MANAGEMENT'S DISCUSSION & ANALYSIS

For the Three and 12 Months Ended December 31, 2009

This Management's Discussion and Analysis (MD&A) for Divestco Inc. ("Divestco" or the "Company"), dated March 22, 2010, should be read in conjunction with the audited consolidated financial statements and notes for the years ended December 31, 2009 and 2008. 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 five business segments: Software, Services, Data, Consulting and Corporate.

- Software – 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.
- 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.
- Data – offers the market over 120 datasets including proprietary seismic data, drilling data and a full suite of exploration and production data (well, land, drilling, log and mapping). Data also provides seismic brokerage and ancillary document management services such as high-quality technical document digitizing and rasterizing and scanning services for customers' data management needs. Divestco has one of western Canada's largest premier seismic databases.
- Consulting – offers business solutions including business consulting services, enterprise resource planning (ERP) and customer relationship management (CRM) systems implementations, custom software development, hardware devices, network infrastructure and land management services.
- Corporate – responsible for setting Divestco's overall strategic plan which includes providing finance, accounting, sales, marketing, human resources (HR) and information technology (IT) services to the Company.

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 software, services, data and consulting 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, data and consulting 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.

Forward-Looking Information

Divestco's annual report 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 reduce debt, improve liquidity, correct its working capital deficiency 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
- Future sales of the Company's seismic data library
- 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
- Fluctuations in interest rates
- 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 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, 2009, incorporated here by reference.

Non-GAAP Measures

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 assists investors in comparing the Company's performance on a consistent basis without regard to financing decisions and depreciation and amortization, which are non-cash in nature and can vary significantly depending upon accounting methods or non-operating factors such as historical cost.

EBITDA 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:

(Thousands)

	FOR THE THREE MONTHS ENDED DECEMBER 31		FOR THE YEAR ENDED DECEMBER 31	
	2009	2008	2009	2008
Net Loss	$(7,291)	$(10,277)	$ (6,197)	$ (9,263)
Income Tax Expense (Reduction)	(1,442)	(1,932)	(3,316)	(1,339)
Other Income (Loss)[1]	(19)	(103)	4,371	(1,602)
Operating Loss	$(8,714)	$(12,106)	$(13,884)	$ (9,000)
Interest	473	1,627	2,941	5,412
Depreciation and Amortization	7,248	12,746	34,692	41,209
Impairment of goodwill and intangible assets	1,115	13,779	1,115	13,779
EBITDA	$ 122	$ 16,046	$ 24,864	$51,400

(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:

(Thousands)

	FOR THE THREE MONTHS ENDED DECEMBER 31		FOR THE YEAR ENDED DECEMBER 31	
	2009	2008	2009	2008
Cash Flows from Operating Activities	$ 4,538	$14,393	$23,822	$42,786
Changes in Non-Cash Working Capital Balances related to operating activities	(4,520)	761	354	4,316
Decrease in Non-Current Deferred Revenue	–	(249)	263	267
Decrease in Long-Term Prepaid Expenses	(65)	–	(354)	–
Funds from Operations	$ (47)	$14,905	$24,085	$47,369

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).

Divestco receives a significant portion of its revenue from the licensing of seismic data. Therefore 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 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, consulting, and other staff. The Company achieves this by offering an attractive compensation package and training. To protect its competitive advantage and intellectual property, Divestco 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, 2009. 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		
	2009	**2008**	**% Change**	**2009**	**2008**	**% Change**
Revenue	$10,268	$ 28,404	-64%	$ 61,976	$102,967	-40%
Operating Expenses	10,146	12,358	-18%	37,112	51,567	-28%
EBITDA[1]	122	16,046	-99%	24,864	51,400	-52%
Interest	473	1,627	-71%	2,941	5,412	-46%
Depreciation and Amortization	7,248	12,746	-43%	34,692	41,209	-16%
Impairment of Goodwill and Intangibles	1,115	13,779	-92%	1,115	13,779	-92%
Operating Loss[1]	(8,714)	(12,106)	N/A	(13,884)	(9,000)	N/A
Other Income (Loss)	(19)	(103)	N/A	4,371	(1,602)	N/A
Income Tax Expense (Reduction)	(1,442)	(1,932)	N/A	(3,316)	(1,339)	N/A
Net Loss	$ (7,291)	$(10,277)	N/A	$ (6,197)	$ (9,263)	N/A
Per Share – Basic	(0.17)	(0.25)	N/A	(0.15)	(0.22)	N/A
Per Share – Diluted	(0.17)	(0.25)	N/A	(0.15)	(0.22)	N/A
Funds from Operations[1]	$ (47)	$ 14,905	N/A	$ 24,085	$ 47,369	-49%
Per Share – Basic[1]	–	0.36	-100%	0.57	1.13	-50%
Per Share – Diluted[1]	–	0.36	-100%	0.57	1.13	-50%
Shares Outstanding	41,958	41,958	0%	41,958	41,958	0%
Weighted Average Shares Outstanding						
Basic	41,958	41,848	0%	41,958	41,767	0%
Diluted	41,958	41,848	0%	41,958	41,767	0%

(1) See the Non-GAAP Measures section.

FINANCIAL POSITION

(Thousands)

	BALANCE AS AT		
	Dec 31, 2009	**Dec 31, 2008**	**Dec 31, 2007**
Total Assets	$175,923	$209,735	$235,509
Working Capital Deficit[1]	(6,250)	(9,737)	(28,077)
Long-Term Debt Obligations (Including Current Portion)	26,902	48,085	44,289

(1) Excluding the current portion of deferred revenue of $5.5 million, the Company's working capital deficit was $6.2 million at the end of December 2009, compared to a $9.7 million deficit at the end of 2008, excluding deferred revenue of $11.2 million and $28.1 million at the end of 2007, excluding deferred revenue of $4.4 million. The Company remains focused on strengthening its balance sheet and restoring a positive working capital balance.

Earnings Variance Analysis Q4 2009 Versus Q4 2008

Divestco generated a net loss of $7.3 million (17 cents/share (diluted)) for the fourth quarter of 2009 compared with a net loss of $10.3 million (25 cents/share (diluted)) in Q4 2008. An intangible asset impairment charge of $0.8 million (net of tax of $0.3 million) and a general allowance for doubtful accounts provision of $1.2 million (net of tax of $0.5 million) was recorded in Q4 2009. Excluding the impact of these charges, the Company had a net loss of $5.3 million (13 cents/share (diluted)) for Q4 2009. Goodwill and intangible asset impairment charges, changes in amortization rates for intangibles and severance costs totalling $16.3 million (net of tax) resulted in a net loss in Q4 2008. Excluding the impact of these charges, the Company had net income of $6 million (14 cents/share (diluted)) for Q4 2008. The decrease from adjusted net income in Q4 2008 to the adjusted net loss in Q4 2009 was primarily due to a decline in revenue of $18.1 million (64%) as the result of the global recession and low natural gas prices. This was offset by a decrease in operating costs of $2.3 million (18%) due to austerity measures implemented by the Company on April 1, 2009 to mitigate the impact of the economic collapse.

