Management's Responsibility for the Financial Statements

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 this Annual Report 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

Rod Chisholm
Chief Financial Officer

Calgary, Canada
March 27, 2009

Auditors' Report

To the Shareholders of Divestco Inc.

We have audited the consolidated balance sheets of Divestco Inc. as at December 31, 2008 and 2007 and the consolidated statements of income (loss), comprehensive income (loss) and retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. 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 plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada
March 27, 2009

Consolidated Balance Sheets

(Thousands)

	AS AT DECEMBER 31	
	2008	2007
Assets		
Current Assets		
Cash and cash equivalents	$ 1,811	$ 2,466
Funds held in trust	31	678
Accounts receivable	27,858	27,083
Prepaid expenses, supplies and deposits	2,361	1,794
Income taxes receivable	59	–
	32,120	32,021
Investment in affiliated company (Note 7)	80	72
Data libraries (Note 8)	154,897	161,354
Participation surveys in progress	4,708	1,047
Property and equipment (Note 9)	4,942	5,981
Deferred development costs (Note 10)	6,201	4,736
Intangible assets (Note 11)	6,787	20,208
Goodwill (Note 12)	–	10,090
	$209,735	$235,509
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 27,235	$ 39,391
Income taxes payable	–	7,286
Current portion of deferred revenue	11,206	4,351
Current portion of long-term debt obligations (Note 13)	14,622	5,889
Convertible debentures (Note 14)	–	7,533
	53,063	64,450
Deferred revenue	263	530
Long-term debt obligations (Note 13)	33,463	38,400
Future income taxes (Note 15)	10,973	13,406
	97,762	116,786
Shareholders' Equity		
Equity instruments (Note 16(b))	70,518	68,690
Contributed surplus (Note 16(f))	4,955	3,661
Equity portion of convertible debentures (Note 14)	–	609
Retained earnings	36,500	45,763
	111,973	118,723
Future operations (Note 1)		
	$209,735	$235,509

See notes to consolidated financial statements.

Approved by the Board: John Brussa, Chairman of the Board Stephen Popadynetz, Director

Consolidated Statements of Income (Loss), Comprehensive Income (Loss) and Retained Earnings

(Thousands, Except Per Share Amounts)

	FOR THE YEAR ENDED DECEMBER 31	
	2008	2007
Revenue	$102,967	$116,070
Operating expenses		
Salaries and benefits	34,381	35,008
General and administrative	16,113	17,854
Stock compensation expense (Note 16(f))	1,073	1,531
	51,567	54,393
Interest expense	5,412	3,684
Depreciation and amortization	41,209	34,424
Impairment of goodwill and intangible assets (Note 11 and 12)	13,779	–
Other income (loss) (Note 5)	(1,602)	(260)
Income (loss) before income taxes	(10,602)	23,309
Income taxes (Note 15)		
Current (recovery)	1,094	8,723
Future (reduction)	(2,433)	(2,955)
	(1,339)	5,768
Net income (loss) and comprehensive income (loss) for the year	(9,263)	17,541
Retained earnings, beginning of year	45,763	28,375
Purchase price of common shares repurchased in excess of book value (Note 16(e))	–	(153)
Retained earnings, end of year	$ 36,500	$ 45,763
Net income (loss) per share (Note 16(h))		
Basic	$ (0.22)	$ 0.45
Diluted	$ (0.22)	$ 0.42
Weighted average number of shares		
Basic	41,767	39,200
Diluted	41,767	41,763

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(Thousands)

	FOR THE YEAR ENDED DECEMBER 31	
	2008	2007
Cash flows from operating activities		
Net income (loss) for the period	$ (9,263)	$ 17,541
Items not affecting cash:		
Equity investment loss (gain)	(8)	2
Depreciation and amortization of data libraries, property and equipment and intangible assets	40,221	33,686
Impairment of goodwill and intangible assets	13,779	–
Amortization of deferred development costs	988	738
Amortization of deferred finance costs	360	604
Accretion of liability portion of convertible debentures	609	–
Future income taxes (reduction)	(2,433)	(2,955)
Data exchanges (Note 8)	–	(16,328)
Loss on sale of property and equipment	1,558	172
Non-cash retention bonus	485	620
Stock compensation expense (Note 16(f))	1,073	1,531
	47,369	35,611
Changes in non-cash working capital balances (Note 18)	(4,316)	(13,870)
Increase (decrease) in non-current deferred revenue	(267)	270
Decrease in long-term accounts receivable	–	560
	42,786	22,571
Cash flows from (used in) financing activities		
Bank indebtedness	–	(6,451)
Advances to affiliated company	–	(6)
Issue of common shares, net of related expenses (Note 16(b))	349	2,606
Repayment of long-term debt obligations	(8,143)	(15,448)
Deferred financing costs	–	(1,340)
Proceeds received from long-term debt obligations (net of committed revolver repayments)	3,433	45,209
Repurchase of common shares (Note 16(e))	(59)	(609)
	(4,420)	23,961
Cash flows from (used in) investing activities		
Purchase of data libraries	(26,571)	(61,360)
Decrease (increase) in participation surveys in progress	(3,661)	1,722
Purchase of property and equipment	(398)	(1,374)
Acquisitions (Note 6)	–	(3,948)
Proceeds on sale of property and equipment	3,089	172
Deferred development costs	(2,453)	(2,597)
Changes in non-cash working capital balances (Note 18)	(9,027)	21,881
	(39,021)	(45,504)
Foreign exchange (gain) loss on cash held in a foreign currency	–	1
Increase (decrease) in cash and cash equivalents	(655)	1,029
Cash and cash equivalents, beginning of year	2,466	1,437
Cash and cash equivalents, end of year	$ 1,811	$ 2,466

