of year	**$ 6,699**	$ 6,201
Additions	**2,901**	1,979
Amortization [1]	**(2,863)**	(1,481)
Balance, end of year	**$ 6,737**	$ 6,699

[1] Included in depreciation and amortization in the consolidated statements of loss and comprehensive loss.

9. Intangible Assets

	Balance as at December 31			
	2010		2009	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Proprietary software and code	**8,256**	**5,440**	8,256	4,762
Net book value		**$ 2,816**		$ 3,494

10. Bank Indebtedness

On December 6, 2010, the Company secured a new $5 million operating line. Advances are available against a standard accounts receivable borrowing base. The facility bears interest at prime plus 2% per annum on any part of the credit facility used along with a non-refundable facility fee of 0.75% per annum payable on any unused portion of the revolving credit facility. 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. As at December 31, 2010, $2 million was drawn on the facility.

The facilities are subject to the Company meeting certain debt covenants as follows: current ratio cannot fall below 1.25:1; funded debt to equity ratio cannot exceed 1.75:1; and debt service coverage ratio cannot fall below 3:1. As at December 31, 2010, the Company was in violation of its debt service coverage ratio covenant. The lender has acknowledged the breach and has provided the Company with a waiver of the covenant as at December 31, 2010. In addition, the Company and the lender are in discussions to amend the covenants going forward.

11. Long-Term Debt Obligations

	Balance as at December 31	
	2010	2009
Term loans and committed revolver (a)	**$ -**	$ 26,545
Promissory notes (b)	**-**	67
Capital lease obligations (c)	**556**	718
	556	27,330
Current portion	**(368)**	(6,217)
Deferred finance charges (d)	**-**	(428)
Long-term portion	**$ 188**	$ 20,685

(a) Term loans and committed revolver
The Company repaid the term loan and committed revolver with the proceeds from the sale of the Seismic Assets (Note 4).

(b) Promissory notes
Unsecured promissory notes were issued on the acquisition of Canadian Landmasters Resource Services Ltd., bearing interest at 2% above the Company's prime lending rate. These were repayable in three equal instalments of $66,667 on December 31, 2008, 2009, and 2010. The final instalment was paid in December 2010.

(c) Capital lease obligations
The Company has capital lease obligations, which have terms of two to four years and bear interest at 1.4% to 10% per annum. Minimum annual lease payments are as follows:

11. Long-Term Debt Obligations (Continued)

2011	**$ 413**
2012	**185**
2013	**92**
2014	**48**
2015+	**46**
	$ 784

Included in the minimum annual lease payments above is a lease for $228,000 for telephone equipment commencing in January 2011 and ending in January 2016.

(d) Deferred finance charges

	Balance as at December 31	
	2010	2009
Balance, beginning of year	**$ 428**	$ 699
Additions	**50**	75
Amortization [1]	**(478)**	(346)
Balance, end of year	**$ -**	$ 428

[1] Included in interest expense in the consolidated statements of loss and comprehensive loss.

12. Convertible Debentures

	Balance as at December 31	
	2010	2009
Balance, beginning of period	**$ 3,602**	$ -
Additions	**-**	3,750
Equity component	**-**	(56)
Accretion of liability portion to face value	**54**	2
Deferred finance charges	**-**	(98)
Amortization of deferred finance charges	**94**	4
Repayment	**(3,750)**	-
Balance, end of period	**$ -**	$ 3,602

On November 16, 2009, the Company closed a private placement of an aggregate principal amount of $3,750,000 of unsecured convertible debentures (the “Debentures”) maturing November 15, 2011 (the “Maturity Date). The Debentures were convertible at the option of the holder (“Debentureholder”) at any time before maturity for common shares of the Company at a conversion price equal to $0.805 per common share, subject to standard anti-dilution adjustments. The Debentures bore interest at 9.75% per annum, payable quarterly, and repayable in cash at maturity.