Operating highlights included:

- Reduced long-term debt by $8.4 million in Q4 2009 and interest expense by $1.1 million (71%) in Q4 2009 compared to Q4 2008
- Lowered operating costs (salaries and G&A expenses) by $2.3 million (18%) in Q4 2009 compared to Q4 2008 due to the implementation of company-wide austerity measures
- Reduced working capital deficit by $0.6 million since September 30, 2009 (excluding deferred revenue)

2009 Versus 2008

Divestco generated a net loss of $6.2 million (15 cents/share (diluted)) for 2009 compared with a net loss of $9.3 million (22 cents/share (diluted)) for 2008. An intangible asset impairment charge of $0.8 million (net of tax of $0.3 million) and a general allowance for doubtful accounts provision of $1.2 million (net of tax of $0.5 million) was recorded in 2009. Excluding the impact of theses charges, the Company had a net loss of $4.2 million (10 cents/share (diluted)) for 2009. Goodwill and intangible asset impairment charges, changes in amortization rates for intangibles and severance costs totalling $16.4 million (net of tax of 3.3 million) resulted in a net loss in 2008. Excluding the impact of these charges, the Company had net income of $7 million (17 cents/share (diluted)) for 2008. The global economic recession and restricted capital access continued to result in clients reducing their capital spending, which affected top line revenue across the Company. However Divestco's austerity programs reduced operating expenses by $14.5 million (28%) mitigating the impact of reduced revenues. In addition, a $4.4 million accounting gain was realized on the sale of the Company's Archive and Technical Records divisions in Q1 2009.

Operating highlights included:

- Completed a $8.5 million, 173 km^2 seismic participation survey (100% funded) in the Upper Cutbank region of north-eastern British Columbia (BC) extending into western Alberta
- Generated $26.7 million in aggregate data library sales ($18 million (40%) decrease from 2008)

- Reduced working capital deficit by $3.5 million since December 31, 2008 (excluding deferred revenue)
- Reduced long-term debt obligations by $21.5 million since December 31, 2008 and interest by $2.5 million (46%) for 2009 compared to 2008
- Lowered operating costs (salaries and G&A expenses) by $14.5 million (28%) compared to 2008
- Divested of the Company's Archive and Technical Records divisions for cash proceeds of $3.3 million and $1.5 million in prepaid archive services

Economic Impact on Earnings and Future Operations

The current worldwide economic recession, credit crisis and lower natural gas and oil prices have affected the demand for some of the Company's products and services. There is potential for a prolonged downturn in the oil and gas service industry despite the recent positive amendments to Alberta's oil and gas royalty regime. As a result, Divestco remains committed to its current strategy of reducing debt, restricting capital spending and reducing expenses. The Company has been proactive in addressing its largest expense which is labour. Divestco performed staff reductions in 2008 and 2009 and implemented a company-wide salary roll-back and unpaid days off effective April 1, 2009. The unpaid days off remain in effect. The Company believes this proactive approach will give it the ability to manage its capital structure, improve liquidity and maintain profitability during these uncertain times, as well as provide increased upside when normal business levels return. In addition the Company may look at certain asset dispositions (which may result in an accounting gain or loss).

The Company has a history of profitable operations, positive funds from operations and has significantly reduced its funded debt load. Furthermore, the Company evaluates all material capital expenditures before commencement to ensure they meet appropriate funding levels. Divestco has positioned many of its assets in areas where oil and gas investments must be made, thus providing a hedge to potential slowing in general oil and gas business levels. The industry is forecasting a rebound in 2010; regardless of the aforementioned, management believes the proactive measures it has implemented will allow it to navigate any economic uncertainty that could extend past December 31, 2010.

Selected Quarterly Information

(Thousands, Except Per Share Amounts)

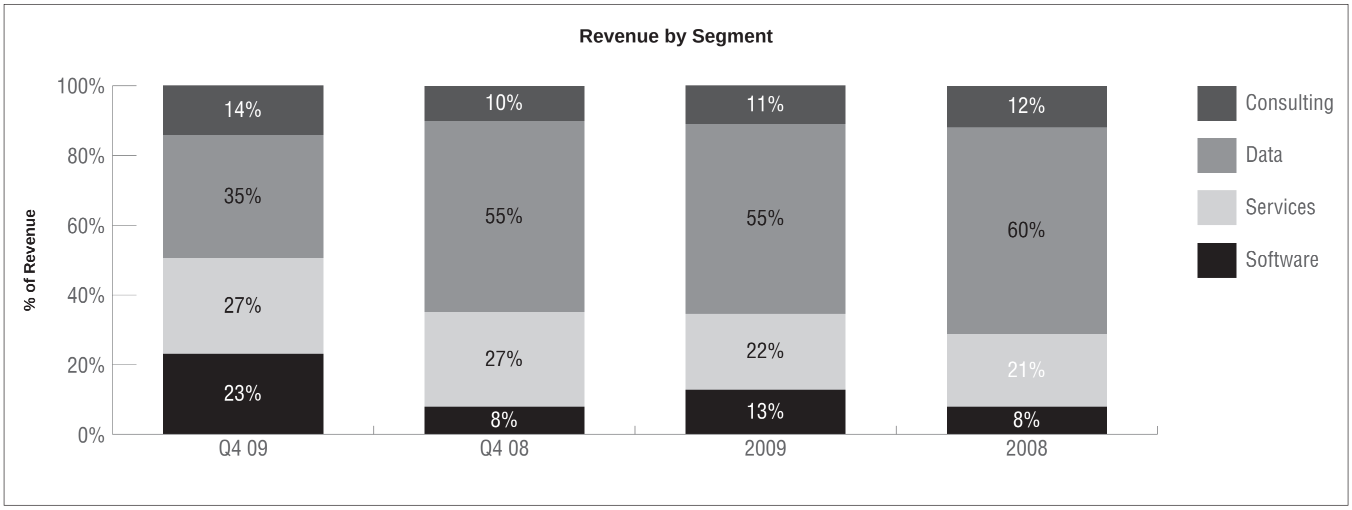
	2009				2008			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	$10,268	$13,411	$19,532	$18,765	$ 28,404	$18,334	$26,175	$30,054
EBITDA(1)	122	5,903	10,683	8,152	16,046	6,128	12,879	16,348
Operating Income (Loss)(1)	(8,714)	(2,740)	1,818	(4,250)	(12,106)	(2,016)	316	4,807
Net Income (Loss)	(7,291)	(1,245)	1,558	781	(10,277)	(2,381)	281	3,114
Per Share – Basic	(0.17)	(0.03)	0.04	0.02	(0.25)	(0.06)	0.01	0.08
Per Share – Diluted	(0.17)	(0.03)	0.04	0.02	(0.25)	(0.06)	0.01	0.07
Funds from Operations(1)	(47)	9,984	6,719	7,427	14,905	4,894	13,505	14,065
Per Share – Basic	0.00	0.24	0.16	0.18	0.36	0.12	0.32	0.34
Per Share – Diluted	0.00	0.24	0.16	0.18	0.36	0.12	0.31	0.32

(1) See the Non-GAAP Measures section.

