Divestco Inc.
Consolidated Financial Statements
For the year ended December 31, 2011

Contents

To the Shareholders of Divestco Inc.

Management, in accordance with International Financial Reporting Standards, has prepared the accompanying consolidated financial statements of Divestco Inc. (the "Company"). Financial and operating information presented throughout management's discussion and analysis is consistent with that shown in the consolidated financial statements.

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

KPMG LLP were appointed by the Company's Board of Directors to conduct an audit of the consolidated financial statements of the Company so as to express an opinion on the financial statements. KPMG LLP have audited the consolidated financial statements to provide reasonable assurance that the consolidated financial statements are presented fairly in accordance with International Financial Reporting Standards.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board of Directors 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.

"Stephen Popadynetz"

Stephen Popadynetz
Chief Executive Officer, Chief Financial Officer and President

Calgary, Canada
April 11, 2012

To the Shareholders of Divestco Inc.

We have audited the accompanying consolidated financial statements of Divestco Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its cash flows for they years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which describes that the Company has a working capital covenant which the Company projects will be breached in 2012 and could result in additional payments of approximately $5.6 million in 2012 if the outstanding operating and subordinated loan balances are called by the lenders. In addition, the Company has $5.7 million in operating lease, finance lease and subordinated loan commitments in 2012. These conditions, along with other matters as described in Note 2 indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern.

"KPMG LLP"

Chartered Accountants
Calgary, Canada
April 11, 2012

Divestco Inc.
Consolidated Statements of Financial Position

(Thousands)	Note	December 31 2011	December 31 2010	January 1 2010 (Note 30)
Assets				
Current Assets				
Cash		**$ 1,547**	$ 3,696	$ 768
Funds held in trust		**40**	15	17
Accounts receivable		**11,810**	11,759	19,267
Prepaid expenses, supplies and deposits		**235**	237	708
Income taxes receivable	20	**110**	287	391
Asset held for sale	8	**2,500**	-	-
Total current assets		**16,242**	15,994	21,151
Long-term prepaid expense	9	**-**	-	846
Investment in affiliated company	10	**141**	100	88
Participation surveys in progress		**5,108**	1,253	2,186
Property and equipment	11	**4,147**	3,026	2,747
Intangible assets	6,12	**18,123**	14,611	148,905
Total assets		**$ 43,761**	$ 34,984	$ 175,923
Liabilities and Shareholders' Equity				
Current Liabilities				
Bank indebtedness	17	**$ 3,700**	$ 2,050	$ -
Accounts payable and accrued liabilities		**10,669**	8,248	21,184
Deferred revenue		**4,561**	2,709	3,880
Current loss on sublease loss provision	24	**320**	1,729	-
Current portion of long-term debt obligations	18	**1,143**	368	26,639
Current portion of tenant inducement	24	**113**	-	
Total current liabilities		**20,506**	15,104	51,703
Deferred rent obligations	24	**1,124**	-	-
Long-term debt obligations	18	**4,591**	188	263
Sublease loss provision	24	**1,332**	1,622	-
Tenant Inducements	24	**1,397**	-	-
Other long-term liabilities	18	**100**	-	-
Convertible debentures	19	**-**	-	3,602
Deferred income taxes	20	**-**	-	12,808
Total liabilities		**29,050**	16,914	68,376
Shareholders' Equity				
Equity instruments	21	**76,431**	75,253	70,518
Contributed surplus		**5,663**	5,590	5,562
Equity portion of convertible debentures	19	**-**	-	56
Retained earnings (deficit)		**(67,383)**	(62,773)	31,411
Total shareholders' equity		**14,711**	18,070	107,547
Future operations	2			
Operating leases and contingencies	24,28			
Total liabilities and shareholders' equity		**$ 43,761**	$ 34,984	$ 175,923

Approved by the Board:

"Edward Molnar" *"Stephen Popadynetz"*

Edward Molnar, Director Stephen Popadynetz, Director

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

Divestco Inc.
Consolidated Statements of Loss and Comprehensive Loss

		For the year ended December 31	
(Thousands, Except Per Share Amounts)	**Note**	**2011**	**2010**
Revenue	13	**$ 40,464**	$ 40,190
Operating expenses			
Salaries and benefits		**18,748**	21,344
General and administrative	14	**15,664**	22,366
Sublease loss	24	**-**	3,329
Share-based payments	22	**73**	527
Total operating expenses		**34,485**	47,566
Finance costs	15	**759**	3,049
Depreciation and amortization		**9,904**	26,642
Other loss (income)	16	**(160)**	41,416
Loss before income taxes		**(4,524)**	(78,483)
Income taxes			
Current (recovery)	20	**86**	(113)
Deferred (benefit)	20	**-**	(12,808)
		86	(12,921)
Net loss and comprehensive loss for the year		**$ (4,610)**	$ (65,562)
Net loss per share			
Basic and Diluted	21	**$ (0.08)**	$ (1.54)

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

Divestco Inc.
Consolidated Statements of Changes in Equity

(Thousands - Unaudited)	Note	Number of Shares Issued	Share Capital	Number of Warrants Issued	Warrants	Equity Instruments	Contributed Surplus	Equity portion of convertible debentures	Retained Earnings (Deficit)	Total Equity
Balance at January 1, 2010		41,958	$ 70,518	-	$ -	$ 70,518	$ 5,562	$ 56	$ 31,411	$ 107,547
Net loss and comprehensive loss for the year									(65,562)	(65,562)
Distribution of Pulse shares to Divestco shareholders	6								(19,999)	(19,999)
Dividends paid									(8,623)	(8,623)
Transactions with owners, recorded in equity contributions by and distributions to owners:	21,22									
Issue of Class A common shares		16,980	2,401	15,825	1,808	4,209				4,209
Reclassification on exercise of stock options			555			555	(555)			-
Reclassification on repayment of convertible debentures							56	(56)		-
Share-based payment transactions							527			527
Share issue costs			(29)			(29)				(29)
Balance at December 31, 2010		58,938	$ 73,445	15,825	$ 1,808	$ 75,253	$ 5,590	$ -	$ (62,773)	$ 18,070
Net loss and comprehensive loss for the year									**(4,610)**	**(4,610)**
Transactions with owners, recorded in equity contributions by and distributions to owners:	21,22									
Issue of Class A common shares		**7,672**	**1,133**	**455**	**52**	**1,185**				**1,185**
Share-based payment transactions							**73**			**73**
Share issue costs			**(7)**			**(7)**				**(7)**
Balance at December 31, 2011		**66,610**	**$ 74,571**	**16,280**	**$ 1,860**	**$ 76,431**	**$ 5,663**	**$ -**	**$ (67,383)**	**$ 14,711**

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

Divestco Inc.
Consolidated Statements of Cash Flows

		For the year ended December 31	
(Thousands - Unaudited))	**Note**	**2011**	**2010**
Cash flows from operating activities			
Net loss for the period		**$ (4,610)**	$ (65,562)
Items not affecting cash:			
Equity investment income		**(12)**	(12)
Depreciation and amortization		**9,904**	26,642
Sublease loss		**(839)**	3,329
Amortization of tenant inducements		**(109)**	-
Deferred rent obligations		**557**	-
Income taxes		**86**	(12,921)
Data exchanges		**-**	(1,775)
Loss on sale of intangibles		**-**	41,496
Gain on sale of property and equipment		**(146)**	(90)
Unrealized foreign exchange loss		**(3)**	1
Non-cash employment benefits		**85**	-
Share-based payments		**73**	527
Finance costs		**759**	3,049
Funds from (used in) operations	31	**5,745**	(5,316)
Changes in non-cash working capital balances	23	**(411)**	11,112
Changes in long-term prepaid expense		**-**	238
Interest paid		**(593)**	(2,403)
Income taxes refunded (paid)		**352**	12
Net cash flows from operating activities		**5,093**	3,643
Cash flows from (used in) financing activities			
Bank indebtedness		**1,650**	2,050
Issue of common shares (net of related costs)		**1,093**	4,180
Dividends paid		**-**	(8,623)
Repayment of long-term debt obligations		**(406)**	(28,883)
Repayment of debentures		**-**	(3,750)
Deferred financing costs		**(153)**	(50)
Proceeds received from long-term debt obligations (net of committed revolver repayments)		**5,500**	1,737
Net cash flows from (used in) financing activities		**7,684**	(33,339)
Cash flows from (used in) investing activities			
Additions to intangible assets		**(9,012)**	(2,196)
Decrease (increase) in participation surveys in progress		**(3,855)**	933
Purchase of property and equipment		**(5,907)**	(1,760)
Additions to tenant inducements		**3,596**	-
Lease incentive		**1,000**	-
Payments towards sublease loss provision		**(922)**	-
Investment in affiliates		**(29)**	-
Proceeds on sale of data libraries		**-**	54,434
Proceeds on sale of property and equipment		**-**	93
Deferred development costs		**(2,475)**	(2,695)
Changes in non-cash working capital balances	23	**2,678**	(16,185)
Net cash flows from (used in) investing activities		**(14,926)**	32,624
Increase (decrease) in cash		**(2,149)**	2,928
Cash, beginning of year		**3,696**	768
Cash, end of year		**$ 1,547**	$ 3,696

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

1. Reporting Entity

Divestco Inc. (the “Company”) is a company domiciled in Canada. The address of the Company’s registered office is 400, 604 – 1st Street S.W., Calgary, Alberta, Canada. The Company is publicly traded on the TSX Venture Exchange (TSX-V) under the symbol DVT. The consolidated financial statements of the Company as at and for the year ended December 31, 2011 comprise the Company and its subsidiaries (together referred to as the “Company”) and the Company’s interest in entities where the Company holds a significant influence. The Company primarily offers its customers the ability to access and analyze information and make business decisions to optimize their success in the upstream oil and gas industry through three operating segments which include Software & Data, Services and Seismic Data. The Corporate and Other segment provides support services to the operating segments.