12. Convertible Debentures (Continued)

One of the events triggering a change of control in the indenture agreement was any direct or indirect conveyance, transfer, sale, lease or other disposition (other than by way of merger, amalgamation, statutory arrangement, or consolidation) in one or a series of related transactions of all or substantially all of the Company's properties and assets ("Change of Control"). If a Change of Control occurs prior the Maturity Date, the Company was required to make an offer to the Debentureholders to repurchase for cash the entire outstanding principal amount of the Debentures of such Debentureholder at the change of Control Repurchase Price (the "Repurchase Offer") on the Change of Control Repurchase Date. The Change of Control Repurchase Price was (i) 118% of the principal amount of the Debenture to be purchased plus accrued and unpaid interest, if any, up to November 15, 2010, and (ii) 110% of the principal amount of the Debenture to be purchased plus accrued and unpaid interest, if any, up to but excluding the Change of Control Repurchase Date. The Change of Control Repurchase Date was the effective date of the transaction causing the Change of Control. The Debentureholders could exercise their rights upon delivery of a written notice (the "Change of Control Repurchase Notice"). Debentures in respect of which a Change of Control Repurchase Notice had been given by the Debentureholder thereof could not be converted into Divestco Class A Shares on or after the date of the delivery of such Change of Control Repurchase Notice unless such Change of Control Repurchase Notice had first been validly withdrawn in with respect to the Debentures to be converted.

The Company determined the sale of the Seismic Assets (Note 4) to be a Change of Control. As a result, the Company delivered the Change of Control Repurchase Notice to the Debentureholder required in the indenture agreement. Prior to September 29, 2010, the Debenture holders elected to be paid out in cash.

13. Income Taxes

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

For the year ended December 31	2010	2009
Loss before income taxes	**$ (77,458)**	$ (9,513)
Statutory rate	**28.00%**	29.00%
Computed income tax provision	**$ (21,688)**	$ (2,759)
Effects of differences:		
Non-deductible expenses	**252**	192
Sale of property and equipment	**(6)**	(290)
Adjustments for enacted changes in income tax rates	**2,331**	(529)
Valuation allowance	**6,751**	-
Other	**(95)**	70
Actual income taxes	**$ (12,455)**	$ (3,316)
Current (recovery)	**(113)**	(4,685)
Future (reduction)	**(12,342)**	1,369
Actual income taxes	**$ (12,455)**	$ (3,316)

13. Income Taxes (Continued)

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

	Balance as at December 31	
	2010	**2009**
Databases, property and equipment, and intangibles	**$ (700)**	$ (21,507)
Non-capital loss carry forwards	**9,236**	3,194
SR&ED expenditures	**(1,785)**	(1,927)
Share issue and financing costs	**-**	262
Deferred partnership income	**-**	7,636
Valuation allowance	**(6,751)**	-
Future income tax liability	**$ -**	$ (12,342)

The Company files Scientific Research and Experimental Development (SR&ED) claims with the Canada Revenue Agency (CRA) in respect of certain research and development expenditures. Although the claims are filed on the basis of the regulations, the recoverability of the amounts recorded in these financial statements is subject to confirmation by the CRA. As at December 31, 2010, the Company had $1.3 million of investment tax credits (ITC), including $577,000 carried forward from 2009, available to reduce federal income taxes payable in the future which begin to expire in 2029.

(c) As at December 31, 2010, the Company and its Canadian subsidiaries had $40.2 million in Federal and $25.7 million in Alberta non-capital loss carry-forwards, a portion of which was assumed through various acquisitions in 2007, which begin to expire in 2027.

14. Equity Instruments

(a) Authorized
An unlimited number of voting Class A shares.