The trend illustrated in the table above is a result of unanticipated negative regional and global market conditions including a worldwide economic recession, depressed equity and credit markets, low natural gas and crude oil prices and the impact of the Alberta Royalty Review. Generally the Company's busiest quarters are the first and fourth, when significant drilling and exploration activities are normally underway in North America.

Results of Operations by Segment

Financial Summary by Segment



(Thousands)

FOR THE THREE MONTHS ENDED DECEMBER 31, 2009	Software	Services	Data	Consulting	Corporate & Other	Total
Revenue	$ 2,388	$ 2,811	$ 3,636	$ 1,433	$ –	$ 10,268
EBITDA[1]	1,533	317	641	(176)	(2,193)	122
Interest (Net of Interest Revenue)	–	–	–	–	473	473
Depreciation and Amortization	180	424	6,162	72	410	7,248
Impairment of Goodwill and Intangibles	–	1,115	–	–	–	1,115
Operating Income (Loss)[1]	1,353	(1,222)	(5,521)	(248)	(3,076)	(8,714)

(Thousands)

FOR THE THREE MONTHS ENDED DECEMBER 31, 2008	Software	Services	Data	Consulting	Corporate & Other	Total
Revenue	$ 2,274	$ 7,544	$15,611	$ 2,975	$ –	$ 28,404
EBITDA[1]	981	3,657	13,798	293	(2,683)	16,046
Interest (Net of Interest Revenue)	22	–	429	1	1,175	1,627
Depreciation and Amortization	585	1,550	7,718	2,762	131	12,746
Impairment of Goodwill and Intangibles	1,930	6,355	218	5,276	–	13,779
Operating Income (Loss)[1]	(1,556)	(4,248)	5,433	(7,746)	(3,989)	(12,106)

(Thousands)

FOR THE YEAR ENDED DECEMBER 31, 2009						
	Software	Services	Data	Consulting	Corporate & Other	Total
Revenue	$ 7,766	$ 13,618	$ 33,877	$ 6,715	$ –	$ 61,976
EBITDA[1]	4,288	1,987	26,557	(112)	(7,856)	24,864
Interest (Net of Interest Revenue)	17	1	21	(1)	2,903	2,941
Depreciation and Amortization	1,568	2,240	28,917	430	1,537	34,692
Impairment of Goodwill and Intangibles	–	1,115	–	–	–	1,115
Operating Income (Loss)[1]	2,703	(1,369)	(2,381)	(541)	(12,296)	(13,884)

(Thousands)

FOR THE YEAR ENDED DECEMBER 31, 2008						
	Software	Services	Data	Consulting	Corporate & Other	Total
Revenue	$8,356	$21,618	$60,648	$12,345	$ –	$102,967
EBITDA[1]	3,195	5,312	51,607	319	(9,033)	51,400
Interest (Net of Interest Revenue)	22	–	418	(16)	4,988	5,412
Depreciation and Amortization	1,874	3,346	31,716	3,786	487	41,209
Impairment of Goodwill and Intangibles	1,930	6,355	218	5,276	–	13,779
Operating Income (Loss)[1]	(631)	(4,389)	19,255	(8,727)	(14,508)	(9,000)

(1) See the Non-GAAP Measures section.

Software

(Thousands)

	THREE MONTHS ENDED DEC 31			YEAR ENDED DEC 31		
	2009	2008	% Change	2009	2008	% Change
Revenue	$2,388	$ 2,274	5%	$7,766	$8,356	-7%
EBITDA[1]	1,533	981	56%	4,288	3,195	34%
Interest (Net of Interest Revenue)	–	22	-100%	17	22	-23%
Depreciation and Amortization	180	585	-69%	1,568	1,874	-16%
Impairment of Goodwill and Intangibles	–	1,930	-100%	–	1,930	-100%
Operating Income (Loss)[1]	1,353	(1,556)	N/A	2,703	(631)	N/A

(1) See the Non-GAAP Measures section.

Q4 2009 Versus Q4 2008

In the fourth quarter of 2009, Software recorded operating income of $1.4 million, compared with an operating loss of $1.6 million in the fourth quarter of 2008. Goodwill and intangible asset impairment charges of $2 million, $0.1 million related to the change in amortization of intangibles and severance costs were the main drivers for operating loss in Q4 2008. Excluding the impact of the impairment charges and amortization adjustment, the segment had an operating income of $0.5 million for Q4 2008.

The increase in revenue for Q4 2009 was largely due to two significant sales of GeoCarta to two global oil and gas clients. There was also a substantial development project completed for a major oil and gas client in Q4 2008 which stabilized revenues during the economic downtown that impacted all areas of Divestco in 2009.

The 56% increase in EBITDA was mainly attributed to a decrease in salaries and benefits (due to austerity measures) of $337,000 (35%) as compared to Q4 2008. General and administrative (G&A) expenses were down by $96,000 (37%) due to cost-cutting measures, as well as reduced requirements for external consultants. Amortization of deferred development costs increased slightly while amortization of property and equipment and intangibles decreased.

2009 Versus 2008

In 2009, Software recorded operating income of $2.7 million, compared with an operating loss of $0.6 million in 2008. Goodwill and intangible asset impairment charges of $2 million and $0.1 million related to the change in amortization of intangibles resulted in the operating loss in 2008. Excluding the impact of the impairment charges, the segment had an operating income of $1.5 million for 2008.

The decrease of $590,000 (7%) in revenue for the period was due to the industry slowdown. Training centre revenue was higher than expected due to four full weeks of user training sessions. This revenue appears in November and December and is directly linked to one of the large one-time sales of GeoCarta.

Offsetting the decline in revenue, salaries and benefits decreased by $1.2 million (32%) as compared to 2008. The reduction is mainly due to decreased staff numbers and temporary wage reductions that were implemented in April 2009. G&A expenses were down by $479,000 (43%) due to cost-cutting measures. Amortization of deferred development costs increased while amortization of intangibles decreased, leaving the expense slightly lower last year.

Outlook

Given the economic climate of 2009, the lease model for software licensing has proven to provide a solid business model that delivers strong value to Divestco's customers, even through tight economic times. Revenues, despite the economic climate, finished slightly up in Q4 2009 due primarily to two large GeoCarta sales to two global oil and gas clients. The sales included software licensing, consulting, and training revenue components.