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (Tabular amounts in thousands, unless otherwise stated)

Divestco Inc. (Divestco or the Company) is incorporated under the Business Corporations Act of Alberta and is a publicly traded company on the Toronto Stock Exchange (TSX) under the symbol DVT. 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 four operating segments which include Software, Services, Data and Consulting. 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 had a working capital deficit of $21 million at the end of 2008, including deferred revenue of $11 million. The working capital deficit includes amounts related to the matured convertible debentures of $5.6 million, amounts owing over $20 million on the Company's committed revolver ($22.7 million was drawn on the committed revolver as at December 31, 2008) and $5.2 million owing on the Company's term loans, which are due before December 31, 2009. In addition, the Company incurred losses of $9.3 million for 2008 which included goodwill and intangible impairment charges of $12.2 million, net of tax of $1.6 million. These matters cast doubt on the ability of the Company to continue to meet its obligations. Management is reviewing additional sources of capital and debt financing to continue its activities and discharge its commitments as they become due. 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. Notwithstanding the going concern assumption, the Company has a history of profitable operations, positive funds from operations and has significantly improved its working capital deficit and reduced its funded debt load. Furthermore, the Company has a healthy sales pipeline, has implemented cost cutting measures, and evaluates all material capital expenditures before commencement to ensure they meet appropriate funding levels. As at December 31, 2008, the Company was not in violation of its debt covenants and does not expect to violate its covenants over next 12 months ending December 31, 2009.

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.

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 and goodwill. Goodwill impairment and intangible assets 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.

(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 a 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	Declining balance	20%
Map library	Straight-line	15 years

The Company records only one half year's worth of amortization in the year of acquisition with the exception of the seismic data library. The carrying value of the data libraries is reviewed by the Company, at least annually, to assess if there has been an impairment in value. Additional amortization is recorded if it is determined that estimated future sales will not be sufficient to cover the carrying value of the asset.

(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	Declining balance	30%
Office furniture and equipment	Declining balance	20-30%
Leasehold improvements	Straight-line	Term of lease

The Company records one half year's worth of amortization in the year of acquisition. 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
Non-competition agreements	Straight-line	Term of agreement
Customer related intangibles	Straight-line	2 years
Proprietary software	Declining balance	50%
Software code	Straight-line	10 years
Office leases below market value	Straight-line	Term of lease
Well logs licence agreement	Straight-line	10 years

Intangible assets are tested for impairment annually at December 31 through a two-step test. 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.

(h) Participation in joint ventures

Certain of the Company's seismic data acquisition activities are conducted jointly with others. These consolidated financial statements reflect only the Company's proportionate interest in such activities.

(i) 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) Consulting
(vi) Other services including: seismic survey audit, information and land management, custom mapping, archiving, imaging, geophysical/geological, database 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 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) Consulting revenue is recorded as milestones are achieved whereby customers are billed as phases of a project are completed.

(vi) 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.

(j) Future income taxes

The asset and liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between financial reporting and the tax bases of assets and liabilities which are measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. Future income tax assets are recognized to the extent that they are more likely than not to be realized.

(k) Stock-based compensation plan

The Company applies the fair value method for valuing stock options, broker options and warrant grants. Under this method, compensation costs attributable to all stock options, broker options and warrants 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, broker options and warrants, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Corporation does not incorporate an estimated forfeiture rate for stock options that will not vest, rather actual forfeitures are accounted for as they occur.

(l) 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% (2007 – 3%) of their monthly regular salary to a maximum of $450 (2007 – $300) per month. The common shares are purchased through the facilities of the TSX. The Company's contributions under the ESOP for 2008 were $704,000 (2007 – $484,000) and categorized as salaries and benefits in the consolidated statements of income (loss) and comprehensive income (loss).

(m) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Company's reporting units that are expected to benefit from the synergies of the business combination.

Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination described in the preceding paragraph, using the fair value of the reporting unit as if it was the purchase price. When the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and charged to income.

(n) Net income (loss) per share

The Company utilizes the treasury stock method of reporting net income 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 income per share amounts are calculated by dividing net income by the weighted average number of common shares outstanding for the year. Diluted net income 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 income 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 income. 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 income per share if the effect would be anti-dilutive. Convertible debt is anti-dilutive whenever its interest (net of income tax) per common share obtainable on conversion exceeds basic net income per share.

(o) Investment tax credits

The Company records investment tax credits on the cost reduction basis whereby investment tax credits related to current expenditures are included in the determination of net income 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.

(p) 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 they are incurred unless they meet the criteria for deferral under the accounting standard for research and development costs. 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.

(q) 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.

(r) Financial Instruments

The Company has reclassified 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 income.
- Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income and reclassified to net income when derecognized or impaired.
- Held-for-trading financial instruments are measured at fair value. All gains and losses on derivatives that are not designated or do not qualify for hedge accounting are included in net income in the period in which they arise.
- All derivative financial instruments are classified as held-for-trading financial instruments and are measured at fair value. All gains and losses are included in net income in the period in which they arise.

The Company has designated its cash and cash equivalents and funds held in trust as held-for-trading, which is 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

On January 1, 2008, the Company adopted the new Canadian standard for capital management which specifies the disclosure of an entity's objectives, policies and procedures for managing capital, quantitative data about what it manages as capital, any externally imposed capital requirements and the consequences of non-compliance (Note 17).