2. Future Operations

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

The Company is required to meet certain debt covenants in 2012 as described in Notes 17 and 18. At December 31, 2011, the Company was not in violation of its debt covenants. However, based on projections and assumptions, the Company anticipates violating the working capital covenant in its revolving operating loan and subordinated bridge loan during 2012. If the covenant is breached and the lenders demand payment on the outstanding balances, the Company’s 2012 contractual obligations under the loan facilities will increase by approximately $5.6 million. In addition, the Company has $5.7 million in operating lease, finance lease and subordinated loan commitments in 2012. In aggregate, this exceeds the Company’s projected 2012 cash flow from operating activities net of seismic participation revenue. The Company is in discussions with the lenders to obtain a waiver as at and for the three months ended March 31, 2012 and to amend the covenant going forward.

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

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

3. Basis of Presentation

(a) Statement of Compliance

The consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). These are the Company's first annual consolidated financial statements prepared in accordance with IFRS and IFRS 1, "First-time Adoption of International Financial Reporting Standards", has been applied. The Company's significant accounting policies under IFRS are presented in Note 4. These policies have been retrospectively and consistently applied except where specific exemptions permitted an alternative treatment upon transition to IFRS in accordance with IFRS 1. An explanation of how the transition to IFRS has affected the reported financial position of the Company is provided in Note 30.

These consolidated financial statements were authorized for issuance by the Company's Audit Committee and Board of Directors on April 11, 2012.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented has been rounded to the nearest thousand except for share and per share amounts.

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 4(h) – determination of allowance for doubtful accounts
- Note 4(h) – determination of cash generating units for purposes of impairment testing
- Note 4(k) – determination of the stage of completion with respect to providing products and services over time where revenue is recognized in proportion to the stage of completion
- Note 4(k) – determination of when significant risks and rewards of ownership have been transferred to the customer for the purpose of recognizing revenue
- Note 4(k) – determination of whether the Company acts as an agent rather than the principal in seismic brokerage transactions

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

- Note 4(d) – determination of the useful life and recoverable amount of property and equipment
- Note 4(f) – determination of the useful life and recoverable amount of intangible assets
- Note 4(h) – key assumptions used in discounted cash flow projections with respect to impairment testing
- Note 4(q) – scientific research and development claims are subject to audit by the science advisors from the Canada Revenue Agency. As a result, the amounts recorded as investment tax credits recoverable are subject to specific measurement uncertainty. When the estimate is known to be materially different from the actual recovery, an adjustment is made in the period in which the determination is made.
- Note 24 – determination of the sublease loss provision
- Note 26 – determination of allowances in respect of trade receivables for which collection is in doubt

4. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated statements for the purposes of the transition to IFRS, unless otherwise indicated. The accounting policies have been applied consistently by the Company.

(a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control is presumed when the Company acquires the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Typically this occurs when more than 50 percent of the voting rights of the entity are acquired.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

Investments in associates and jointly controlled entities (equity accounted investees)

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The consolidated financial statements include the Company's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-company balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

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

- monetary assets and liabilities – at the rate of exchange prevailing at the end of the current reporting period
- non-monetary items – at the rate of exchange prevailing at the date of the transaction

Gains and losses on translation of current monetary assets and liabilities are recorded in profit or loss. Foreign currency gains are netted with losses.

(c) Financial instruments

Non-derivative financial assets

The Company initially recognizes trade and other receivables on the date that they originate. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company's financial assets are classified as loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise accounts receivables and cash. Cash is comprised of cash on deposit.

Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company's non-derivative financial liabilities include long-term debt obligations, bank indebtedness and accounts payables and accrued liabilities.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process. The effective interest rate method amortization is included in finance costs in the consolidated statement of loss and comprehensive loss.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(d) Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset or any other costs directly attributable to bringing the assets to a working condition for their intended use.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Any gain and loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

Subsequent costs

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replacement part is derecognized. The costs of the day-to-day servicing of property and equipment (repair and maintenance) are recognized in profit or loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss either on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

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

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. The Company recognizes changes in estimates in the period of the change.

(e) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with the Company's accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, and deferred tax assets, which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Once classified as held for sale, intangible assets and property equipment are no longer amortized or depreciated.

(f) Intangible Assets

Intangible assets are recognized only when it is probable that the expected future economic benefits attributable to the assets will accrue to the Company and the cost can be reliably measured. Intangible assets are recorded at cost less accumulated amortization. Intangible assets acquired in a business combination are recorded at fair value, less accumulated amortization and impairment losses, when applicable.

Proprietary software and code

This refers to geological, geophysical and land applications used in the oil and gas industry. Expenditures relating to developing and upgrading these assets are capitalized when it is probable that the expected future economic benefits attributable to the assets will accrue to the Company and the cost can be reliably measured.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in income or loss as incurred.

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

Data Libraries

The cost associated with purchasing existing seismic data library is capitalized. The Company also creates seismic data and capitalizes the costs paid to third parties for the acquisition of data, permitting, surveying and other related expenditures. Created seismic may be acquired without pre-sale commitments or with pre-sale commitments that may include an exclusive data use period. Certain of the created seismic may also be acquired jointly with others and therefore these financial statements reflect only the Company's proportionate share of the costs of the jointly created seismic data library. The direct cost associated with expanding the remaining data libraries (datasets, logs, support, drilling, reference and map libraries) is also capitalized.

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortization

Amortization is provided for as follows:

	Amortization Method	**Rate**
Proprietary software and code	Straight-line	10 years
Deferred development costs	Straight-line	3 years (maximum)
Seismic data library (with pre-sale commitments)	Percentage on delivery and straight-line thereafter	40% on delivery date and balance straight-line over 6 years after year 1
Seismic data library (no pre-sale commitments)	Straight-line	7 to 10 years
Datasets	Straight-line	10 years
Log, support and drilling data library	Straight-line	20 years
Reference library	Straight-line	5 years
Map library	Straight-line	15 years

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortization is recognized in profit or loss on a straight-line basis (except for seismic data with pre-sale commitments) over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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 approximately 40% (2010 – approximately 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. Purchases of existing seismic data are amortized on a straight-line basis over 10 years.

Amortization of development costs deferred to future periods commences with the commercial production of the product and is charged to profit or loss based on anticipated sales or use of the product over a period not exceeding three years.

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. The Company recognizes changes in estimates in the period of the change.

(g) Leased assets

Leases in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are shown as a part of Property and Equipment in the financial statements.

Other leases are operating leases and the leased assets are not recognized in the Company's consolidated statement of financial position.

(h) Impairment

Financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date whether there is any objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that the loss event has a negative impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise or indications that a debtor or issuer will enter bankruptcy.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The Company reviews its receivables regularly and amounts are written down to their expected realizable value when outstanding amounts are determined not to be fully collectable. This generally occurs when the customer has indicated an inability to pay, the Company is unable to communicate with the customer over an extended period of time, and other methods to obtain payment have been considered and have not been successful. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized as a bad debt expense in the statements of loss and comprehensive loss. The receivable together with the associated allowance is written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to bad debt expense in the statements of loss and comprehensive loss.

Estimates of the allowance for doubtful accounts are determined on a customer-by-customer evaluation of collectability at each reporting date taking into consideration the length of time the receivable has been outstanding, specific knowledge of each customer's financial condition and historical experience. In addition, the Company records an allowance for doubtful accounts equal to 20% of balances that are older than 120 days.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash generating unit ("CGU") exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(i) Employee benefits

Termination benefits

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share-based payment transactions

The grant date fair value of share-based payment awards granted to officers, employees, contractors and directors (“Service Providers”) is recognized as an expense, with a corresponding increase in equity, over the period that the Service Providers unconditionally become entitled to the awards (vesting period). The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

(j) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Site restoration

In accordance with the Company’s applicable environmental and legal requirements, a provision for site restoration in respect of any timber damage caused during the acquisition of seismic data is recognized as part of the related asset. If the actual amount of timber damage cannot be assessed prior to the completion of the seismic survey, an accrual is recorded based on an estimate of the restoration costs.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

(k) Revenue recognition and deferred revenue

The Company generates revenue from the following sources:

- Software sales, licences and development consulting
- Support and log data sales and subscriptions
- Seismic brokerage commissions
- Seismic data licences
- Geomatics, land management and seismic processing services

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of a executed sale contract, significant risks and rewards of ownership have been transferred to the customer, there is no continuing managerial involvement with the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, and the associated costs and possible returns can be estimated reliably. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales contracts as discussed below.