These sales represent the culmination of a sustained long-term development program on GeoCarta and a comprehensive division-wide effort to deliver this product to these two large customers in a timely, efficient and well-managed manner. The success in the development of GeoCarta and the effective large-scale delivery, presents Software with future similar large opportunities beneficial to long-term consistent revenue growth.

General development across the entire product line continues. In terms of sales opportunities, it is expected that 2010 will be similar to 2009 with the potential for a modest up turn predicted in Q4 2010.

Services

(Thousands)

	THREE MONTHS ENDED DEC 31			YEAR ENDED DEC 31		
	2009	2008	% Change	2009	2008	% Change
Revenue	$ 2,811	$ 7,544	-63%	$13,618	$21,618	-37%
EBITDA(1)	317	3,657	-91%	1,987	5,312	-63%
Interest (Net of Interest Revenue)	–	–	N/A	1	–	N/A
Depreciation and Amortization	424	1,550	-73%	2,240	3,346	-33%
Impairment of Goodwill and Intangibles	1,115	6,355	-82%	1,115	6,355	-82%
Operating Income (Loss)(1)	(1,222)	(4,248)	N/A	(1,369)	(4,389)	N/A

(1) See the Non-GAAP Measures section.

Q4 2009 Versus Q4 2008

In the fourth quarter of 2009, Services recorded an operating loss of $1.2 million, compared with an operating loss of $4.2 million in the fourth quarter of 2008. An intangible asset impairment charge of $1.1 million was recognized in Q4 2009. Excluding the impact of the impairment charge, the segment had an operating loss of $0.1 million for Q4 2009. Goodwill and intangible asset impairment charges of $6.4 million and $1 million related to the change in amortization of intangibles resulted in the operating loss for Q4 2008. Excluding the impact of the impairment charges and amortization adjustment, the segment had an operating income of $3.1 million for Q4 2008.

Geomatics revenue decreased $753,000 (42%) in Q4 2009 over Q4 2008 due to the economic climate as well as the elimination of the geological modeling revenue line in 2009. Processing revenue decreased by $2.2 million (55%) mainly due to clients drastically reducing their winter seismic expenditures. Archive revenue was down $948,000 due to the sale of the division at the end of Q1 2009.

Offsetting the decline in revenue, salaries and benefits decreased $1.1 million (38%) due to staff and temporary salary reductions and the disposition of the Archive division. Reductions in consulting expenses and the sale of the Archive division decreased G&A expenses by $255,000 (33%). The increase in amortization of deferred development costs were offset by a significant reduction in amortization of intangible assets due to impairment charges that were taken in 2008.

2009 Versus 2008

In 2009, Services recorded an operating loss of $1.4 million, compared with an operating loss of $4.4 million for 2008. An intangible asset impairment charge of $1.1 million was recognized in Q4 2009. Excluding the impact of the impairment charge, the segment had an operating loss of $0.3 million for 2009. Goodwill and intangible asset impairment charges of $6.4 million and $1 million related to the change in amortization of intangibles resulted in the operating loss for 2008. Excluding the impact of the impairment charges and amortization adjustment, the segment had an operating income of $2.9 million for 2008.

Geomatics revenue decreased $2.5 million (36%) in 2009 over 2008 due to the difficult economic climate and the cancellation of the geological modeling product line. Processing revenue decreased by $3 million (27%) mainly due to all clients across the board operating with dramatically reduced exploration budgets in response to the lack of credit and equity markets as well as the low price of natural gas for the balance of the year. Archive revenue was down $2.1 million (87%) from the prior year due to the sale of division at the end of Q1 2009.

Offsetting the decline in revenue, salaries and benefits decreased by $4 million (32%) due to staff reductions, temporary salary roll-backs and the sale of the Archive division. G&A expenses decreased by $620,000 (20%) mainly due to the sale of the Archive division and a reduction in consulting expenses. The increase in amortization of property and equipment and deferred development costs were offset by a reduction in amortization of intangible assets due to impairment charges that were taken in 2008.

Outlook

Seismic processing work levels showed signs of improvement towards the end of Q4 2009, and the general sense is that the overall industry is slowly improving. Local activity is expected to remain steady in Q1 2010, but is expected to slowly increase as gas prices return as well as overall investment in response to recent Alberta oil and gas royalty change. Furthermore, we are seeing renewed interest in seismic processing among local companies being driven by the recent increase in horizontal drilling and multi-stage fracking. The Processing division continues to pursue and secure work from the international market, where activity is driven more by the price of oil, which remains relatively strong compared to natural gas.

Geomatics has been seeing an improvement in Q1 2010 due to more field activity compared to the last three quarters. However, results are not expected to return to pre-2009 levels as the overall economic environment has not yet returned to these levels. Dominion land survey (DLS) and consulting activity continues with a major client and is expected to go into Q3 2010. Other DLS and North American Datum 83 (NAD83) projects continue to suffer as clients are maintaining their focus on expenses and have further pushed these projects into the future.

Data

(Thousands)

	THREE MONTHS ENDED DEC 31			YEAR ENDED DEC 31		
	2009	**2008**	**% Change**	**2009**	**2008**	**% Change**
Revenue	$ 3,636	$15,611	-77%	$33,877	$60,648	-44%
EBITDA(1)	641	13,798	-95%	26,557	51,607	-49%
Interest (Net of Interest Revenue)	–	429	-100%	21	418	-95%
Depreciation and Amortization	6,162	7,718	-20%	28,917	31,716	-9%
Impairment of Goodwill and Intangibles	–	218	-100%	–	218	-100%
Operating Income (Loss)(1)	(5,521)	5,433	N/A	(2,381)	19,255	N/A

(1) See the Non-GAAP Measures section.

SEISMIC DATA LIBRARY

	BALANCE AS AT		
	Dec 31, 2009	**Dec 31, 2008**	**Dec 31, 2007**
2D in Gross KM	103,848	103,848	99,463
2D in Net KM	82,802	82,802	79,283
3D in Gross KM^2	16,319	15,961	14,947
3D in Net KM^2	15,122	14,764	13,750

Q4 2009 versus Q4 2008

In the fourth quarter of 2009, Data recorded an operating loss of $5.5 million, compared with operating income of $5.4 million in the fourth quarter of 2008. Excluding the impact of the intangible impairment charges of $0.2 million and $1.8 million related to the change in amortization of intangibles, the segment had an operating income of $7.4 million for Q4 2008.

Due to the industry-wide slowdown which has forced many of Divestco's clients to cut their capital expenditure programs, business was down across the segment. Aggregate data library revenue decreased by $11.6 million (79%) ($3.1 million in Q4 2009 versus $14.7 million in Q4 2008). There was no seismic participation revenue in Q4 2009 compared to $0.3 million in Q4 2008. Brokerage revenue was down $75,000.