On January 1, 2008, the Company adopted new accounting standards for financial instruments disclosures and presentation which require the Company to increase disclosure on the nature, extent and risk arising from the financial instruments and how the entity manages those risks (Note 21).

Canadian accounting standards for goodwill and intangible assets are effective on January 1, 2009. These new standards apply to goodwill subsequent to initial recognition and establish standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This new standard is not expected to have a material impact on the Company's consolidated financial statements.

In January 2006, the Canadian Accounting Standards Board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards (IFRS) will replace Canadian GAAP in 2011 for profit-oriented publicly-accountable enterprises in Canada.

4. Changes in Accounting Estimates

On October 1, 2008, the Company changed the useful life of its customer related intangibles. As a result of this change, additional depreciation and amortization expense for customer lists of $5.4 million was recorded during the year.

Management believes that these changes in estimates are warranted as they provide a basis of amortization that better reflects the economic lives of the respective assets, given the current and changing environment in which the Company operates.

5. Disposition

In 2008, the Company sold all of the operating assets of its wholly-owned U.S. subsidiary and ceased its U.S. operations. The disposition is summarized below in Canadian dollars:

ASSETS DISPOSED OF:	
Accounts receivable	$ 379
Prepaid expenses, supplies and deposits	69
Accounts payable and accrued liabilities	(8)
Deferred revenue	(438)
Data libraries	4,220
Property and equipment	97
Intangible assets	328
	$ 4,647
CONSIDERATION:	
Cash (including disposition costs)	$ 3,089
Loss on sale	$(1,558)

The loss has been reflected in other income (loss) in the consolidated statements of income (loss) and comprehensive income (loss). A current tax expense of $0.9 million and a future income tax reduction of $1.6 million have been recorded.

6. Acquisitions

During the year ended December 31, 2007, the Company completed the following transactions and has included earnings of the acquiree in income for the current year since the date of acquisition:

(a) On May 3, 2007, the Company closed a plan arrangement with BlueGrouse Seismic Solutions Ltd. (BlueGrouse) whereby BlueGrouse shareholders received 0.3125 shares of the Company for each BlueGrouse share held. BlueGrouse acquired 2D and 3D seismic data and provided seismic data brokerage and data management services to the oil and natural gas industry.

(b) On May 24, 2007, the Company acquired the Geomatics Business unit of Veritas Energy Services Partnership (Veritas) which delivered survey audit and geospatial data management services to the seismic industry.

(c) On June 19, 2007, the Company acquired all of the issued and outstanding shares of JMG Seismic Processing Ltd. and KRJ Seismic Processing Ltd., partners of Spectrum Seismic Processing Partnership (Spectrum). Spectrum provided a full range of onshore seismic data processing services in western Canada.

(d) On June 19, 2007, the Company acquired all of the issued and outstanding shares of i Land Data Ltd. (iLand). iLand provided data management related software to the oil and gas industry.

(e) On November 28, 2007, the Company acquired all of the issued and outstanding shares of Canadian Landmasters Resource Services Ltd. and Canadian Landmasters Resource Services (Med. Hat) Ltd. (Landmasters). Landmasters acquires surface and mineral rights on behalf of its clients.

The allocation of the purchase price based on management's estimates is as follows:

	BLUE-GROUSE	VERITAS	SPECTRUM	iLAND	LAND-MASTERS	TOTAL
Allocation of purchase price:						
Cash	$ 602	$ –	$ (49)	$ 94	$ 291	$ 938
Working capital (deficit)[1]	(15,289)	444	291	74	364	(14,116)
Data libraries	40,579	–	–	–	–	40,579
Participation surveys in progress	48	–	–	–	–	48
Property and equipment	96	–	79	40	19	234
Non-competition agreements	–	250	750	100	200	1,300
Customer related intangibles	3,320	300	190	100	465	4,375
Proprietary software and code	–	1,152	550	696	–	2,398
Goodwill	–	1,023	549	–	–	1,572
Convertible debentures	(8,142)	–	–	–	–	(8,142)
Future income tax liability	(2,420)	–	(484)	(288)	(201)	(3,393)
	$ 18,794	$3,169	$1,876	$ 816	$1,138	$ 25,793
Consideration:						
Cash (including acquisition costs)	$ 1,143	$2,625	$ 368	$ 380	$ 370	$ 4,886
Promissory notes		544	900	75	200	1,719
Fair market value of options exchanged	711	–	–	–	–	711
4,569,004 Common shares	16,940	–	–	–	–	16,940
168,068 Common shares	–	–	608	–	–	608
99,716 Common shares	–	–	–	361	–	361
322,581 Common shares	–	–	–	–	568	568
	$ 18,794	$3,169	$1,876	$ 816	$1,138	$ 25,793

(1) BlueGrouse includes current portion of long-term debt of $3,300,000.

7. 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, 2008 was $8,000 (2007 – net loss of $2,000) as has been recorded in other income (loss) in the consolidated statements of income (loss) and comprehensive income (loss). The fair value of the balances due from SDLS and the investment in SDLS approximate the carrying value as at December 31, 2008.