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by the reference to surveys of work performed.

Contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract as soon as outcome of the contract can be estimated reliably. Contract expenses are recognized as incurred unless they create an asset in which case the costs are capitalized. The stage of completion is assessed by reference to the amount of costs incurred to the total expected contract costs. When the outcome of a contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission earned by the Company.

Software sales, licences and development consulting (including maintenance and support)

Software is sold through a perpetual license or on a term-basis with a customer (monthly, quarterly, semi-annual and annual terms). Maintenance and support includes installation, training and integration, maintenance, software support, updates and the right to receive product upgrades on a when and if available basis.

Revenue earned from the sale of perpetual software licences is recognized upon delivery. Maintenance and support for the first year is included with the product and recognized as revenue 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 periodic software licences which includes maintenance and support is recognized rateably over the term of the licence.

Revenue for software development consulting is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by the reference to surveys of work performed. If there is a significant uncertainty about the project completion or receipt of payment, revenue is deferred until the uncertainty is sufficiently resolved. When total cost estimates exceed revenues, the Company will accrue for the estimated losses as an expense immediately using cost estimates that are based upon an average fully burdened rate applicable to the individuals performing the feature development.

Support and log data sales and subscriptions

Support and log data is sold to customers on a transactional or term-basis. Revenue earned from transactional sales of support and log data is recognized upon delivery. Revenue from support and log data subscriptions is recognized rateably over the term of the subscription.

Seismic brokerage commissions

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

Seismic data licence sales

Data library sales

Revenue is recognized when the customer executes a valid license agreement, transfer of seismic data to the customer occurs and recovery of the consideration is probable. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

Participation survey revenue

The Company has customers that participate in new seismic surveys from which it retains the proprietary rights over the data and the participating customers are provided a licensed copy.

Participation survey revenue is recognized in the financial statements in proportion to the stage of completion of the project when the total contract revenue, total contract costs, contract costs to completion and the stage of completion at the reporting date can be measured reliably. The stage of completion is assessed using the proportion of contract cost incurred for work performed to the reporting date compared to total contract cost.

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.

Geomatics, land management and seismic processing services

Revenue with respect to providing geomatics, land management and seismic processing services is recognized in the financial statements in proportion to the stage of completion of the project. Revenue is recognized when the total contract revenue, total contract costs, contract costs to completion and the stage of completion at the reporting date can be measured reliably. The stage of completion is assessed using the proportion of contract cost incurred for work performed to the reporting date compared to total contract cost.

Deferred revenue

Fees that have been prepaid but do not yet qualify for revenue recognition under the Company's accounting policies are reflected as deferred revenues on the Company's consolidated statement of financial position.

(l) Leases

Operating leases

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Finance leases

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(m) Finance costs

Finance costs comprise interest on borrowings and unwinding of the discount on provisions.

(n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but the tax authority intends to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(o) Net income or loss per share

The Company presents basic and diluted net income or loss per share data for its common shares. Basic net income or loss per share is calculated by dividing net income or loss attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted net income or loss per share is determined by adjusting the net income or loss attributable to ordinary shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise stock options, performance share units and share purchase warrants.

(p) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the CEO, who is the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

(q) Investment tax credits

The Company records investment tax credits related to scientific research and development claims on the cost reduction basis whereby investment tax credits are netted against deferred development costs in the year the tax credits are earned and amortized in profit or loss on the same basis as the deferred development costs.

5. New Standards and Interpretations not yet Adopted

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

Joint arrangements and off balance sheet activities

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

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

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

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

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

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

Presentation of Items of Other Comprehensive Income

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

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

Fair value measurement

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

Financial instruments

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

6. Dispositions

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

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

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

(1) Related to pre-paid archive credits.
(2) Related to revenue sharing agreements assumed by Pulse.
(3) Net of a $0.5 million purchase price adjustment related to revenue credited to Pulse from July 1 to September 30, 2010
(4) Includes professional fees, severance costs related to a change of control provision in the employment agreement of the CEO and a change of control repayment fee on the convertible debentures (Note 19).
(5) Closing price of $1.40 per Pulse share on September 29, 2010. The Pulse shares were distributed by the Company to its shareholders as part of the plan of arrangement completed in conjunction with the sale of the Seismic Assets. In October 2010, the Company paid a special cash dividend of $8.6 million ($0.20 per share) from the cash proceeds of the sale for a total of $28.6 million.

The loss on sale is included in other income (loss) in the consolidated statements of loss and comprehensive loss.

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

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

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

The gain and loss is included in other income (loss) in the consolidated statements of loss and comprehensive loss.

7. Operating Segments

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

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

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

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

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

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

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

As at and for the year ended December 31, 2011	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue from external customers	$ 9,414	$ 17,266	$ 13,784	$ -	$ 40,464
Inter-segment revenue	-	268	-	-	268
Reportable segment income (loss) before tax	88	2,525	7,025	(14,162)	(4,524)
Finance costs	-	(3)	(6)	768	759
Depreciation and amortization	3,453	1,098	3,632	1,721	9,904
Impairment of goodwill and intangibles	-	-	-	-	-
Share of profit (loss) of equity-accounted investees	-	-	-	12	12
Other material non-cash items:					
Gain (loss) on sale of intangibles	-	-	-	-	-
Gain (loss) on sale of property and equipment	-	-	-	146	146
Reportable segment assets	13,859	9,707	17,769	2,426	43,761
Goodwill	-	-	-	-	-
Reportable segment liabilities	5,561	5,769	5,983	11,737	29,050
Equity-accounted investees	-	-	-	141	141
Capital expenditures	954	2,034	12,513	3,273	18,774
Deferred development costs	2,475	-	-	-	2,475

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

As at and for the year ended December 31, 2010	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue from external customers	$ 9,386	$ 18,044	$ 12,760	$ -	$ 40,190
Inter-segment revenue	-	318	(257)	-	61
Reportable segment income (loss) before tax	(62)	680	(58,902)	(20,199)	(78,483)
Finance costs	-	(1)	(1)	3,051	3,049
Depreciation and amortization	3,327	1,658	20,940	717	26,642
Impairment of goodwill and intangibles	-	-	-	-	-
Share of profit (loss) of equity-accounted investees	-	-	-	12	12
Other material non-cash items:					
Gain (loss) on sale of intangibles	-	-	(41,496)	-	(41,496)
Gain (loss) on sale of property and equipment	-	90	-	-	90
Reportable segment assets	16,563	10,058	7,647	716	34,984
Goodwill	-	-	-	-	-
Reportable segment liabilities	4,765	4,743	4,251	3,155	16,914
Equity-accounted investees	-	-	-	100	100
Capital expenditures	276	551	1,807	389	3,023
Deferred development costs	2,359	287	49	-	2,695

(1) Capital expenditures includes the purchase of intangible assets (net of changes in participation surveys in progress), and property and equipment.

Major Customer

Revenues from one customer of the Company's Software and Data, Services, and Seismic Data segments represent approximately $4.7 million (12%) the Company's total revenue.

8. Assets Held for Sale

At December 31, 2011, assets held for sale consisted of seismic data the Company acquired in December 2010 that it sold to a third party in February 2012. The assets have been measured at the lower of their carrying value and fair value less cost to sell.

For the assets that were sold subsequent to December 31, 2011, fair value less cost to sell, was based on the actual net sales proceeds.

9. Long-term Prepaid Expense

In 2009, the Company sold its Archive and Technical Records divisions and received a prepaid archive services credit of $1.5 million or $300,000 per year over five years. The Company used $592,000 of the credit and the remaining portion was transferred as part of the sale of the Seismic assets in 2010 (Note 6).

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

10. Investment in Affiliated Company

In 2011, the Company acquired additional shares of SDLS Inc. ("SDLS"), a private company, and increased its investment from 36.11% to 50%. The investment is accounted for under the equity method. The purchase price of the shares was $4,000 plus the assumption of a shareholder loan in the amount of $25,000 for a total of $29,000. The Company's pro-rata share of the net income of SDLS for the year ended December 31, 2011 was $12,000 (2010 – $12,000) as has been recorded in other income (loss) in the consolidated statements of loss and comprehensive loss.