Partially offsetting the decline in revenue, salaries and benefits decreased by $0.1 million (12%) due to staff and wage reductions. G&A expenses increased by $1.4 million (205%) due to the Company recording a general provision for doubtful accounts in Q4 2009 and third party archive costs as the Company sold its archive division and therefore had to outsource this service. Amortization of data libraries increased by $0.7 million (12%) while amortization of property and equipment and intangibles decreased by $2 million due to impairment charges that were taken in 2008 in addition to changes in the amortization rates for intangibles that were made in 2008.

2009 Versus 2008

In 2009, Data recorded an operating loss of $2.4 million, compared with operating income of $19.3 million in 2008. Excluding the impact of the intangible impairment charges of $0.2 million and $1.8 million related to the change in amortization of intangibles, the segment had an operating income of $21.3 million for 2008.

Aggregate data library revenue decreased by $18 million (40%) ($26.7 million in 2009 versus $44.7 million in 2008). $1.3 million of the decrease was due to the sale of the Company's U.S. division in Q3 2008. Participation revenue decreased by $7.4 million (56%) ($5.7 million in 2009 versus $13.1 million in 2008) as there was only one 3D seismic participation survey completed in 2009 compared to six 3D surveys completed in 2008. Brokerage revenue was down $1.4 million (49%) in sales from 2008 primarily due to the significant downturn in the industry forcing many of Divestco's clients to reduce their exploration budgets.

Salaries and benefits decreased by $1.8 million (36%) due to staff reductions and the sale of the U.S. division in Q3 2008. G&A expenses increased by $0.5 million (15%) due to the Company recording a general provision for doubtful accounts in 2009 and third party archive costs partially offset by a reduction in consulting costs (a direct cost of the brokerage division). Amortization of data libraries, property and equipment and intangibles decreased by $2.4 million (2%) due to impairment charges and changes in amortization rates 2008 while there was $0.1 million in amortization of deferred development costs.

Outlook

With respect to the seismic data division, Divestco expects that field acquisition activities will remain at lower than normal levels during 2010. Of all of the Company's divisions, seismic data continues to be most affected by the global recession, the credit crisis, the Alberta Royalty Review, reduced commodity prices and the slowdown in drilling activity. With the recent announcement of the changes to the Alberta royalty regime, strengthening commodity prices and clients' access to credit and capital markets, Divestco is cautiously optimistic that normal activity levels will return to the data division by Q4 2010. Nevertheless, Divestco is currently pursuing a more conservative seismic acquisition strategy while continuing to focus on aggregate data library sales to strengthen the balance sheet.

The Support and Log Data divisions were consolidated into the Software segment effective January 1, 2010. This reorganization will enable Software and Data to work closer together from an operations perspective and maximize the value of both segments. Work continues on the migration of the databases to the Public Petroleum Data Model (PPDM) 3.8 and a master data repository for managing and distributing data to software and data customers. Complementing the database project is the implementation of the GIS infrastructure that will provide the framework for the next generation of internal and client facing products and services, further facilitating customer access to our data. The first of the GIS based projects is currently underway to upgrade the data management system used by the Seismic Brokerage division.

Consulting

(Thousands)

	THREE MONTHS ENDED DEC 31			YEAR ENDED DEC 31		
	2009	**2008**	**% Change**	**2009**	**2008**	**% Change**
Revenue	$1,433	$ 2,975	-52%	$6,715	$12,345	-46%
EBITDA[(1)]	(176)	293	-160%	(112)	319	-135%
Interest (Net of Interest Revenue)	–	1	N/A	(1)	(16)	N/A
Depreciation and Amortization	72	2,762	-97%	430	3,786	-89%
Impairment of Goodwill and Intangibles	–	5,276	-100%	–	5,276	-100%
Operating Income (Loss)[(1)]	(248)	(7,746)	N/A	(541)	(8,727)	N/A

(1) See the Non-GAAP Measures section.

Q4 2009 Versus Q4 2008

In the fourth quarter of 2009, Consulting recorded an operating loss of $248,000, compared with an operating loss of $7.7 million in the fourth quarter of 2008. Goodwill and intangible asset impairment charges of $5.3 million and $2.4 million related to the change in amortization of intangibles resulted in the operating loss for Q4 2008. Excluding the impact of the impairment charges and amortization adjustment, the segment had an operating loss of $47,000 for Q4 2008.

Business consulting revenue was down $376,000 (40%) as the ERP practice customers continued their freeze on capital expenditures in light of the economic uncertainty. Therefore salaries and benefits were commensurately reduced by $451,000 (63%). While consulting revenues decreased, the continuing market acceptance of “pay as you go” pricing options with iLand and IT infrastructure services has attracted new customers with a more predictable revenue stream for the division. The preference of customers to modify and interconnect existing operational software installations versus upgrading has resulted in strong demand for consulting expertise in the iLand division. Land management services revenue was down $1.2 million (57%) due to an overall decrease in land acquisition activity in the oil and gas industry.

Offsetting the decline in revenue, salaries and benefits decreased by $653,000 (44%) due to staff reductions and the discontinuance of some practice areas. G&A expenses decreased by $413,000 (35%) due to the drop in sales as both divisions have expenses that are directly tied to revenue. The decrease in amortization mainly related to the change in amortization rates for intangibles in 2008. Virtually all of the intangibles in the Consulting segment were fully amortized by the end of 2008 leaving significantly less to amortize in 2009.

2009 Versus 2008

In 2009, Consulting recorded an operating loss of $0.5 million, compared with an operating loss of $8.7 million in 2008. Goodwill and intangible asset impairment charges of $5.3 million and $2.4 million related to the change in amortization of intangibles resulted in the operating loss for 2008. Excluding the impact of the impairment charges and amortization adjustment, the segment had an operating loss of $1 million for 2008.

Business consulting revenue was down $2.3 million (48%) as customers continued to delay their capital and infrastructure expenditures in light of the uncertainty in the economy. Salaries and benefits decreased $1.5 million (59%), primarily due to staff reductions and reduced work weeks. Despite this continuing capital expenditure freeze and tight budgets, the technical services and iLand divisions experienced growth by adjusting their pricing model to one that bills monthly on a fee for usage basis. This allows the division’s target market customers to spread the impact of their financial decision over a 12 to 18 month period and provide them protection against a further downturn in their business without increasing cash flow commitments in an uncertain economic climate. Land management services revenue was down $3.3 million (44%) due to a decrease in land acquisition activity in the oil and gas industry.

Offsetting the decline in revenue, salaries and benefits decreased $3.1 million (47%) due to staff reductions, unpaid time off and some practice areas being closed. G&A expenses decreased by $2 million (38%) due to the drop in sales as there are expenses directly tied to revenue. The decrease in amortization mainly related to the change in amortization rates for intangibles in 2008. Virtually all of intangibles in the Consulting segment were fully amortized by the end of 2008.