(b) Issued

	Balance as at December 31			
	2010		2009	
Class A shares	**Number of Shares**	**Amount**	Number of Shares	Amount
Balance, beginning of period	**41,958**	**$ 70,518**	41,958	$ 70,518
Shares issued on Private Placement[c]	**15,825**	**1,673**		
Cash consideration received on exercise of stock options	**1,155**	**728**	-	-
Reclassification to common shares on exercise of options	**-**	**555**	-	-
Share issue costs	**-**	**(29)**	-	-
Balance, end of period	**58,938**	**$ 73,445**	41,958	$ 70,518
Share Purchase Warrants	**Number of Warrants**	**Amount**	Number of Warrants	Amount
Balance, beginning of period	**-**	**-**	-	-
Issued on Private Placement[c]	**15,825**	**1,808**	-	-
Balance, end of period	**15,825**	**1,808**	-	-
Total Equity Instruments		**$ 75,253**		$ 70,518

(c) Private Placement
On December 23, 2010, the Company closed a private placement whereby it sold 15,825,217 units ("Units") at a price of $0.22 per Unit for total gross proceeds of $3,481,548. Each Unit was comprised of one Class A share of Divestco (the "Share") and one non-transferable share purchase warrant (the "Warrant"). Each Warrant entitles the holder to purchase one Share on or before December 31, 2012 at an exercise price of $0.32 per Share. The Shares and the Warrants, and any Shares issued on exercise of the Warrants are subject to a hold period under applicable Canadian securities laws and polices of the TSX Venture Exchange. Directors and officers subscribed for 9,865,214 Units for gross proceeds of $2,170,347.

(d) Contributed surplus

	Balance as at December 31	
	2010	2009
Balance, beginning of year	**$ 5,473**	$ 4,955
Stock compensation expense	**770**	518
Reclassification to common shares on exercise of options	**(555)**	-
Equity component of convertible debentures	**56**	-
Balance, end of year	**$ 5,744**	$ 5,473

(e) Stock options
The Company has established a stock option plan whereby the Company may grant options to purchase common shares to directors, officers, employees and consultants. The options have a five-year term and are exercisable pursuant to a vesting schedule of one-third following the first anniversary of the grant date, one-third following the second anniversary of the grant date, and the remaining one-third following the third anniversary of the grant date. 5,893,800 common shares of the Company have been reserved under the Plan.

14. Equity Instruments (Continued)

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

	Number of Options	Option Price	Weighted Average Price
Options outstanding, December 31, 2009	2,137	$0.60-$6.10	$1.99
Granted	**615**	**$0.68-$0.78**	**$0.69**
Exercised [1]	**(1,155)**	**$0.60-$0.78**	**$0.63**
Forfeited [2]	**(690)**	**$0.60-$6.10**	**$1.91**
Options outstanding, December 31, 2010	**907**	**$0.68-$6.10**	**$2.89**

[1] 850,000 options were exercised by directors, officers and a former officer.
[2] 187,500 options were forfeited by former directors, an officer and a former officer.

Stocks options which were outstanding and vested as at December 31, 2010, are summarized as follows:

Options Outstanding	Option Price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Options Currently Exercisable	Weighted Average Exercise Price of Options Currently Exercisable
470	$0.68-$1.99	$1.09	3.21	470	$1.09
74	$2.00-$3.49	$2.90	0.94	74	$2.90
158	$3.50-$4.99	$4.17	0.94	158	$4.17
205	$5.00-$6.10	$6.02	0.33	205	$6.02
907	**$0.68-$6.10**	**$2.89**	**1.98**	**907**	**$2.89**

The per share weighted average fair value of the stock options granted for the year ended December 31, 2010, was $0.56 (2009 – $0.44). This was estimated using the Black-Scholes option pricing model with the following assumptions: an average expected volatility of 92% (2009 – 91%), an average risk free interest rate of 2.2% (2009 – 2.3%), no dividend rate and an expected life of five years. The compensation expense is recognized evenly over the three-year vesting period of the stock options.