8. Data Libraries

	BALANCE AS AT DECEMBER 31			
		2008		2007
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Seismic data library	$241,707	$ 92,748	$215,145	$ 64,546
Datasets	632	451	632	401
Log and drilling library	7,209	1,737	12,122	1,929
Reference library	445	327	445	297
Map library	239	72	239	56
	$250,232	$ 95,335	$228,583	$ 67,229
Net book value		$154,897		$161,354

In 2007, the Company acquired $13.8 million of seismic data libraries and sold $10.6 million of seismic data licenses and related services in data exchanges. The net cash amount of $3.2 million was reflected as an investing activity in the consolidated statements of cash flows. There were no data exchanges in 2008.

9. Property and Equipment

	BALANCE AS AT DECEMBER 31			
		2008		2007
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware and software	$ 6,814	$4,862	$ 7,757	$4,199
Office furniture and equipment	1,247	755	1,260	629
Leasehold improvements	1,297	729	1,179	454
Assets under capital lease	3,964	2,064	2,383	1,346
Land	30	–	30	–
	$13,352	$8,410	$12,609	$6,628
Net book value		$4,942		$5,981

10. Deferred Development Costs

	BALANCE AS AT DECEMBER 31	
	2008	2007
Balance, beginning of year	$4,736	$2,877
Salaries and benefits (net of investment tax credits)	1,963	2,160
General and administrative	490	437
Total additions	2,453	2,597
Amortization[1]	(988)	(738)
Balance, end of year	$6,201	$4,736

(1) Included in depreciation and amortization in the consolidated statements of income (loss) and comprehensive income (loss)

11. Intangible Assets

	BALANCE AS AT DECEMBER 31			
	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Non-competition agreements	$ 3,938	$ 3,938	$ 3,938	$ 943
Customer related intangibles	11,389	10,336	12,070	3,233
Proprietary software and code	8,256	4,084	8,263	2,206
Office leases below market value	2,700	1,138	2,700	675
Well logs licence agreement	750	750	750	456
	$27,033	$20,246	$27,721	$ 7,513
Net book value		$ 6,787		$20,208

During 2008, the Company recorded a non-cash intangible asset impairment charge of $3.7 million, $2.6 million net of future taxes of $1.1 million, in its Software, Services, Data and Consulting segments based on its annual impairment test performed as at December 31, 2008. The charge is recorded on the consolidated statements of income (loss) and comprehensive income (loss) under impairment of goodwill and intangible assets. The estimated future cash flows were unable to support the value of these assets. Estimated future cash flows declined recently as the demand for some of the Company's products and services has dropped brought on by the general slowdown in the North American economy. Management determined that the stated value of our intangible assets was impaired as the estimated future cash flows associated with these assets has decreased.

12. Goodwill

	BALANCE AS AT DECEMBER 31			
		2008		2007
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Goodwill	$–	$–	$10,090	$–

During 2008, the Company recorded a non-cash goodwill impairment charge of $10.1 million ($9.6 million net of future taxes of $0.5 million) in its Software, Services and Consulting segments based on its annual goodwill impairment test it performed as at December 31, 2008. The charge is recorded in impairment of goodwill and intangible assets on the consolidated statements of income (loss) and comprehensive income (loss).

The first step of the test indicated impairment to the value of the goodwill due to the decline in the market value of the Company's stock compared to the book value of shareholders' equity. As a result, the Company performed the second step of the assessment to quantify the amount of impairment. The implied fair value of the goodwill in the Company's reporting units was calculated and compared to the carrying value of the goodwill. The fair value of the reporting unit was allocated to all of its assets and liabilities. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. As a result, the Company recognized a non-cash goodwill impairment charge. The goodwill impairment charge is non-cash in nature and does not affect the Company's liquidity, cash flows from operating activities, or compliance with debt covenants.

13. Long-Term Debt Obligations

	BALANCE AS AT DECEMBER 31	
	2008	2007
Term loans and committed revolver (a)	$ 41,202	$42,848
Promissory notes (b)	6,091	1,800
Capital lease obligations (c)	1,491	700
	48,784	45,348
Current portion	(14,622)	(5,889)
Deferred finance charges (d)	(699)	(1,059)
Long-term portion	$ 33,463	$38,400

(a) Term loans and committed revolver

On April 24, 2007 the Company secured $60 million in aggregate credit facilities. The credit facilities were available in three tranches: a $20 million committed revolver and two $20 million committed term loan facilities, term loans A and B. Each tranche was a five-year committed facility from the April 2007 closing date. Each draw on the term loan facilities was amortized over six years from the date of draw down and repaid on a monthly basis. The committed revolver draws are not required to be repaid until maturity and if draws are paid down in advance they can be redrawn at a later date. The Company had two pricing options on all the credit facilities: floating Canadian base rate plus 2.00%, or Canadian LIBOR plus 3.25%.

In December 2007, the facilities were amended to increase the committed revolver to $25 million and reduce term loan B to $15 million.

In July 2008, the facilities were amended to further increase the committed revolver to $30 million and reduce term loan B to $10 million. All amounts in excess of $25 million on the committed revolver were to be retired as at November 1, 2008. In addition, the Company's fixed charge coverage covenant was amended.

In November and December 2008 the Company negotiated further amendments on its committed revolver where all amounts in excess of $25 million were repaid in December 2008 and all amounts in excess of $20 million are to be repaid on April 1, 2009. In addition, further availability on term loan B (approximately $5 million) immediately expired and the lender agreed to entertain future credit requests as required. Effective May 1, 2009, the term loan amortization schedules will reduce from six to five years, which will mirror the maturity date of the entire credit facilities. The Company's fixed charge coverage covenant was further amended going forward and the Company's interest rates have also been amended to a formula grid structure of LIBOR and Canadian base rate options of plus 4.00% to 5.00%.