Outlook

As previously announced, Divestco is pursing a more focused strategy and as such the Business Consulting division was divested in March 2010.

Sales volumes for fiscal 2010 are expected to rise in Divestco's Land Management Services division largely due to the rise and growing stability of oil and gas prices. In addition to increasing efficiencies and reducing costs, the land team is focused on sales and marketing for 2010. A major client survey conducted in Q4 2009 revealed additional market and sales opportunities which will be capitalized on during the year. In addition, a new account representative has been hired to pursue new sales opportunities and increase market share. Emerging from the recession is also bolstered by a significant contract with a major utility supplier for Field Agent work across Alberta.

Divestco's Land Management Services division 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.

Corporate and Other

(Thousands)

	THREE MONTHS ENDED DEC 31			YEAR ENDED DEC 31		
	2009	2008	% Change	2009	2008	% Change
Revenue	$ –	$ –	N/A	$ –	$ –	N/A
EBITDA[(1)]	(2,193)	(2,683)	-18%	(7,856)	(9,033)	-13%
Interest (Net of Interest Revenue)	473	1,175	-60%	2,903	4,988	-42%
Depreciation and Amortization	410	131	213%	1,537	487	216%
Impairment of Goodwill and Intangibles	–	–	N/A	–	–	N/A
Operating Income (Loss)[(1)]	(3,076)	(3,989)	N/A	(12,296)	(14,508)	N/A

(1) See the Non-GAAP Measures section.

Q4 2009 Versus Q4 2008

In the fourth quarter of 2009, the Corporate segment recorded an operating loss of $3.1 million, compared with an operating loss of $4 million in the fourth quarter of 2008.

Salaries and benefits decreased $936,000 (50%) as a result of permanent staff cuts, the Company's temporary wage reduction programs and hiring freeze which commenced on April 1, 2009. G&A expenses increased by $0.4 million (38%) due to the Company recording a general provision for doubtful accounts in Q4 2009 and an increase in professional fees partially offset by decreases in insurance, travel and entertainment, recruiting fees and stock based compensation. Interest expense was down by $282,000 (91%) due to a reduction of overall debt levels and lower effective interest rates. Amortization increased by $279,000 (212%) due to the change in amortization rates of property and equipment and capital additions related to the Company's new accounting system.

2009 Versus 2008

In 2009, the Corporate segment recorded an operating loss of $12.3 million, compared with an operating loss of $14.5 million in 2008.

Salaries and benefits decreased by $2.3 million (36%) as a result of the Company's permanent staff cuts and temporary wage reduction programs. G&A expenses increased by $0.7 million (15%) due to the Company recording a general provision for doubtful accounts in 2009 and an increase in professional fees partially offset by decreases in travel and entertainment, advertising and promotion, recruitment and training, and stock compensation expenses. Interest expense was down by $1.4 million (36%) due to the pay down of debt and lower interest rates. Amortization increased by $1 million (215%) due to the change in amortization rates of property and equipment.

Outlook

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

Depreciation and Amortization

(Thousands)

	THREE MONTHS ENDED DEC 31			YEAR ENDED DEC 31		
	2009	**2008**	**% Change**	**2009**	**2008**	**% Change**
Depreciation and Amortization	$7,248	$12,746	-43%	$34,692	$41,209	-16%

In the fourth quarter of 2009, depreciation and amortization was $7.2 million, compared with $12.7 million in the fourth quarter of 2008. The $5.5 million (43%) decrease was mainly due to the change in amortization rates of customer related intangibles made in 2008 and intangible asset impairment charges taken in 2008. This significantly reduced the amount of intangibles remaining on the balance sheet at the end of 2008, leaving a smaller balance to amortize in 2009. Partially offsetting this was an increase in amortization of deferred development costs, data libraries and property and equipment.

In 2009, depreciation and amortization was $34.7 million, compared with $41.2 million in 2008. The $6.5 million (16%) decrease was due to the reduction in the amount of seismic participation surveys(1) completed in 2009 compared to 2008 (a single participation survey was completed in 2009 for $8.5 million compared to six surveys in 2008 for $21.1 million). Amortization of intangibles was also lower due to the change in amortization rates for customer related intangibles and write-downs taken in 2008. These were partially offset by an increase in amortization of deferred development costs (as a number of projects were completed in 2008 and 2009), and property and equipment (change of declining balance to straight line method).

(1) Participation surveys are amortized at a rate of 40% on the date of delivery and 10% each year thereafter, commencing a year after the date of delivery.

Income Taxes

(Thousands)

	THREE MONTHS ENDED DEC 31			YEAR ENDED DEC 31		
	2009	**2008**	**% Change**	**2009**	**2008**	**% Change**
Current (Recovery)	(217)	(158)	N/A	(4,685)	1,094	N/A
Future (Reduction)	(1,225)	(1,774)	N/A	1,369	(2,433)	N/A
Income Taxes (Reduction)	$(1,442)	$(1,932)	N/A	$(3,316)	$(1,339)	N/A

In the fourth quarter of 2009, the Company recorded a current tax recovery of $0.2 million due to a non-capital loss carry-back in Alberta and a future tax reduction of $1.2 million mainly due to tax rate changes.

In 2009, the Company recorded a current income tax recovery of $4.7 million due to a federal and provincial non-capital loss carry-backs and future tax expense of $1.4 million as a result of the sale of the Archive and Technical Records divisions. In 2009, the Company received a $4.5 million refund from the loss carry-back.

As at December 31, 2009, Divestco and its Canadian subsidiaries had $3.1 million in undepreciated capital cost pools, $17.6 million in Federal and $2.9 million in Alberta non-capital loss carry-forwards (partially assumed through various acquisitions in 2007) which begin to expire in 2027. In addition the Company had $572,000 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 the fourth quarter of 2009, Divestco did not acquire any seismic data.

In 2009, Divestco completed a 3D seismic participation survey for $8.5 million covering an approximate area of 170 km^2 and acquired four existing 3D surveys covering an area of 188 km^2 for $3.9 million. In addition the Company recorded favourable adjustments to its reclamation cost accruals for certain surveys.