(f) Net loss per share

Basic net loss per share is computed using the weighted-average number of common shares outstanding during the year, being 42,601,230 for 2010 (2009 – 41,958,000). Diluted net loss per share is computed using the "treasury stock" method whereby outstanding stock options are only dilutive if, and to the extent, that they are "in the money" and the "if-converted" method whereby outstanding convertible debentures were assumed to have been converted at the beginning of the year unless their effect was anti-dilutive. In computing diluted net loss per share, no shares were added in 2010 and 2009 to the weighted average number of common shares outstanding for the dilution from the stock options and convertible debentures as they were anti-dilutive.

15. Management of Capital

The Company's objectives when managing capital are to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk levels and manage capital in a manner which balances the interests of equity and debt holders.

In the management of capital, the Company includes the following in the definition of capital:

- shareholders' equity
- bank indebtedness
- long-term debt obligations, including the current portion
- convertible debentures

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, and/or issue new debt to replace existing debt with different characteristics.

In managing its capital, the Company monitors its funded debt to equity ratio. Funded debt to equity is a non-GAAP measure and therefore is unlikely to be comparable to similar measures of other companies. The ratio is calculated by taking the sum of interest-bearing long-term debt obligations and long-term debt obligations maturing within one year divided by shareholders' equity as presented on the Company's consolidated balance sheets.

In connection with the sale of the Seismic Assets (Note 4), the Company elected to fully retire its bank debt (Note 11). In addition, the convertible debenture holders elected to be repaid in cash due to a change of control triggered (Note 12) by the sale of the Seismic Assets (Note 4). Therefore, the Company is significantly below the targets it had set at the beginning of 2010. The Company intends to operate with minimum debt going forward.

Total funded debt to equity ratio as at December 31, 2010 is as follows:

		Balance as at December 31	
		2010	2009
Components of funded debt to equity ratio:			
Bank indebtedness		**$ 2,050**	$ -
Current portion of long-term funded debt obligations		**368**	6,217
Long-term funded debt obligations		**188**	20,685
Convertible Debentures		**-**	3,602
Total funded debt		**2,606**	30,504
Shareholders' equity		**$ 17,675**	$ 106,350
	Company Target		
Total funded debt to equity	**20% to 50%**	**15%**	29%

16. Statement of Cash Flows

For the year ended December 31	2010	2009
Interest and income taxes paid		
Income taxes paid	$ 440	$ 538
Income taxes refunded	$ 401	$ 5,688
Interest paid (net of interest revenue)	$ 2,386	$ 2,955
Changes in non-cash working capital balances		
Funds held in trust	$ 2	$ 14
Accounts receivable	7,508	8,591
Income taxes receivable	104	(332)
Prepaid expenses, supplies and deposits	171	953
Accounts payable and accrued liabilities	(11,585)	(6,051)
Deferred revenue	(2,121)	(5,565)
	$ (5,921)	$ (2,390)
Changes in non-cash working capital balances related to operating activities	$ 10,264	$ (354)
Changes in non-cash working capital balances related to investing activities	(16,185)	(2,036)
	$ (5,921)	$ (2,390)

In 2010, the Company recorded capital lease additions of $371,949 (2009 - $89,000). At December 31, 2010, the Company held $62,000 (2009 – $71,000) of cash and cash equivalents which were denominated in a foreign currency.

17. Commitments

On May 1, 2010, the Company's lease for its new premises commenced. The lease term is 15 years. The monthly commitment was approximately $612,000 including operating costs for 2010. The annual square foot rate increases in years 3, 6, 9, 11 and 14. All other leases expire in 2011 except for approximately 9,500 square feet of space that is occupied by the Company's IT infrastructure.