The facilities were subject to the Company meeting certain debt covenants. The Company must have a $50 million EBITDA (on a trailing 12-month basis) and a fixed charge coverage ratio of at least 1.7:1 as at December 31, 2008 (on a trailing 3-month basis). At the end of 2008, the Company was not in violation of its covenants and does not expect to violate its debt covenants for the year ending December 31, 2009. In correlation with the reduction of debt and availability, the Company's lender has agreed to amend its debt covenants going forward based on the committed revolver being reduced to $15 million of availability by April 30, 2010. The step-down to $20 million on the committed revolver and the revised loan amortization schedules were extended from April 1, 2009 to July 1, 2009.

At the end of 2008, $22.7 million was drawn on the committed revolver, $14.7 million was drawn on term loan A, and $3.8 million was drawn on term loan B. The bank facilities are secured by a first floating charge on all the Company's assets.

PRINCIPAL PAYMENTS ON THE TERM LOANS ARE AS FOLLOWS:	
2009	$ 5,186
2010	5,694
2011	5,694
2012	1,898
	$18,472

COMMITTED REVOLVER:	
Current potion	$ 2,730
Long-term portion	20,000
	22,730
Total	$41,202

(b) Promissory notes

	BALANCE AS AT DECEMBER 31	
	2008	2007
Unsecured promissory notes issued to replace the convertible debentures on the date of maturity (Note 14), bearing interest of 10%, repayable in 12 equal monthly blended payments commencing January 15, 2009.	$ 5,608	$ –
Unsecured promissory notes issued on the acquisition of Spectrum, bearing interest of 6%, repayable on June 19, 2009.	350	900
Unsecured promissory notes issued on the acquisition of Landmasters, bearing interest at 2% above the Company's prime lending rate, repayable in three equal installments of $66,667 on each of December 31, 2008, 2009, and 2010.	133	200
Unsecured promissory notes issued on the acquisition of Cavalier Land Ltd., non-interest bearing, repayable in two installments of $625,000 on July 18, 2007 and July 18, 2008.	–	625
Unsecured promissory notes issued on the acquisition of iLand, bearing interest of 7%, repayable on June 19, 2008. The balance was repaid on September 1, 2008.	–	75
	$ 6,091	$ 1,800
Current portion	(6,024)	(1,316)
Long-term portion	$ 67	$ 484

Principal payments are as follows:

2009	$6,024
2010	67
	$6,091

(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 7.2% per annum. Minimum annual lease payments are as follows:

2009	$ 682
2010	507
2011	239
2012	63
	$1,491

(d) Deferred finance charges

	BALANCE AS AT DECEMBER 31	
	2008	2007
Balance, beginning of year	$1,059	$ 323
Additions	–	1,340
Amortization(1)	(360)	(604)
Balance, end of year	$ 699	$1,059

(1) Included in interest expense in the consolidated statements of income (loss) and comprehensive income (loss).

14. Convertible Debentures

	BALANCE AS AT DECEMBER 31	
	2008	2007
Balance, beginning of year	$ 7,533	$ –
Additions	–	8,142
Equity component	–	(609)
Accretion of liability portion to face value	609	–
Conversion to common shares	(665)	
Conversion to a promissory note	(7,477)	
Balance, end of year	$ –	$7,533

The Company assumed convertible debentures through the acquisition of BlueGrouse. Each debenture carried interest at a rate of 10% per annum and was convertible, in whole or in part, into common shares at a conversion price of $4.48 per common share at any time on or before November 21, 2008. On the date of maturity, $665,000 of the debentures converted into 148,437 common shares. The Company converted the remaining principal repayment of approximately $7.5 million to notes payable with new repayment terms. On December 15, 2008, the Company repaid 25% or $1.9 million of the outstanding notes, with the balance to be repaid in 12 equal monthly principal payments plus 10% annual interest, commencing January 15, 2009. The obligation is to be retired in full by December 15, 2009.

15. 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	
	2008	2007
Income (loss) before income taxes	$(10,602)	$23,309
Statutory rate	29.50%	32.12%
Computed income tax provision	$ (3,128)	$ 7,487
Effects of differences:		
Non-deductible expenses	648	678
Goodwill impairment	2,158	–
Adjustments for enacted changes in income tax rates	(1,060)	(2,329)
Other	43	(68)
Actual income tax expense	(1,339)	5,768
Current	1,094	8,723
Future (reduction)	(2,433)	(2,955)
Actual income tax expense	$ (1,339)	$ 5,768

(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	
	2008	2007
Databases, property and equipment, and intangibles	$(13,424)	$ (8,406)
Non-capital loss carry-forwards	861	890
SR&ED expenditures	(2,148)	(1,813)
Share issue and financing costs	484	747
Deferred partnership income	3,254	(4,824)
Future income tax liability	$(10,973)	$(13,406)

(c) 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. In 2008, the Company used approximately $3.3 million (2007 – $7.1 million) SR&ED expenses to reduce its current income tax liability. At the end of 2008, the Company had $1.1 million of investment tax credits (ITC) available to reduce income taxes payable in the future which expire in 2028. The Company plans to the carry back the ITC to 2007 to recover taxes paid in the prior year.

(d) At the end of 2008, the Company and its Canadian subsidiaries had $2.9 million in non capital loss carry-forwards in Canada, assumed through various acquisitions in 2007, which begin to expire in 2027.

16. Equity Instruments

(a) Authorized

An unlimited number of voting common shares.