Liquidity and Capital Resources

SUMMARY OF FINANCIAL POSITION

(Thousands, except as otherwise indicated)

	BALANCE AS AT		
	Dec 31, 2009	**Dec 31, 2008**	**Dec 31, 2007**
Current Assets	$ 21,151	$ 32,120	$ 32,021
Current Liabilities[(1)]	27,401	41,857	60,099
Working Capital (Deficiency)	(6,250)	(9,737)	(28,078)
Funded Debt[(2)]	30,504	48,085	51,822
Shareholders' Equity	106,350	111,973	118,723
Funded Debt to Equity[(3)] – %	29%	43%	44%

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

Working Capital

Divestco's working capital deficit at the end of December 2009, excluding deferred revenue of $5.5 million was $6.3 million, compared to a deficit of $9.7 million at the end of 2008, excluding deferred revenue of $11.2 million. The $3.5 million decrease in working capital deficit (net of deferred revenue) was due to repayment of promissory notes (former convertible debentures assumed through the acquisition of BlueGrouse) through the issuance of new convertible debentures which are classified as long-term liabilities. This was offset by Divestco and its lenders agreeing to an accelerated payment schedule for the Company's credit obligations and a requirement to commit the proceeds from the divestiture of Divestco's Archive and Technical Records divisions to term debt as opposed to revolving debt. Total debt was reduced by $8.4 million (current and long-term portions) in Q4 2009. This included the $3.7 million proceeds received from the issuance of the new convertible debentures used to repay the former debenture holders, $2.4 million in term loan repayments (including a $1 million balloon payment through proceeds received from a corporate income tax refund) and $2.4 million pay down (net of draws) on the committed revolver ($2.5 million step-down was scheduled for January 1, 2010 which was paid in December 2009).

To mitigate further economic pressure on Divestco, 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 salaries. In addition to funds from operations, the Company will continue to explore the possibility of disposing of certain assets (which could result in an accounting gain or loss). Over time Divestco expects that current austerity measures in addition to existing and future opportunities will generate the cash flows required to rectify its working capital shortfall. Divestco receives a significant portion of its revenue from the licensing of seismic data and this also makes up a portion of current opportunities. Correlated to the rectification of the Company's working capital shortfall is the demand and price of licensing revenue, which depends on the activity levels for oil and gas producers determined in part by commodity prices, supply and demand for oil and natural gas, and access to credit and capital markets.

A significant factor contributing to the working capital deficit at the end of December 2009 is the Company's current debt repayment schedule. As depicted in the summary below, the Company is scheduled to reduce its funded debt by $6.2 million in fiscal 2010 (net of advances). Components of Divestco's working capital deficit related to funded debt include:

- $5.7 million of scheduled committed term loan payments (effective May 1, 2009, the term loan amortization schedules were reduced from six to five years, mirroring the maturity date of the entire credit facilities and resulting in a $1.4 million increase to the current portion of long-term debt).
- $0.5 million in unsecured promissory notes and the current portion of capital leases.

Divestco's debt summary for fiscal 2009 and 2010:

(Thousands)

	BALANCE AS AT JANUARY 1, 2009	PAYMENTS (NET OF ADVANCES)	BALANCE AS AT DECEMBER 31, 2009	EXPECTED PAYMENTS	FORECASTED BALANCE AS AT DECEMBER 31, 2010
Term Loans	$18,472	$ (7,686)	$10,786	$(5,695)	$ 5,091
Committed Revolver	22,730	(6,971)	15,759	–	15,759
Promissory Notes	6,091	(6,024)	67	(67)	–
Capital Leases	1,491	(773)	718	(455)	263
	$48,784	$(21,454)	$27,330	$(6,217)	$21,113

Selected Cash Flow Items

(Thousands)

	THREE MONTHS ENDED DECEMBER 31		YEAR ENDED DECEMBER 31	
	2009	2008	2009	2008
Operating Activities				
Funds from operations[1]	$ (47)	$14,905	$ 24,085	$ 47,369
Non-Cash Working Capital Change (Current and Long-Term Portions)	4,585	(512)	(263)	(4,583)
Cash Flows From Operating Activities	4,538	14,393	23,822	42,786
Financing Activities				
Long-Term Debt Obligations	(8,423)	(8,613)	(21,543)	(4,710)
Proceeds from Debenture Issue	3,750	–	3,750	–
Issue of Common Shares, Net of Repurchases	–	–	–	290
Other – Net	(98)	–	(173)	–
Cash Flows From (Used in) Financing Activities	(4,771)	(8,613)	(17,966)	(4,420)
Investing Activities				
Acquisition of Data Libraries	(56)	(2,715)	(7,246)	(26,571)
Surveys in Progress	(1,978)	(3,712)	2,522	(3,661)
Additions to Property, Plant and Equipment	(81)	(36)	(1,500)	(398)
Other – Net	1,763	(98)	(675)	(8,391)
Cash Flows From (Used in) Investing Activities	(352)	(6,561)	(6,899)	(39,021)
Foreign Exchange Gain (Loss) on Cash Held in a Foreign Currency	2	(2)	–	–
Change in Cash	$ (583)	$ (783)	$ (1,043)	$ (655)

(1) See the Non-GAAP Measures section.

Operating Activities

In the Q4 2009, funds from operations were a negative $47,000 (0 cents/share (diluted)), compared with $14.9 million (36 cents/share (diluted)) in Q4 2008. The $2.2 million (18%) decrease in operating expenses from the cost reduction strategies put in place by the Company were offset by the $18.1 million (64%) decrease in revenue primarily due to the drop in 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. This also led to sharp decreases in processing, geomatics and land management services revenues. Despite the downtown, software revenue was slightly higher than the previous year as previously discussed.

In 2009, funds from operations were $24.1 million (57 cents/share (diluted)), compared with $47.4 million ($1.13/share (diluted)) in 2008. The Company's efforts to reduce operating costs resulted in a $14.5 million (28%) reduction in expenses. However due to the world economic collapse in 2009, revenues were down $41 million (40%) primarily due to the drop in participation and aggregate data library revenue as fewer participation surveys were completed and demand for existing data was down as clients reduced their exploration budgets. This decline had a negative impact on almost all of the other divisions of the Company and in particular services. In addition $3.3 million related to the non-cash component of a data exchange was eliminated from funds from operations as cash flow from investing activities and operating activities reflect only the net cash portion.

Financing Activities

At the end of 2009, the Company's term and committed revolving credit facilities totalled $26.5 million. $8.5 million and $2.2 million were outstanding on term loans A and B, respectively, while $15.8 million was outstanding on the committed revolver.

Due to aggressive debt repayment in 2009, in March 2010, the Company negotiated an amendment to its debt covenants and agreed to postpone $3.5MM in scheduled step-downs until April 1, 2011. Effective January 1, 2010, the Company's interest rate was set at LIBOR and Canadian base-rate options plus 5.00% increasing to 6.00% as at October 1, 2010.

The Company's minimum cash EBITDA* covenant was amended to approximately:

- $4.7 million as at March 31, 2010 (measured on a trailing 3-month basis)
- $8.1 million as at June 30, 2010 (measured on a trailing 6-month basis)
- $10.3 million as at September 30, 2010 (measured on a trailing 9-month basis)
- $17.1 million as at December 31, 2010 (measured on a trailing 12-month basis) – waiver of the covenant provided as at December 31, 2009
- $17.1 million thereafter (measured on a trailing 12-month basis)

* Cash EBITDA is EBITDA less seismic participation revenue.