Summarized financial information of SDLS is as follows:

	At December 31	
	2011	**2010**
Total assets	**$ 57**	$ 27
Total liabilities	**$ 317**	$ 315
Total shareholders' equity	**(260)**	(288)
Total liabilities and shareholders' equity	**$ 57**	$ 27

	For the year ended December 31	
	2011	**2010**
Revenue	**$ 137**	$ 144
Net income	**28**	34

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

11. Property and Equipment

	Computer Hardware and Software	Office Furniture and Equipment	Leasehold Improvements	Assets under Finance Leases	Land	Total
Cost:						
At January 1, 2010	$ 6,919	$ 1,739	$ 1,492	$ 3,522	$ 30	$ 13,702
Additions	55	-	1,701	372	-	2,128
Disposals	(22)	(4)	-	-	-	(26)
Write-off fully amortized asset	(18)	-	-	-	-	(18)
At December 31, 2010	6,934	1,735	3,193	3,894	30	15,786
Additions	732	40	5,138	235	-	6,145
Disposals	-	-	(1,515)	-	-	(1,515)
At December 31, 2011	**$ 7,666**	**$ 1,775**	**$ 6,816**	**$ 4,129**	**$ 30**	**$ 20,416**
Accumulated depreciation:						
At January 1, 2010	$ 5,555	$ 1,456	$ 1,032	$ 2,912	$ -	$ 10,955
Depreciation	814	184	196	652	-	1,846
Disposals	(12)	(7)	(1)	(3)	-	(23)
Write-off fully amortized asset	(18)	-	-	-	-	(18)
At December 31, 2010	6,339	1,633	1,227	3,561	-	12,760
Depreciation	592	97	2,616	204	-	3,509
At December 31, 2011	**$ 6,931**	**$ 1,730**	**$ 3,843**	**$ 3,765**	**$ -**	**$ 16,269**
Carrying amounts:						
At January 1, 2010	$ 1,364	$ 283	$ 460	$ 610	$ 30	$ 2,747
At December 31, 2010	595	102	1,966	333	30	3,026
At December 31, 2011	**735**	**45**	**2,973**	**364**	**30**	**4,147**

Land and assets under construction are not subject to depreciation.

The Company's operating lender has a general security agreement over all present and after acquired personal property and a floating charge on all lands of the Company (Note 17). The Company's subordinated lender has a second floating charge security over all personal and real property assets of the Company and a negative pledge and undertaking to provide fixed charges on the Company's corporate assets at the request of the lender (Note 18).

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

12. Intangible Assets

	Seismic Data Library	Datasets	Log, Support and Drilling Data Library	Reference Library	Map Library	Total Data Libraries	Proprietary Software and Code	Deferred Development Costs[1]	Total
Cost									
At January 1, 2010	$ 253,040	$ 632	$ 7,209	$ 445	$ 239	$ 261,565	$ 8,256	$ 8,179	$ 278,000
Additions	4,483	-	-	-	-	4,483	-	2,902	7,385
Disposals	(257,461)	-	-	-	-	(257,461)	-	-	(257,461)
At December 31, 2010	62	632	7,209	445	239	8,587	8,256	11,081	27,924
Additions	8,358	-	-	-	-	8,358	653	2,214	11,225
At December 31, 2011	**$ 8,420**	**$ 632**	**$ 7,209**	**$ 445**	**$ 239**	**$ 16,945**	**$ 8,909**	**$ 13,295**	**$ 39,149**
Accumulated depreciation									
At January 1, 2010	$ 119,765	$ 486	$ 2,098	$ 416	$ 88	$ 122,853	$ 4,762	$ 1,480	$ 129,095
Amortization	14,235	34	360	29	16	14,674	678	2,864	18,216
Disposals	(133,998)	-	-	-	-	(133,998)	-	-	(133,998)
At December 31, 2010	2	520	2,458	445	104	3,529	5,440	4,344	13,313
Amortization	3,353	34	361	-	16	3,764	615	3,334	7,713
At December 31, 2011	**$ 3,355**	**$ 554**	**$ 2,819**	**$ 445**	**$ 120**	**$ 7,293**	**$ 6,055**	**$ 7,678**	**$ 21,026**
Carrying amount									
At January 1, 2010	$ 133,275	$ 146	$ 5,111	$ 29	$ 151	$ 138,712	$ 3,494	$ 6,699	$ 148,905
At December 31, 2010	60	112	4,751	-	135	5,058	2,816	6,737	14,611
At December 31, 2011	**5,065**	**78**	**4,390**	**-**	**119**	**9,652**	**2,854**	**5,617**	**18,123**

(1) In 2011, the Company expensed $1.5 million (2010 - $2 million) in research costs.

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

In 2010, the Company disposed of the Seismic Assets. See Note 6 for further discussion.

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

The Company's operating lender has a general security agreement over all present and after acquired personal property and a floating charge on all lands of the Company (Note 17). The Company's subordinated lender has a second floating charge security over all personal and real property assets of the Company and a negative pledge and undertaking to provide fixed charges on the Company's corporate assets at the request of the lender (Note 18).

Amortization of intangible assets in the amount of $7.7 million (2010 – $18.2 million) has been included in depreciation and amortization in the consolidated statements of loss and comprehensive loss.

13. Revenue

	For the year ended December 31	
	2011	**2010**
Sales of goods	**$ 20,317**	$ 19,180
Rendering of services	**17,266**	18,044
Commissions	**2,881**	2,966
	$ 40,464	$ 40,190

As at December 31, 2011, the Company had deferred revenue of $4.6 million which represents the fair value of that portion of consideration received or receivable in respect of sales of software licenses, seismic participation surveys and seismic processing services for which revenue has not yet been earned.

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

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

14. General and Administrative Expenses by Nature

	For the year ended December 31	
	2011	**2010**
Occupancy costs	**$ 9,032**	$ 9,009
Communications	**452**	417
Advertising and promotion	**758**	764
Operating leases and office supplies	**1,177**	1,565
Recruitment and training	**203**	113
Consultant anf professional fees	**4,113**	5,038
Charges and fees	**113**	266
Bad debt (recovery)	**(184)**	5,194
	$ 15,664	$ 22,366

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

15. Finance costs

		For the year ended December 31	
	Note	**2011**	**2010**
Interest expense on financial liabilities measured at amortized cost		**$ 593**	$ 2,402
Amortization of deferred finance charges	18	**102**	478
Amortization of deferred finance charges and accretion of equity portion of convertible debentures	19	**-**	148
Accretion of sublease loss	24	**64**	21
		$ 759	$ 3,049

16. Other income (loss)

		For the year ended December 31	
	Note	**2011**	**2010**
Foreign exchange loss (gain)		**$ (2)**	$ 22
Loss on sale of intangible assets	6	**-**	41,496
Gain on sale of property and equipment	6	**(146)**	(90)
Equity investment income	10	**(12)**	(12)
		$ (160)	$ 41,416

17. Bank Indebtedness

The Company has a $5 million revolving operating loan facility with advances being limited to the lesser of the maximum principal of the facility and the aggregate of 75% of accounts receivable of the Company excluding certain accounts that are outstanding for more than 90 days. The facility consists of a prime-based loan, letters of credit (to an aggregate maximum of $500,000) and corporate MasterCard (to a maximum of $150,000). The lender has a general security agreement over all present and after acquired personal property and a floating charge on all lands of the Company. The interest rate on this facility is Prime + 2.50% per annum with a non-refundable facility fee of 0.75% per annum being charged on the unused portion of the facility. As at December 31, 2011, $3.7 million (December 31, 2010: $2.1 million) was drawn on the facility.

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

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

18. Long-term Debt Obligations

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about the Company's exposure to liquidity and market risk see Note 26.

	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Non-current liabilities			
Secured subordinated bridge loan	**$ 3,920**	$ -	$ -
Unsecured loans from shareholders	**500**	-	-
Finance lease obligations	**201**	188	263
Deferred finance charges	**(30)**	-	-
	$ 4,591	$ 188	$ 263
Current liabilities			
Term loans and committed revolver	**$ -**	$ -	$ 26,545
Promissory notes	**-**	-	67
Secured subordinated bridge loan	**1,080**	-	-
Unsecured loans from shareholders	**-**	-	-
Finance lease obligations	**184**	368	455
Deferred finance charges	**(121)**	-	(428)
	$ 1,143	$ 368	$ 26,639
Total long-term and current	**$ 5,734**	$ 556	$ 26,902

	Nominal interest rate	Year of maturity	December 31, 2011 Face value	December 31, 2011 Carrying amount	December 31, 2010 Face value	December 31, 2010 Carrying amount	January 1, 2010 Face value	January 1, 2010 Carrying amount
Term loans and committed revolver		2012	**$ -**	**$ -**	$ -	$ -	$ 26,545	$ 26,117
Promissory notes	Prime + 2%	2010	**-**	**-**	-	-	67	67
Secured subordinated bridge loan	12%	2013	**5,000**	**4,849**	-	-	-	-
Unsecured loans from shareholders	10%	2016	**500**	**500**	-	-	-	-
Finance lease obligations	1.8-12.4%	2012-2016	**434**	**385**	577	556	756	718
Total interest-bearing liabilities			**$ 5,934**	**$ 5,734**	$ 577	$ 556	$ 27,368	$ 26,902

Term loans and commitment revolver

The Company repaid the term loan and committed revolver with the proceeds from the sale of the Seismic Assets (Note 6).