In 2010, management anticipated that the Company would not occupy all of the space in its new premises and as such began negotiating with various potential subtenants. In accordance with the Emerging Issues Committee Abstract EIC-135, Accounting for Costs Associated with Exit and Disposal Activities, although nothing had been formalized as at December 31, 2010 and based on current day market conditions, a liability of $3 million was accrued towards the estimated sub-lease loss, which is calculated as the present value of the difference between estimated current day sublease rental rates that could be reasonably obtained for the property and those which the Company is committed to pay to the Landlord. The Company recorded accretion of $65,000 in 2010. In Q1, 2011, the Company finalized an agreement whereby a new tenant will take over the lease on two floors for 10 years after which time the Company will be no longer be responsible for the lease obligations for that space. The lease commences on April 1, 2010 and includes an eight month rent-free period and additional tenant inducements to match with current inducement rates. The total savings to the Company is approximately $2 million per year after 2011.

Below is a summary of the new building lease commitment net of (estimated) sub-leases combined with the Company's commitment on its current premises until the leases expire:

2011	8,727
2012	6,348
2013	6,668
2014	6,820
2015+	87,109
	$ 115,672

18. Related Party Transactions

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

(a) In 2010, the Company incurred $286,000 (2009 - $268,000) in seismic consulting fees and brokerage commissions from a company controlled by a director. Included in accounts payable as at December 31, 2010 was $147,000 (December 31, 2009 - $101,000) related to these commissions.

(b) In 2010, the Company incurred $453,000 (2009 - $423,000) in legal fees from the law firm at which the Company's Corporate Secretary is employed. Included in accounts payable as at December 31, 2010 was $74,000 (December 31, 2009 - $26,000) related to these legal fees.

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

19. Financial Instruments and Risk Management

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

(a) Credit risk

Credit risk is the risk that the counterparty to a financial asset will default resulting in the Company incurring a financial loss. The Company is exposed to credit risk through its accounts receivable and unbilled revenue. To mitigate this risk, the Company routinely monitors the activities and balances in these accounts.

A significant portion of the Company's trade accounts receivable are from companies in the oil and gas industry and are exposed to normal industry credit risks. The concentration risk is mitigated primarily by the customers being large investment grade organizations. The credit worthiness of new customers is subject to review by management through consideration of the type of customer and the size of the contract. For 2010, 7 customers accounted for more than 30% of the Company's revenue with a majority of the sales related to contacts for seismic data. At the end of 2010, six customers accounted for 34% of the Company's total accounts receivable.

20. Financial Instruments and Risk Management (Continued)

The Company reviews its accounts receivable amounts regularly and amounts are written down to their expected realizable value when outstanding amounts are determined not to be fully collectable. This generally occurs when the customer has indicated an inability to pay, the Company is unable to communicate with the customer over an extended period of time, and other methods to obtain payment have been considered and have not been successful. The decrease in trade receivables more than 120 days past due as compared to December 31, 2009 was due to a $4.5 million (2009 - $1.2 million) bad debt write-off recorded in 2010 on two large receivables related to seismic data transactions totalling $5.9 million (excluding the allowance). While the Company continues with its in-house collections efforts, there are indications that legal action may be required which could further delay the collections process.

In an effort to protect the Company's seismic data asset both past and present, Divestco has commenced (or is contemplating) legal action(s) against companies for breaches of its license agreement(s), 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 commenced or contemplated could have a material financial impact to the firm. Given the nuances it is difficult to quantify the timing or potential financial impact of any legal action commenced or contemplated.

Estimates of the allowance for doubtful accounts are determined on a customer-by-customer evaluation of collectability at each reporting date taking into consideration the following factors: the length of time the receivable has been outstanding, and specific knowledge of each customer's financial condition and historical experience. In addition, the Company records an allowance for doubtful accounts equal to 20% of balances that are older than 120 days. Bad debt expense is charged to net loss in the period that the account is determined to be doubtful. The carrying amount of accounts receivable represents the maximum credit exposure.