(b) Issued

			BALANCE AS AT DECEMBER 31	
		2008		2007
Common shares	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	41,579	$69,180	35,399	$47,752
Issued on acquisitions	–	–	5,160	18,477
Cancellation of shares issued as retention bonuses	(1)	(5)	(27)	(125)
Reclassification to common shares on share purchase loan forgiveness and bonus shares release from escrow	–	252	–	201
Exercise of share purchase warrants – cash consideration	–	–	538	1,346
Exercise of share purchase warrants – reclassification from fair value	–	–	–	337
Exercise of broker compensation options – cash consideration	–	–	220	441
Exercise of broker compensation options – reclassification from contributed surplus	–	–	–	173
Exercise of stock options – cash consideration	268	349	566	819
Exercise of stock options – reclassification of contributed surplus	–	136	–	215
Repurchase for cancellation	(36)	(59)	(277)	(456)
Conversion of convertible debentures	148	665		
	41,958	70,518	41,579	69,180
Less share purchase loans	–	–	–	(490)
Balance, end of year	41,958	$70,518	41,579	$68,690
Share purchase warrants	Number of Warrants	Amount	Number of Warrants	Amount
Balance, beginning of year	–	$ –	538	$ 337
Exercised	–	–	(538)	(337)
Balance, end of year	–	$ –	–	$ –
Total equity instruments		$70,518		$68,690

(c) Share purchase loans

In conjunction with the acquisition of the seismic processing assets from Geo-X Systems Ltd. (Geo-X) in 2006, certain key employees were granted $750,000 in retention bonuses in the form of an interest free, forgivable loan to purchase 159,914 shares from treasury of the Company at deemed price of $4.69 (Geo-X share purchase loans). The shares are being held in escrow and are secured by the underlying securities and all proceeds therefrom. The shares are being released from escrow over a two-year period and the loans forgiven based on fulfilment of employment milestones. In 2008, 60,767 (2007 – 71,429) shares were released from escrow and 1,066 (2007 – 26,653) shares were forfeited. The share purchase loan receivable was presented as a deduction from shareholders' equity and as such was not treated as outstanding for the purposes of calculating basic net income per share. The fair value of $272,000 was calculated based on the same variables used for stock options and is being expensed over the period of the loan. The charge is included in stock compensation expense.

In conjunction with the acquisition of Cavalier Land Ltd. in 2006, certain key employees were granted $500,000 in retention bonuses in the form of an interest free loan to purchase 102,494 shares of the Company at deemed price of $4.88. An arm's-length broker purchased the shares on the open market on behalf of the employees. The shares are being held in escrow and are secured by the underlying securities and all proceeds therefrom. The shares are being released from escrow over a two-year period and the loans forgiven based on fulfilment of employment milestones. In 2008, 31,257 (2007 – 43,053) shares were released from escrow and 9,736 (2007 – 15,374) shares were forfeited. The share purchase loan receivable was presented as a deduction from shareholders' equity. The fair value of $181,000 was calculated based on the same variables used for stock options and is being expensed over the period of the loan. The charge is included in stock compensation expense.

The balance of the share purchase loans is as follows:

	BALANCE AS AT DECEMBER 31	
	2008	2007
Balance, beginning of year	$ 490	$1,235
Forfeited	(52)	(200)
Forgiven	(438)	(545)
Balance, end of year	$ –	$ 490

(d) Broker compensation options

The balance of broker compensation options to purchase common shares was as follows:

	BALANCE AS AT DECEMBER 31			
		2008		2007
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	–	$–	220	$ 173
Exercised	–	–	(220)	(173)
Balance, end of year	–	$–	–	$ –

(e) Normal course issuer bid

On January 24, 2008 the Toronto Stock Exchange accepted the Company's Notice of Intention to make a Normal Course Issuer Bid (NCIB) to purchase up to 2,092,853 (a maximum of 5%) of its issued and outstanding common shares (41,857,070 common shares as at January 14, 2008) in a twelve-month period. The NCIB commenced January 28, 2008 and terminated on January 27, 2009. There were 35,600 shares purchased under the NCIB in 2008 for $59,000 ($1.66 per share average).

(f) Contributed surplus

	BALANCE AS AT DECEMBER 31	
	2008	2007
Balance, beginning of year	$3,661	$2,008
Stock compensation expense	1,073	1,531
Fair value of stock options exchanged on acquisition of BlueGrouse	–	711
Reclassification to common shares on exercise of options	(136)	(215)
Reclassification to common shares on exercise of broker compensation options	–	(173)
Reclassification to common shares on share purchase loan forgiveness and bonus shares released from escrow	(252)	(201)
Equity component of convertible debentures	609	–
Balance, end of year	$4,955	$3,661

(g) 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. 4,041,369 common shares of the Company have been reserved under the Plan.