Secured subordinated bridge loan

On May 4, 2011, the Company secured a $5 million subordinate bridge loan with $2 million of the loan proceeds being provided by two of the Company's directors in accordance with a condition of the financing. The interest rate on this facility is 12% per annum. The Company incurred $253,000 in fees to arrange the financing ($100,000 is deferred until March 31, 2013). Payments are interest only until January 2012. On November 1, 2011, the loan agreement was amended to postpone the director's portion of the principal payments effective January 1, 2012 until the remainder of the loan is repaid. On January 1, 2012, the primary lender commenced receiving their pro-rata share of the monthly principal payments being $90,000. The loan has a maturity date of April 30, 2013 with a balloon payment of $1.6

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

million due at that time. On May 1, 2013, the directors will commence receiving their pro-rata share of the monthly principal payments being $60,000. The loan will be repaid in full by December 31, 2014.

As at December 31, 2011, the face value of loan was $5 million. The security for the loan is a $6.25 million demand debenture providing a second floating charge security over all personal and real property assets of the Company and a negative pledge and undertaking to provide fixed charges on the Company's corporate assets at the request of the lender.

The loan is subject to the Company meeting certain debt covenants as follows: current ratio cannot fall below 1.00:1 for Q4 2011 and 1.25:1 thereafter; and debt service coverage ratio cannot fall below 2.25:1. As at December 31, 2011, the Company was not in violation of any of its debt covenants.

Unsecured loans from shareholders

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

Finance lease obligations

Finance lease obligations are payable as follows:

	December 31, 2011			December 31, 2010			January 1, 2010		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	**$ 199**	**$ 15**	**$ 184**	$ 380	$ 12	$ 368	$ 477	$ 22	$ 455
Between one and five years	**235**	**34**	**201**	197	9	188	279	16	263
	$ 434	**$ 49**	**$ 385**	$ 577	$ 21	$ 556	$ 756	$ 38	$ 718

Equipment under finance lease is computer hardware and office equipment.

Deferred finance charges

	Dec 31, 2011	Dec 31, 2010
Balance, beginning of year	**$ -**	$ 428
Additions [(1)]	**253**	50
Amortization [(2)]	**(102)**	(478)
Balance, end of year	**$ 151**	$ -

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

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

19. Convertible Debentures

	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Balance, beginning of year	**$ -**	$ 3,602	$ -
Issuance	**-**	-	3,750
Equity component	**-**	-	(56)
Accretion of liability portion to face value	**-**	54	52
Deferred finance charges	**-**	-	(98)
Amortization of deferred finance charges	**-**	94	4
Repayment	**-**	(3,750)	-
Balance, end of year	**$ -**	$ -	$ -

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

The sale the Seismic Assets in 2010 (see Note 6) was determined to be a change of control as per the indenture agreement. As a result, the debenture holders elected to be paid out in cash.

20. Taxes

Reconciliation of effective tax rate

The following is a reconciliation of income taxes, calculated at the statutory Canadian combined federal and provincial tax rate, to the income tax provision included in the consolidated statements of net loss and comprehensive loss for the years ended December 31, 2011 and 2010.

	For the year ended Dec 31	
	2011	**2010**
Loss before income taxes	**$ (4,524)**	$ (78,483)
Statutory rate	**26.50%**	28.00%
Computed income tax recovery	**$ (1,199)**	$ (21,975)
Effects of differences:		
Non-deductible expenses	**47**	252
Sale of property and equipment	**-**	(6)
Adjustments for enacted changes in income tax rates	**76**	2,331
Changes in unrecognized temporary differences	**1,162**	6,572
Other	**-**	(95)
Actual income taxes	**$ 86**	$ (12,921)
Current (recovery)	**86**	(113)
Future (reduction)	**-**	(12,808)
Actual income taxes	**$ 86**	$ (12,921)

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

The decrease in the statutory rate from 2010 to 2011 was due to a reduction in the 2011 Canadian corporate tax rates as part of a series of corporate tax rate reductions previously enacted by the Canadian Federal Government.

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	Dec 31, 2011	Dec 31, 2010
Non-capital losses	**$ 6,143**	$ 6,830
Share issue and debt financing costs	**19**	-
	$ 6,162	$ 6,830

Deferred tax assets have not been recognized in respect to these items because it is not probable that the future taxable profit will be available against which the Company can utilize the benefits.

As at December 31, 2011, the Company and its Canadian subsidiaries had approximately $40 million in Federal and $25 million in Alberta non-capital loss carry-forwards, a portion of which was assumed through various acquisitions in 2007, which begin to expire in 2027.

Recognized deferred tax assets and liabilities

	Dec 31, 2011	Dec 31, 2010
Deferred tax liabilities		
Property and equipment and intangibles	**$ (2,727)**	$ (3,243)
Deferred tax assets		
Sublease loss liability	**$ 413**	$ 837
Non-capital loss carry forwards	**2,314**	2,406
	$ 2,727	$ 3,243
Net deferred tax assets (liabilities)	**$ -**	$ -

Movement in temporary differences during the year

	Balance as at Jan 1, 2010	Recognized in net loss	Balance as at Dec 31, 2010	Recognized in net loss	Balance as at Dec 31, 2011
Property and equipment and intangibles	$ (23,434)	$ 20,191	$ (3,243)	$ 516	**$ (2,727)**
Sublease loss liability	-	837	837	(424)	**413**
Non-capital loss carry forwards	2,728	(322)	2,406	(92)	**2,314**
Share issue and financing costs	262	(262)	-	-	**-**
Deferred partnership income	7,636	(7,636)	-	-	**-**
	$ (12,808)	$ 12,808	$ -	$ -	**$ -**

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 claims are subject to review by the CRA. As at December 31, 2011, the Company had $1.7 million of federal investment tax credits, including $1.1 million carried forward from 2010, available to reduce federal income taxes payable in the future which begin to expire in 2029. It is not probable that the future taxable profit will be available against which the Company can utilize the benefits.

21. Equity Instruments and Net Loss per Share

Share capital structure

The Company is authorized to issue to an unlimited number of voting Class A common shares (“Class A Shares”). All of the Class A Shares rank equally with regard to the Company’s residual assets. The Class A Shares do not have a par value. There are no restrictions on the distributions of dividends except for the Business Corporations Act of Alberta’s (“BCAA”) solvency test. There are no restrictions with respect to the repayment of capital, subject to the process set out in the BCAA is being followed and a solvency test being met. Each Class A Share is entitled to one vote per share at meetings of the Company.

Issuance of share capital

In December 2010, the Company closed a private placement. A second close was done on January 10, 2011 and an additional 454,546 units were sold at a price of $0.22 per unit for total gross proceeds of $100,000. Each unit is comprised of one Class A common share and one non-transferable share purchase warrant.

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

During the year ended December 31, 2011, 309,763 Class A shares were issued as long service awards, 131,366 were issued for Company’s contribution to the ESOP plan and 110,276 were issued as shares for services. The fair value of the shares was measured using the closing price on the date before the shares were issued.

Net loss per share

Basic net loss per share is computed using the weighted-average number of Class A Shares outstanding during the period, being 59,797,219 for the year ended December 31, 2011 (2010 – 42,601,230). In computing diluted net loss per share, no shares were added for year ended December 31, 2011 (2010 – nil) to the weighted average number of Class A Shares outstanding. As there was a net loss for 2011 and 2010, the options and warrants were anti-dilutive in addition to being out of the money.

22. Share-Based Payment Arrangements

As at December 31, 2011, the Company has the following share-based payment arrangements:

Stock option plan (equity settled)

The Company has a stock option plan whereby options may be granted to directors, officers, employees and consultants. The option plan allows for the granting of options to purchase Class A Shares to a maximum number equal to 10% of the then issued and outstanding Class A Shares of the Company combined with the Company’s other share-based payment arrangements. The exercise price of each stock option granted is based on the market value of the Company’s stock on the last trading day prior to the date of grant. The options expire after five years and vest equally over a three-year period commencing on the first anniversary of the date of grant.