The Company's fixed charge coverage covenant was amended whereby the ratio must be least:

- 1.25:1 as at March 31, 2010 (measured on a trailing 3-month basis)
- 1.25:1 as at June 30, 2010 (measured on a trailing 6-month basis)
- 1.10:1 as at September 30, 2010 (measured on a trailing 9-month basis)
- 1.25:1 as at December 31, 2010 (measured on a trailing 12-month basis)
- 1.25:1 thereafter (measured on a trailing 12-month basis)

The remaining terms remained substantially unchanged.

As at December 31, 2009, the Company was in violation of its minimum $25 million trailing 12 month cash EBITDA covenant. The lender has acknowledged the breach and has provided the Company with a waiver of the covenant as at December 31, 2009. The Company does not expect to violate its covenants over the next 12 months ending December 31, 2010.

Divestco is in continuous negotiations with its lender to ensure that the Company's credit facilities combined with its funds from operations will be sufficient in the short-term and long-term to meet planned growth and to fund future capital expenditures. Furthermore, Divestco has implemented significant cost-cutting measures and evaluates all material capital expenditures before commencement to ensure they meet appropriate funding levels. The Company may also continue to dispose of non-core assets (which could result in accounting gain or loss).

Investing Activities

During Q4 2009, the Company acquired $81,000 of property, plant and equipment (excluding $5,000 in computer equipment acquired under capital lease). The Company did not acquire any seismic data in Q4 2009.

During 2009, the Company completed an $8.5 million seismic participation program, acquired $3.9 million in seismic data, and $1.5 million in property, plant and equipment (including $1.2 million in costs related to the implementation of the Company's new accounting system which were reclassified from prepaid expenses and excluding $89,000 in computer equipment acquired under capital lease).

Commitments

Divestco has entered into various commitments primarily related to its debt facilities (term loans and committed revolver, promissory notes and capital leases) as well as building and equipment leases. The following table is a summary of the Company's contractual obligations as at December 31, 2009:

(Thousands)

	2010	2011	2012	2013	2014 +	TOTAL
Long-Term Debt Obligations	$ 5,695	$ 5,091	$15,759	$ –	$ –	$ 26,545
Promissory Notes	67	–	–	–	–	67
Capital Leases	455	220	40	3	–	718
Operating Leases(1)	7,352	7,768	6,588	6,181	82,745	110,634
Total Contractual Obligations	$13,569	$13,079	$22,387	$6,184	$82,745	$137,964

(1) Includes amounts paid for occupancy costs (net of subleases) and office equipment leases. On May 31, 2007, Divestco entered into a new 15-year office space lease that is scheduled to commence in May 2010.

Outstanding Share Data

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

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

(Thousands)

	BALANCE AS AT		
	Mar 22, 2010	**Dec 31, 2009**	**Dec 31, 2008**
Common Shares			
Outstanding	41,958	41,958	41,958
Weighted Average Outstanding			
Basic		41,958	41,767
Diluted(1)		41,958	41,767
Stock Options			
Outstanding	2,612	2,137	2,487
Exercise Price Range	$0.60 to $6.10	$0.60 to $6.10	$1.00 to $6.10

(1) In calculating diluted weighted average outstanding shares, conversion or exercise of equity instruments is assumed only if the effect is dilutive. For the year December 31, 2009, options to purchase 2,137,000 common shares have been excluded from the calculation of diluted weighted average outstanding shares as they were out of the money for the entire period.

Normal Course Issuer Bid

On January 24, 2008, the TSX accepted the Company's Notice of Intention to make a Normal Course Issuer Bid (NCIB) to purchase up to 2,093,000 (a maximum of 5%) of its issued and outstanding common shares (41,857,000 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 no shares purchased during 2009 under the NCIB and the NCIB was not renewed.

Stock Options

As at December 31, 2009, there were 4,196,000 common shares reserved for grants of stock options.

During the year ended December 31, 2009:

- 975,000 options were granted with an exercise price of $0.60 to officers and directors
- 1,325,000 options were forfeited with exercise prices ranging from $1.00 to $6.10, including 808,000 options held by officers and directors and 30,000 held by a former officer

From January 1, 2010 to March 22, 2010:

- 555,000 options were granted with an exercise price of $0.68
- 80,000 options were forfeited with exercise prices ranging from $0.68 to $4.70

Related Party Transactions

Divestco had the following related party transactions for the year ended December 31, 2009:

- $268,000 (2008 – $199,000) was earned in consulting fees and brokerage commissions by a company controlled by a Director for providing seismic data consulting and seismic brokerage services.
- $423,000 (2008 – $233,000) was earned in legal fees by the law firm that provides the Company general legal counsel and employs the Company's Corporate Secretary.

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 October 2009 were estimated using the Black-Scholes option pricing model, with the following assumptions: an average expected volatility of 91%, an average risk-free interest rate of 2.3%, 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

Goodwill and Intangible Assets

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

Financial Instruments

The Company adopted the new Canadian accounting standard for financial instruments – disclosures for its fiscal year ending December 31, 2009. The new standard includes additional disclosures regarding fair value for financial instruments and liquidity risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. The adoption of this standard had no impact on the Company's consolidated financial statements.

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 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

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 for years beginning on or after January 1, 2011 for profit-oriented publicly-accountable enterprises in Canada. An omnibus exposure draft was issued by the AcSB in the second quarter of 2008, which incorporates IFRS into the Canadian Institute of Chartered Accountants Handbook and prescribes the transitional provisions for adopting IFRS.

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 has completed the first phase, 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 have commenced and will continue throughout the subsequent phases. Regular reporting is provided to the Company's senior executive management and to the Audit Committee.

The Company began the detailed assessment and design phase of the project during the second quarter of 2009 which should be completed by the end of November. The detailed assessment and design phase involves establishing work teams to complete a comprehensive analysis of the impact of the IFRS differences identified in the initial scoping assessment. In addition, an initial evaluation of IFRS 1, First-time Adoption of IFRS, transition exemptions and an analysis of financial systems will be performed by the end of November.

The areas of accounting differences with the highest potential impact are the accounting for intangible assets, impairment testing, revenue recognition, property, plant and equipment, business combinations, taxes and the initial adoption of IFRS under the provisions of IFRS 1, First-time Adoption of IFRS.

During the implementation phase, the Company will execute the required changes to business processes, financial systems, accounting policies, disclosure controls and internal controls over financial reporting. At this time, the impact on financial statements is not reasonably determinable.

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, 2009, 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 year ended December 31, 2009, 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, 2009. 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, 2009.

There were no changes in Divestco's internal control over financial reporting that occurred during the year ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, Divestco's internal control over financial reporting.