The aging of trade receivables is illustrated below:

	Balance as at December 31			
	2010		2009	
	Gross	**Allowance**	Gross	Allowance
Not past due	$ **4,356**	$ **-**	$ 6,982	$ -
Past due 0-30 days	**1,579**	**-**	4,057	-
Past due 31-120 days	**1,163**	**-**	1,189	-
More than 120 days	**1,128**	**225**	8,716	2,030
Total trade receivables	**$ 8,226**	**$ 225**	$ 20,944	$ 2,030
Accrued receivables [1]	**3,758**	**-**	353	-
Allowance for doubtful accounts	**(225)**	**-**	(2,030)	-
Total accounts receivable	**$ 11,759**	**$ 225**	$ 19,267	$ 2,030

[1] Related primarily to proceeds raised on the private placement (Note 14(c)) that were not deposited until January 2011

(b) Interest rate risk

The Company's short-term borrowings are based on floating rates and subject to interest rate cash flow risk as the required cash flows to service the debt will fluctuate as a result of changes in market rates. The Company's long- term debt is based on fixed interest rates ranges from 1.4% to 10%. If these transactions were entered into today, the interest expense would not be materially different.

The Company's sensitivity analysis includes items bearing interest at variable rates and indicates that a 100 basis points fluctuation in interest rates would have an approximately $141,000 impact on annual net loss for 2010 (on a pre-tax basis). The Company does not use derivative financial instruments to reduce its interest risk exposure. The carrying amounts of the Company's term debt approximate their fair values.

20. Financial Instruments and Risk Management (Continued)

(c) Foreign currency risk
The Company's functional currency is the Canadian dollar and major transactions are done in Canadian funds. A portion of the Company's sales are made in U.S. dollars. Accordingly, the related financial assets and liabilities are subject to fluctuations in exchange rates and can have an effect on the Company's reported results. The Company manages its exposure to foreign currency fluctuations by maintaining foreign currency bank accounts and trade accounts receivable to offset foreign currency payables. Management believes that the foreign exchange fluctuations risk is negligible and therefore does not hedge its foreign exchange risk. Foreign exchange gains (losses), both realized and unrealized are included in other income (loss) in the consolidated statements of net loss and comprehensive loss.

(d) Liquidity risk
Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. As at December 31, 2010 the Company had a cash and cash equivalents balance of $3.7 million, $11.8 million in accounts receivable and $3 million in unused committed bank credit facilities totalling $18.5 million to settle current liabilities of $12.3 million (excluding deferred revenue of $3.4 million). To manage liquidity risk, the Company utilizes long and short-term cash forecasts to ensure it has necessary funds to fulfill its obligations. Management is reviewing additional sources of capital to continue the Company's activities and discharge commitments as they become due. The Company is also focused on disposing of certain assets. Management believes that the liquidity risk is acceptable given historical operating results, value of the underlying assets as well as the existing and future pipeline of business opportunities. The Company's liquidity position has significantly improved over the past two years and the Company remains committed to not undertaking any significant capital expenditure unless the project is fully funded with sales contracts or until its working capital position has further improved.

The following table summarizes the maturities of financial liabilities and associated interest payments as at December 31, 2010:

	< 1 Year	1-2 Years	2-5 Years	**Total**
Bank indebtedness	$ 2,050	$ -	$ -	**$ 2,050**
Accounts payable and accrued liabilities	8,248	-	-	**8,248**
Long-term debt obligations	368	139	49	**556**
Loss on sub-lease	1,655	597	781	**3,033**
Total	**$ 12,321**	**$ 736**	**$ 830**	**$ 13,887**

21. Segmented Information

The Company is an oil and gas services company offering products and services to customers in the oil and gas exploration and production industry. The Company's products and services are offered through three segments: Software and Data, Services and Seismic Data. In addition, the Company reports its overhead activities through its Corporate and Other segment. The Company operates in Canada.

Software and Data sells, maintains, and supports licensed software exploration products as well as provides a full suite of support data layers. Services provides geomatics, processing and land management services. Seismic Data provides seismic brokerage services in addition to developing and maintaining the Company's seismic data assets. Corporate and Other includes costs for finance, accounting, marketing, human resources, investor relations, and information technology.