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

A summary of the status of the Company's option plan as at December 31, 2011 and 2010 and changes during the years then ended is presented below:

	Number of Options	Exercise Price	Weighted Average Exercise Price
Options outstanding, January 1, 2010	2,137	\$0.60-\$6.10	\$1.99
Granted	615	\$0.68-\$0.78	\$0.69
Exercised	(1,155)	\$0.60-\$0.78	\$0.63
Forfeited	(690)	\$0.60-\$6.10	\$1.91
Options outstanding, December 31, 2010	907	\$0.68-\$6.10	\$2.89
Granted	**2,585**	**\$0.17**	**\$0.17**
Forfeited	**(462)**	**\$0.17-\$6.10**	**\$4.18**
Options outstanding, December 31, 2011	**3,030**	**\$0.17-\$3.68**	**\$0.37**

In 2011, 1,675,000 were granted to directors and officers with an exercise price of \$0.17 per option. In 2010, 60,000 options were granted to a director with an exercise price of \$0.78 per option.

Stocks options which were outstanding and vested as at December 31, 2011, are summarized as follows:

Options Outstanding	Option Price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Number of Options Currently Exercisable	Weighted Average Exercise Price of Options Currently Exercisable
2,687	\$0.17-\$1.00	\$0.19	4.50	132	\$0.68
263	\$1.01-\$2.00	\$1.30	1.75	263	\$1.30
18	\$2.01-\$3.00	\$2.51	1.00	18	\$2.51
62	\$3.01-\$3.68	\$3.56	0.36	62	\$3.56
3,030	**\$0.17-\$3.68**	**\$0.37**	**4.16**	**475**	**\$1.47**

The grant date fair value of the stock options was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the stock option plan are the following:

	For the year ended December 31	
	2011	**2010**
Fair value at grant date	**\$0.12**	\$0.56
Share price at grant date	**\$0.17**	\$0.68-\$0.78
Exercise Price	**\$0.17**	\$0.68-\$0.78
Expected volatility (weighted average)	**100.2%**	91.5-93.2%
Option life (expected weighted average life)	**5 years**	5 years
Risk-free interest rate (weighted average)	**2.1%**	2.2%
Forfeiture rate	**17.1%**	17.1%

Performance share unit plan (equity settled)

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

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

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

Employee stock ownership plan (equity settled)

The Company's employee stock ownership plan ("ESOP") allows each employee to contribute up to 25% of their regular salary towards the purchase of Class A Shares. The Company matches the employee's contribution through a combination of cash and Class A Shares issued from treasury up to 4.5% of their monthly regular salary to a maximum of $450 per month. All cash contributions are used to purchase Class A Shares of the Company through the facilities of the TSX-V and all share contributions are issued from treasury. During the year ended December 31, 2011, $87,000 (2010: $nil – matching was suspended for 2010) was included in salaries and benefits in the consolidated statements of loss and comprehensive loss for the value of the Company's contribution based on the share price on the date of issuance.

Long-term service awards (equity settled)

On May 1, 2011, the Company adopted a plan whereby 5 and 10 year service awards ("Service Awards") are issued to employees in the form of Class A Shares issued from treasury. The value for a 5-year award is $750 and $1,250 for a 10-year award. The number of Class A Shares issued is based on the closing price on the last trading day prior to the issuance of the Service Award. Service Awards are issued at the end of the month in which the employee has their 5 or 10 year anniversary. During the year ended December 31, 2011, $47,000 was included in salaries and benefits in the consolidated statements of loss and comprehensive loss for the value of awards issued based on the share price on the date of issuance.

Warrants (equity settled)

In connection with the private placements the Company closed in December 2010 and January 2011, the Company issued 16,280,000 warrants. The warrants were valued at $0.12 per warrant on the date of grant using the Black-Scholes method with the following assumptions: risk free interest rate of 1.7%, expected life of 2 years, expected dividends of nil and expected volatility of 116%. These warrants entitle the holder to purchase Class A Shares of the Company at an exercise price of $0.32 per share until December 2012. The warrants were subject to a four-month hold period which expired in April 2011 and are non-transferable.

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

23. Statement of Cash Flows

	For the year ended December 31	
	2011	**2010**
Changes in non-cash working capital balances		
Funds held in trust	**$ (25)**	$ 2
Accounts receivable	**(51)**	7,508
Income taxes receivable	**-**	-
Prepaid expenses, supplies and deposits	**2**	171
Accounts payable and accrued liabilities	**490**	(11,583)
Income taxes payable	**-**	-
Deferred revenue	**1,851**	(1,171)
	$ 2,267	$ (5,073)
Changes in non-cash working capital balances related to operating activities	**$ (411)**	$ 11,112
Changes in non-cash working capital balances related to investing activities	**2,678**	(16,185)
	$ 2,267	$ (5,073)

24. Operating Leases, Tenant Inducements, Sublease Loss Provision and Deferred Rent Obligations

Operating Leases

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

	As at December 31	
	2011	**2010**
Less than one year	**$ 4,450**	$ 8,727
Between one and five years	**15,140**	27,031
More than five years	**38,710**	79,914
	$ 58,300	$ 115,672

Movement in the commitments for 2011:

Balance, January 1, 2011	**$ 115,672**
Payments (net of subleases)	**(4,151)**
Cancellation of equipment leases	**(25)**
Surrender of office leases	**(53,196)**
Balance, December 31, 2011	**$ 58,300**

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

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

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

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

Tenant Inducements

As part of its 2010 lease agreement, the Company received $30 per square foot in tenant inducements from the landlord. The tenant inducements are amortized over the term of lease as a reduction to occupancy costs (included in operating expenses in the consolidated statement of loss and comprehensive loss). As at December 31, 2011 the Company received $3.6 million in tenant inducements. During 2011, $1.4 million of the tenant inducements were amortized including $1.3 million related to office space the Company did not intend to occupy (included in depreciation and amortization in the consolidated statement of loss and comprehensive loss). The unamortized tenant inducement was $1.5 million as at December 31, 2011.

Sublease Loss Provision

Balance, January 1, 2011	$	**3,350**
Rent-free period and rent shortfall		**(839)**
Payments		**(922)**
Accretion		**64**
Balance, December 31, 2011	$	**1,652**

In 2010, management anticipated that the Company would not occupy two floors of space in its new premises and began negotiating with potential subtenants. As a result, a sublease loss liability of $3.3 million was accrued for in 2010. The obligation was calculated as the discounted future lease payments, net of expected sublease payments. The Company received an offer to sublease the space that included an eight month rent-free period, additional tenant inducements matching then current inducement rates and real estate commissions. Sublease rates at the time were below current rental rates and therefore the provision included a rent shortfall. The offer was accepted in March 2011 as discussed in the section, “Operating Leases”.

The accretion is included in finance costs in the consolidated statements of loss and comprehensive loss.

Deferred Rent Obligations

The Company records its occupancy costs on a straight line basis over the term of the lease. The difference between rent paid and rent expense is recorded as deferred rent obligations on the statement of financial position.

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

25. Related Parties

Transactions with key management personnel

Loans from directors

Unsecured loans from two directors obtained during the year amounted to $500,000. The loans bear interest of 10% per annum and payments are interest only until December 2013. Monthly principal payments of $12,681 commence in January 2013 (see Note 18). The proceeds were used for capital expenditures.

In 2011 the Company secured a $5 million subordinate bridge loan with $2 million of the loan proceeds being provided by two directors in accordance with a condition of the financing (see Note 18).

Private placement

In December 2011, the Company closed a $1 million private placement and the entire private placement was subscribed for by three of the Company's directors (see Note 21).

Key management personnel compensation

In addition to their salaries, the Company also provides non-cash benefits to directors and executive officers. Executive officers also participate in the Company's stock option plan, PSU plan and ESOP (descriptions of these plans are provided in Note 22).

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

Key management personnel compensation comprised the following:

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

Key management personnel and director transactions

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

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

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

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

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

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

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

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

26. Financial Instruments and Risk Management Overview

FINANCIAL RISK MANAGEMENT

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

CREDIT RISK

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Accounts receivable	**$ 11,810**	$ 11,759	$ 19,267
Cash	**1,547**	3,696	768
	$ 13,357	$ 15,455	$ 20,035

Accounts receivable

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. During 2011, approximately 38% (2010: 23%) of the Company's revenue was attributable to sales transactions with five customers and one of these customers accounted for 12%. Also, a significant portion of the Company's trade accounts receivable are from companies in the oil and gas industry in western Canada and are exposed to normal industry credit risks. As at December 31, 2011, 34% of the Company's consolidated accounts receivable are due from two customers, each with an outstanding balance greater than $1 million, compared to 34% due from six customers at December 31, 2010 and 28% due from three customers at January 1, 2010. The concentration risk is mitigated primarily by a portion of the customers being large, investment grade organizations. The carrying amount of accounts receivable represents the maximum credit exposure.

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank/industry references. Customers that fail to meet the Company's benchmark creditworthiness generally are restricted to products and services on a cash-on-delivery basis only. Customers that are considered as "high risk" are closely monitored, and future sales maybe made on a prepayment basis.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Company may have a secured claim or the Company may discontinue providing certain related services such as maintenance and support for licensed software products. The Company does not require collateral in respect of accounts receivables.