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

	NUMBER OF OPTIONS	OPTION PRICE	WEIGHTED AVERAGE PRICE
Options outstanding, December 31, 2006	2,766	$0.83-$6.10	$2.87
Granted	959	$2.40-$8.58	$4.04
Exercised	(566)	$1.00-$3.00	$1.45
Forfeited	(416)	$1.00-$8.58	$5.39
Options outstanding, December 31, 2007	2,743	$1.00-$6.10	$3.19
Granted	516	$1.30-$2.39	$1.34
Exercised(1)	(268)	$1.20-$1.69	$1.30
Forfeited(2)	(504)	$1.00-$6.10	$3.74
Options outstanding, December 31, 2008	2,487	$1.00-$6.10	$2.90

(1) Includes 134,089 options held by an officer and former officers

(2) Includes 197,991 options held by former officers and an former officer that was also a former director

Stock options which were outstanding and vested as at December 31, 2008, 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
1,185	$1.00-$2.39	$1.31	2.53	694	$1.30
662	$2.40-$4.29	$3.25	2.67	410	$3.17
640	$4.30-$6.10	$5.47	2.46	432	$5.47
2,487	$1.00-$6.10	$2.90	2.55	1,536	$2.98

The per share weighted average fair value of the stock options granted for the year ended December 31, 2008, was $0.78 (2007 – $1.36). This was estimated using the Black-Scholes option pricing model with the following assumptions: an average expected volatility of 67% (2007 – 69%), an average risk free interest rate of 3% (2007 – 4.2%), 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.

(h) Net income (loss) per share

Basic net income (loss) per share is computed using the weighted-average number of common shares outstanding during the year, being 41,767,000 for 2008 (2007 – 39,200,000). Diluted net income (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 income (loss) per share, nil shares (2007 – 1,091,000) were added to the weighted average number of common shares outstanding for the dilution from the stock options, the Geo-X share purchase loans, and convertible debentures. Options to purchase 2,487,000 (2007 – 1,730,000) common shares have been excluded from the calculations of diluted net income per share due to their anti-dilutive effect.

For shares issued with respect to the Geo-X share purchase loans, the common shares of the Company securing these loans were not being treated as outstanding for purposes of calculating basic net income per share in 2007. The common shares securing the Geo-X share purchase loans are considered to be contingently returnable for purposes of calculating diluted net income per share. Since all necessary conditions were not satisfied as at December 31, 2007, the number of contingently issuable shares included in diluted net income per share should be based on the number of shares, if any, that would be issuable if the end of the reporting period were the end of the contingency period (for example, the number of shares that would be issuable based on current period net income or period-end market price) and if the result would be dilutive.

The following table summarizes the computation of net income per share:

	FOR THE YEAR ENDED DECEMBER 31	
	2008	2007
Numerator		
Net income (loss)	$ (9,263)	$17,541
Interest on convertible debentures (after tax and if dilutive)	–	138
Net income (loss) for diluted earnings per share	$ (9,263)	$17,679
Denominator		
Weighted average number of shares outstanding for basic earnings per share	41,767	39,200
Dilutive instruments		
Stock options	–	684
Retention bonus shares	–	62
Convertible debentures	–	1,817
Weighted average number of shares outstanding for diluted earnings per share	41,767	41,763
Basic net income (loss) per share	$ (0.22)	$ 0.45
Diluted net income (loss) per share	$ (0.22)	$ 0.42

17. 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
- 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.

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.

During 2008, the Company's strategy was to maintain the targets set out in the following table. The Company has determined that in reaction to the current economic environment it will target its funded debt to equity at the lower end of the range to ensure adequate financial flexibility to meet the financial obligations, both current and long-term. The Company believes that these ratios remain in a range that will continue provide access to capital at a reasonable cost.

Total funded debt to equity ratio at the end of 2008 is within the Company's target.

		BALANCE AS AT DECEMBER 31	
		2008	2007
Components of Funded Debt and Equity Ratios			
Current portion of long-term funded debt obligations		$ 14,622	$ 5,889
Convertible debentures		–	7,533
Long-term funded debt obligations		33,463	38,400
Total funded debt		48,085	51,822
Shareholders' equity		$111,973	$118,723
	Company Target		
Total funded debt to equity	35% to 55%	43%	44%

18. Statement of Cash Flows

	FOR THE YEAR ENDED DECEMBER 31	
	2008	2007
Interest and income taxes paid		
Income taxes paid (net of refunds)	$ 8,129	$ 383
Interest paid (net of interest revenue)	5,398	3,316
Changes in non-cash working capital balances		
Funds held in trust	$ 647	$ (422)
Accounts receivable	(1,154)	53
Investment tax credits recoverable	(59)	651
Prepaid expenses, supplies and deposits	(636)	(714)
Accounts payable and accrued liabilities	(12,148)	9,283
Income taxes payable	(7,286)	6,775
Deferred revenue	7,293	(7,615)
	(13,343)	8,011
Changes in non-cash working capital balances related to operating activities	(4,316)	(13,870)
Changes in non-cash working capital balances related to investing activities	(9,027)	21,881
	$(13,343)	$ 8,011

During 2008, the Company recorded capital lease additions of $669,000 (2007 – $637,000). The proceeds from the sale lease-back are included in proceeds from long-term debt obligations on statements of cash flows. At December 31, 2008, the Company held $61,000 (2007 – $193,000) of cash and cash equivalents which were denominated in a foreign currency.

19. Commitments

The Company rents its current premises from third parties under lease agreements and is scheduled to move to new premises in 2010. In addition, the Company maintains contractual agreements for certain office equipment. The minimum annual payments due under these long-term operating leases including estimated operating costs, net of sub-leases, are as follows:

2009	$ 3,905
2010	7,510
2011	9,032
2012	6,788
2013 and beyond	88,727

20. Related Party Transactions

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

(a) In 2008, the Company paid $199,000 (2007 – $217,000) in brokerage commissions to a company controlled by a director. Included in accounts payable as at December 31, 2008 was $nil (December 31, 2007 – $17,000) related to these commissions.