21. Segmented Information (Continued)

The accounting policies of the segments are the same as those described in the significant accounting policies note accompanying the Company's audited financial statements for the year ended December 31, 2009. Inter-segment sales and transfers, which are accounted for at market value, are eliminated on consolidation. Operating income (loss) is measured as revenue less operating expenses, interest, depreciation and amortization and impairment of goodwill and intangibles. Other income (loss) items and income taxes reported on the Company's consolidated statements of income (loss) and comprehensive income (loss) are not allocated to the reportable segments.

As at and for the year ended December 31, 2010	**Software & Data**	**Services**	**Seismic Data**	**Corporate & Other**	**Total**
Revenue from external customers	**$ 9,386**	**$ 18,044**	**$ 13,710**	**$ -**	**$ 41,140**
Inter-segment revenue	**-**	**318**	**(256)**	**-**	**62**
Operating income (loss) [1]	**(62)**	**590**	**(16,455)**	**(20,115)**	**(36,042)**
Interest expense (net of interest revenue)	**-**	**(1)**	**(1)**	**3,030**	**3,028**
Depreciation and amortization	**3,327**	**1,658**	**20,940**	**781**	**26,706**
Gain (loss) on sale of data libraries and PP&E	**-**	**90**	**(41,586)**	**-**	**(41,496)**
Total assets	**16,563**	**10,058**	**7,647**	**716**	**34,984**
Capital expenditures	**276**	**551**	**1,807**	**388**	**3,022**
Deferred development costs	**2,566**	**287**	**48**	**-**	**2,901**

As at and for the year ended December 31, 2009	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue from external customers	$ 11,224	$ 20,333	$ 30,419	$ -	$ 61,976
Inter-segment revenue	-	657	-	-	657
Operating income (loss) [1]	2,721	(1,910)	(2,399)	(12,296)	(13,884)
Interest expense (net of interest revenue)	17	-	20	2,904	2,941
Depreciation and amortization	2,298	2,670	28,187	1,537	34,692
Impairment of goodwill and intangibles	-	1,115	-	-	1,115
Total assets	16,925	9,477	148,762	759	175,923
Capital expenditures	236	470	5,190	328	6,224
Deferred development costs	1,387	392	200	-	1,979

[1] Operating income (loss) is revenue less operating expenses, interest, depreciation and amortization and impairment of goodwill and intangibles

22. 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. Such accruals are based on information known about the matters, the Company's estimates of the outcomes of such matters and its experience in contesting, litigating and settling similar matters. 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.

22. Contingencies (Continued)

On February 25, 2011, the plaintiff in a lawsuit against the Company was awarded judgement in the amount of $500,000. In addition to the principal amount, the Company is liable for costs and interests in the estimated total amount of $42,000. Steps are being taken to satisfy the judgment which included the transfer of securities and cash held in trust pending the resolution of this matter. An accrual has been recorded in 2010 for the amount of settlement plus costs and interest less the approximate value of the securities. The lawsuit relates to $500,000 in convertible debentures issued by BlueGrouse Seismic Solutions Ltd. (“BlueGrouse”) to the plaintiff on November 21, 2005 at a conversion price of $4.48 (post acquisition of BlueGrouse). BlueGrouse was acquired by the Company in 2007.

As at September 30, 2010, the Company disposed of its seismic data library, however it continues to build another proprietary seismic data library. As outlined in the Seismic Data Purchase Agreement incorporated by reference in the August 26, 2010 Information Circular, the Company retained the right to litigate and retain in whole or in part the proceeds of past breaches with respect to certain 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 asset both past and present, the Company has commenced (or is contemplating) legal action(s) against companies for breaches of its license agreement(s), 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 commenced or contemplated could have a material financial impact to the firm. Given the nuances, it is difficult to quantify the timing or potential financial impact of any legal action commenced or contemplated.

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