Impairment Losses

The Company reviews its accounts receivable amounts regularly and amounts are written down to their expected realizable value when outstanding amounts are determined not to be fully collectable. In those cases the Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The allowance has two components:

- a provision for amounts that have been individually determined not to be collectible in full 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. While the Company normally relies on in-house collection efforts, there are occasions where legal action is required to collect an overdue account; and

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

- a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets resulting in the Company recording an allowance for doubtful accounts equal to 20% of balances that are more than 120 days old.

Trade and accrued receivables are aged with respect to the payment terms specified in the terms and conditions established with customers. Amounts not yet due include amounts invoiced but outstanding for less than 30 days. The aging of the accounts at the reporting date were as follows:

	Dec 31, 2011		Dec 31, 2010		Jan 1, 2010	
	Gross	**Impaired**	**Gross**	**Impaired**	**Gross**	**Impaired**
Not past due (less than 30 days old)	**$ 8,756**	**$ -**	$ 4,356	$ -	$ 6,982	$ -
30 to 60 days old	**1,374**	**-**	1,579	-	4,057	-
60 to 90 days old	**345**	**-**	806	-	680	-
90 to 120 days old	**220**	**-**	357	-	509	-
More than 120 days old	**973**	**207**	1,128	225	8,716	2,030
Trade receivables	**11,668**	**207**	8,226	225	20,944	2,030
Non-trade receivables and accrued revenue	**349**	**-**	3,758	-	353	-
Accounts receivable not impaired	**12,017**	**207**	11,984	225	21,297	2,030
Accounts receivable net of impairment	**$ 11,810**		$ 11,759		$ 19,267	

Apart from the general allowance the Company recognizes for accounts that are more than 120 days old, the Company believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviour and extensive analysis of customer credit risk, including underlying customers' ratings, when available.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Balance, beginning of year	**$ 225**	$ 2,030	$ 517
Impairment loss recognized (reversed)	**(18)**	(532)	1,569
Amounts collected	**-**	-	(56)
Amounts written off	**-**	(1,273)	-
Balance, end of year	**$ 207**	$ 225	$ 2,030

As at December 31, 2011, the impairment loss relates to the general allowance recognized of 20% of all accounts that are more than 120 days old.

Cash

The carrying amount represents the maximum exposure on these assets.

LIQUIDITY RISK

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

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

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

- maintains a $5 million operating line of credit. Interest is payable at prime plus 2.5% (2010 – prime plus 2.0 %);
- secured a $5 million subordinated demand bridge loan in May 2011. $3 million repayable by April 30, 2013 and $2 million is repayable by December 31, 2014;
- obtained $500,000 in shareholder loans repayable by December 31, 2016; and
- raised a $1 million through a private placement in December 2011.

As at December 31, 2011 the Company had a cash balance of $1.5 million, $11.8 million in accounts receivable and $1.3 million in unused committed bank credit facilities totalling $14.6 million to settle current liabilities of $15.9 million (excluding deferred revenue of $4.6 million). The Company continues to review additional sources of capital to continue its activities and discharge its commitments as they become due.

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

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

As at December 31, 2010	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total
Bank Indebtedness	$ 2,050	$ 2,050	$ 2,050	$ -	$ -	$ -	$ -	$ 2,050
Accounts payable and accrued liabilities	8,248	8,248	8,248	-	-	-	-	8,248
Finance lease obligations	556	577	190	190	146	51	-	577
Loss on sublease	3,351	3,510	792	970	356	1,067	325	3,510
Total	$ 14,205	$ 14,385	$ 11,280	$ 1,160	$ 502	$ 1,118	$ 325	$ 14,385

As at January 1, 2010	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total
Accounts payable and accrued liabilities	$ 21,184	$ 21,184	$ 21,184	$ -	$ -	$ -	$ -	$ 21,184
Long-term debt obligations (excluding finance lease obligations)	26,184	26,614	2,848	2,917	5,091	15,759	-	26,614
Finance lease obligations	718	756	238	238	232	48	-	756
Total	$ 48,086	$ 48,554	$ 24,270	$ 3,155	$ 5,323	$ 15,807	$ -	$ 48,554

While the Company does not expect that the undiscounted cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts, the Company has a working capital covenant which the Company projects will be breached in 2012 and could result in additional payments of approximately $5.6 million in 2012 if the outstanding operating and subordinated loan balances are called by the lenders (included in bank indebtedness and long-term debt obligations).

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

MARKET RISK

Market risk is the risk that changes in market prices such as foreign exchange and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

Interest rate risk

The Company's long-term debt obligations are based on fixed interest rates ranging from 1.4% to 12%. If these transactions were entered into today, the interest expense would not be materially different. The Company's operating line is based on a floating interest rate and is 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.

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was as follows (carrying amounts):

	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Fixed rate instruments			
Bridge loan [1]	**$ 5,000**	$ -	$ -
Shareholder loans	**500**	-	-
Finance lease obligations	**385**	556	718
	5,885	556	718
Variable rate instruments			
Bank indebtedness	**$ 3,700**	$ 2,050	$ -
Term loans and committed revolver [1]	**-**	-	26,545
Promissory notes	**-**	-	67
	$ 3,700	$ 2,050	$ 26,612

[1] Excluding deferred financing costs

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased or decreased pre-tax profit or loss by $29,000 (2010: $143,000).

CAPITAL MANAGEMENT

The Board of Directors' policy is 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. Management monitors capital using a funded debt to equity ratio. The ratio is calculated by taking the sum of interest-bearing long-term debt obligations and bank indebtedness (current and long-term portions) divided by shareholders' equity which consists of equity instruments, retained earnings or deficit and contributed surplus.

In managing the capital structure, the Board of Directors, along with management, make adjustments 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 equity, issue new debt, and issue new debt to replace existing debt with different characteristics.

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

The Company's funded debt to equity at the reporting date was as follows:

	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Components of funded debt to equity ratio:			
Bank indebtedness	**$ 3,700**	$ 2,050	$ -
Current portion of long-term debt obligations	**1,143**	368	26,639
Long-term debt obligations	**4,591**	188	263
Convertible Debentures	**-**	-	3,602
Total funded debt	**9,434**	2,606	30,504
Shareholders' equity	**$ 14,711**	$ 18,070	$ 107,547
Total funded debt to equity	**0.64**	0.14	0.28

The Company's strategy is to maintain a funded debt to equity ratio of less than 1:1. Consistent with the year ended December 31, 2010, the strategy of the Board of Directors and management is to operate the Company with the lowest possible debt load in reaction to the poor economic conditions in 2009 and 2010. This is to ensure adequate financial flexibility to meet the financial obligations, both current and long-term and as part of Company's effort to maintain a healthy statement of financial position. The Company is not subject to any externally imposed capital requirements.

27. Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. As at December 31, 2011, the fair value of these balances approximated their carrying value due to their short term maturity.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible debentures, the market rate of interest was determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Share-based payment transactions

The fair value of the stock options, performance share units and share purchase warrants is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on measurement date, the exercise price of the option, the expected volatility (based on weighted average historic volatility, the weighted average expected life of the instruments, the expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions are not taken into account in determining fair value.

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

28. Contingencies

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

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

29. Subsidiaries

	Country of incorporation	Ownership interest (%)	
		2011	**2010**
Cavalier Land Ltd.	Canada	**100**	100
Agadir Resources Inc.	Canada	**100**	100
Canadian Landmasters Resource Services Ltd.	Canada	**100**	100

30. Explanation of Transition to IFRS

Adoption of IFRS

The accounting policies set out in Note 4 have been applied in preparing the consolidated financial statements under IFRS for the year ended December 31, 2011, the comparative information for the year ended December 31, 2010 and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (the Company's date of transition).

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP ("CGAAP"). An explanation of how the transition from CGAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

IFRS is applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under CGAAP recorded to retained earnings (deficit) unless certain exceptions and exemptions are applied.

Upon transition to IFRS, the Company used certain exemptions allowed under IFRS 1 “First Time Adoption of International Reporting Standards”. The following exemptions were used:

(a) Business combinations

IFRS 1 allows an entity to use the IFRS rules for business combinations on a prospective basis rather than restating all business combinations.

(b) Property and equipment

IFRS 1 allows an entity to apply IAS 16 retrospectively at original cost less depreciation in accordance with IFRS.

(c) Share-based payments

IFRS 1 allow entities an exemption on IFRS 2, “Share-based Payments” to equity instruments which vested prior to the transition date.

All other optional exemptions in IFRS 1 were either not applicable because there were no significant differences in management's application of CGAAP in these areas or were not taken. Hindsight was not used to create or revise estimates and accordingly, the estimates previously made by the Company under CGAAP are consistent with their application under IFRS.

IFRS reconciliations of equity and total loss and comprehensive loss from CGAAP to IFRS

An explanation of how the transition from CGAAP to IFRS has affected the Company’s financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables on the following pages.