(b) In 2008, the Company paid $233,000 (2007 – $396,000) in legal fees to the law firm at which the Company's Corporate Secretary is employed. Included in accounts payable as at December 31, 2008 was $22,000 (December 31, 2007 – $66,000) 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.

21. 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 2008, 26% of the Company's revenue was derived from four customers with sales related to contacts for seismic data. At the end of 2008, these customers accounted for 15% of the Company's total accounts receivable.

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 collectible. 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. Bad debt expense is charged to net income in the period that the account is determined to be doubtful. Estimates of the allowance for doubtful accounts are determined on a customer-by-customer evaluation of collectibility at each reporting date taking into consideration the following factors: the length of time the receivable has been outstanding, specific knowledge of each customer's financial condition and historical experience. The carrying amount of accounts receivable represents the maximum credit exposure.

The aging of trade receivables is illustrated below:

	BALANCE AS AT DECEMBER 31			
		2008		2007
	Gross	Allowance	Gross	Allowance
Not past due	$11,329	$ –	$14,830	$ –
Past due 0-30 days	2,731	–	3,660	–
Past due 31-120 days	2,547	–	4,835	–
More than 121 days	4,346	517	2,338	439
Total trade receivables	20,953	517	25,663	439
Accrued receivables	7,422	–	1,859	–
Allowance for doubtful accounts	(517)	–	(439)	–
Total accounts receivable	$27,858	$517	$27,083	$439

(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. Interest on fixed rate debt ranges from 4.9% to 6.8%. If these transactions were entered into today, the interest expense would not be materially different.

The sensitivity analysis includes items bearing interest at variable rates and indicates that a 100 basis points fluctuation in interest rates would have an approximately $411,000 impact on annual net income for 2008 (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.

(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 to customers in the U.S. 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.

(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. At the end of 2008 the Company had a cash and cash equivalents balance of $1.8 million, $27.9 million in accounts receivable and $2.3 million in unused committed bank credit facilities until April 1, 2009 (term facilities cannot be redrawn upon)

totalling $32 to settle current liabilities of $42 million (excluding deferred revenue of $11 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 and alternative replacement debt structures to continue its activities and discharge its commitments as they become due. The Company is also focused on disposing of non-core assets and has implemented considerable expense reductions. 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 from 2007 and it will remain 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, 2008.

	< 1 YEAR	1-2 YEARS	2-5 YEARS	TOTAL
Accounts payable and accrued liabilities	$27,235	$ –	$ –	$27,235
Income taxes payable	–	–	–	–
Long-term debt obligations(1)	14,622	6,268	27,894	48,784
Total	$41,857	$6,268	$27,894	$76,019

(1) Excludes deferred finance charges of $699,000.

22. 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 four segments: Software, Services, Data, and Consulting. In addition, the Company reports its overhead activities through its Corporate and Other segment. Before the disposition of the assets of its wholly-owned subsidiary, the Company operated in two geographic locations – Canada and the United States.

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

The accounting policies of the segments are the same as those described in significant accounting policies in the Company's audited consolidated financial statements as at and for the year ended December 31, 2008. Inter-segment sales and transfers, which are accounted for at market value, are eliminated on consolidation. Operating income (loss) is measured as revenue less operating expenses, interest and depreciation and amortization. Other income (loss) items and income taxes reported on the Company's consolidated statements of income (loss) and comprehensive income (loss) are not allocated to the reportable segments.

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2008						
	Software	Services	Data	Consulting	Corporate & Other	Total
Revenue from external customers	$ 8,356	$24,493	$ 57,773	$12,345	$ –	$102,967
Inter-segment revenue	–	2,245	–	–	–	2,245
Operating income (loss)[(1)]	(631)	(3,466)	18,332	(8,727)	(14,508)	(9,000)
Interest expense (net of interest revenue)	22	–	418	(16)	4,988	5,412
Depreciation and amortization	1,874	3,383	31,679	3,786	487	41,209
Impairment of goodwill and intangibles	1,930	6,355	218	5,276	–	13,779
Total assets	10,836	16,412	177,560	3,321	1,606	209,735
Goodwill	–	–	–	–	–	–
Capital expenditures	63	125	30,357	–	87	30,632
Deferred development costs	1,486	967	–	–	–	2,453

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2007						
	Software	Services	Data	Consulting	Corporate & Other	Total
Revenue from external customers	$ 8,494	$24,731	$ 69,690	$13,155	$ –	$116,070
Inter-segment revenue	–	–	3,782	–	–	3,782
Operating income (loss)[(1)]	2,203	2,240	31,940	(201)	(12,613)	23,569
Interest expense (net of interest revenue)	3	–	604	(47)	3,124	3,684
Depreciation and amortization	1,467	2,466	28,963	1,350	178	34,424
Total assets	11,653	25,043	184,500	12,604	1,709	235,509
Goodwill	1,266	4,652	–	4,172	–	10,090
Capital expenditures[(2)]	216	430	60,061	–	305	61,012
Deferred development costs	1,613	984	–	–	–	2,597

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2008			
	Canada	U.S.	Total
Revenue	$101,642	$1,325	$102,967
Data libraries, participation surveys in progress, property and equipment, intangible assets and goodwill	171,334	–	171,334

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2007			
	Canada	U.S.	Total
Revenue	$114,032	$2,038	$116,070
Data libraries, participation surveys in progress, property and equipment, intangible assets and goodwill	193,764	4,916	198,680

(1) Operating income (loss) is revenue less operating expenses, interest, and depreciation and amortization
(2) Excludes acquisitions