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

Consolidated Statement of Financial Position under IFRS as at January 1, 2010

(Thousands)	Note	CGAAP Dec 31, 2009	Effect of transition to IFRS	IFRS Jan 1, 2010
Assets				
Current Assets				
Cash and cash equivalents		$ 768	$ -	**$ 768**
Funds held in trust		17	-	**17**
Accounts receivable		19,267	-	**19,267**
Prepaid expenses, supplies and deposits		708	-	**708**
Income taxes receivable		391	-	**391**
		21,151	-	**21,151**
Long-term prepaid expense		846	-	**846**
Investment in affiliated company		88	-	**88**
Data libraries	a	138,712	(138,712)	**-**
Participation surveys in progress		2,186	-	**2,186**
Property and equipment		2,747	-	**2,747**
Deferred development costs	a	6,699	(6,699)	**-**
Intangible assets	a	3,494	145,411	**148,905**
		$ 175,923	$ -	**$ 175,923**
Liabilities and Shareholders' Equity				
Current Liabilities				
Accounts payable and accrued liabilities		$ 21,184	$ -	**$ 21,184**
Deferred revenue	b	5,543	(1,663)	**3,880**
Current portion of long-term debt obligations	h	6,217	20,422	**26,639**
		32,944	18,759	**51,703**
Long-term debt obligations	h	20,685	(20,422)	**263**
Convertible debentures		3,602	-	**3,602**
Deferred income taxes	c	12,342	466	**12,808**
		69,573	(1,197)	**68,376**
Shareholders' Equity				
Equity instruments		70,518	-	**70,518**
Contributed surplus	d	5,473	89	**5,562**
Equity portion of convertible debentures		56	-	**56**
Retained earnings	f	30,303	1,108	**31,411**
		106,350	1,197	**107,547**
		$ 175,923	$ -	**$ 175,923**

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

Consolidated Statement of Financial Position under IFRS as at December 31, 2010

(Thousands)	Note	CGAAP Dec 31, 2010	Effect of transition to IFRS Jan 1, 2010	Effect of transition to IFRS	IFRS Dec 31, 2010
Assets					
Current Assets					
Cash and cash equivalents		$ 3,696	$ -	$ -	**3,696**
Funds held in trust		15	-	-	**15**
Accounts receivable		11,759	-	-	**11,759**
Prepaid expenses, supplies and deposits		237	-	-	**237**
Income taxes receivable		287	-	-	**287**
		15,994	-	-	**15,994**
Investment in affiliated company		100	-	-	**100**
Data libraries	a	5,058	-	(5,058)	**-**
Participation surveys in progress		1,253	-	-	**1,253**
Property and equipment		3,026	-	-	**3,026**
Deferred development costs	a	6,737	-	(6,737)	**-**
Intangible assets	a	2,816	-	11,795	**14,611**
		$ 34,984	$ -	$ -	**$ 34,984**
Liabilities and Shareholders' Equity					
Current Liabilities					
Bank indebtedness		$ 2,050	$ -	$ -	**$ 2,050**
Accounts payable and accrued liabilities		8,248	-	-	**8,248**
Current portion of deferred revenue	b	3,422	(1,663)	950	**2,709**
Current loss on sublease	e	1,655	-	74	**1,729**
Current portion of long-term debt obligations		368	-		**368**
		15,743	(1,663)	1,024	**15,104**
Long-term debt obligations		188	-	-	**188**
Sublease loss	e	1,378	-	244	**1,622**
Deferred income taxes	c	-	466	(466)	**-**
		17,309	(1,197)	802	**16,914**
Shareholders' Equity					
Equity instruments		75,253	-	-	**75,253**
Contributed surplus	d	5,744	89	(243)	**5,590**
Deficit	f	(63,322)	1,108	(559)	**(62,773)**
		17,675	1,197	(802)	**18,070**
		$ 34,984	$ -	$ -	**$ 34,984**

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

Consolidated Statement of Loss and Comprehensive Loss under IFRS for the Year Ended December 31, 2010

(Thousands)	Note	CGAAP 2010	Effect of transition to IFRS	IFRS 2010
Revenue	b	$ 41,140	(950)	**$ 40,190**
Operating expenses				
Salaries and benefits		21,344	-	**21,344**
General and administrative		22,366	-	**22,366**
Sublease loss	e	2,968	361	**3,329**
Share-based payments	d	770	(243)	**527**
		47,448	118	**47,566**
Finance costs	e	3,028	21	**3,049**
Depreciation and amortization	e	26,706	(64)	**26,642**
Other loss		41,416	-	**41,416**
Loss before income taxes		(77,458)	(1,025)	**(78,483)**
Income taxes (benefit)				
Current		(113)	-	**(113)**
Deferred	c	(12,342)	(466)	**(12,808)**
		(12,455)	(466)	**(12,921)**
Net loss and comprehensive loss for the year		$ (65,003)	$ (559)	**$ (65,562)**
Net loss per share				
Basic and diluted		$ (1.53)		**$ (1.54)**

Notes to the IFRS Reconciliations of Equity and Total Loss and Comprehensive Loss from CGAAP to IFRS

(a) Reclassification of data libraries and deferred development costs to intangible assets

In accordance with IFRS, the Company accounts for its data libraries and deferred development costs as intangible assets, using the historical cost model, which is consistent with the method used under CGAAP. The Company's amortization policy is unchanged from the amortization policy followed under CGAAP. However the Company elected to group all intangible assets into a single line item on its statement of financial position.

(b) Revenue recognition

Revenue for a seismic participation survey was recognized upon delivery of the seismic data to the client following the completed contract method under CGAAP. Under IFRS, revenue is being recognized following the percentage of completion method, resulting in earlier recognition of a significant portion of revenue prior to January 1, 2010 and in 2010. This has resulted in a positive change to the opening retained earnings of $1.7 million and an equivalent reduction in deferred revenue at January 1, 2010. This also resulted in a reduction of revenue in 2010 by $950,000 and an equivalent increase in deferred revenue and increase in the deficit at December 31, 2010.

(c) Deferred income taxes

Due to the earlier recognition of revenue under IFRS, the reported deferred income tax liability at January 1, 2010 increased by $466,000 with an equivalent decrease to opening retained earnings. The offsetting reduction in revenue for 2010 resulted in a decrease in the deferred tax expense of $466,000 for the year with an equivalent decrease in the deficit and the future tax liability as at December 31, 2010.

(d) Share-based payments

Under CGAAP, the Company recognized compensation expense associated with share-based compensation plans on a straight-line basis and did not incorporate a forfeiture rate at the grant date. Under IFRS, the Company is recognizing the expense over the individual vesting periods using an estimated forfeiture rate at the grant date and updating it throughout the vesting period. This amounted to an additional share-based payment expense of $89,000 at January 1, 2010 which resulted in a reduction of $89,000 in retained earnings and an equivalent increase in contributed surplus as at January 1, 2010. In 2010, the Company reduced its share-based compensation expense by $243,000 resulting in an equivalent decrease in the deficit and contributed surplus at December 31, 2010.

(e) Sublease loss

Under IFRS, the Company is required to use a risk-free interest rate to present value the sublease loss. Under CGAAP, the Company was required to use a risk-adjusted interest rate. This resulted in an increase of $361,000 in operating expenses and $43,000 decrease in accretion (finance costs) for 2010 with a corresponding $318,000 increase in deficit and sublease loss liability at December 31, 2010. In addition, accretion of $64,000 was reclassified from depreciation and amortization to finance costs.

December 31, 2011 (Tabular amounts in thousands, unless otherwise stated)

(f) Retained earnings (deficit)

The following is a summary of the total impact on retained earnings (deficit) of the changes described above:

	Note	Jan 1, 2010
Retained earnings at December 31, 2009 per CGAAP		$ 30,303
Increase in retained earnings due to change in revenue recognition policy	a	1,663
Decrease in retained earnings due to increased share-based payments	d	(89)
Increase in deferred taxes	c	(466)
Retained earnings at January 1, 2010 per IFRS		**$ 31,411**

	Note	Dec 31, 2010
Deficit at December 31, 2010 per CGAAP		$ (63,322)
Increase in retained earnings due to change in revenue recognition policy at transition date	b	1,663
Decrease in retained earnings due to change in revenue recognition policy during 2010	b	(950)
Decrease in retained earnings due to increased share-based payments at transition date	d	(89)
Increase in retained earnings due to decreased share-based payments during 2010	d	243
Decrease in retained earnings due to change in sublease loss amount and related accretion during 2010	e	(318)
Increase in deferred taxes at transition date	c	(466)
Decrease in deferred taxes during 2010	c	466
Deficit as at December 31, 2010 per IFRS		**$ (62,773)**

(g) Statement of cash flows

Consistent with the Company's accounting policy choice under IAS 7, "Statement of Cash Flows", interest paid and income taxes paid have moved into the body of the statement of cash flows, whereas they were previously disclosed as supplementary information. This change decreased cash flows from operating activities by $206,000 for 2010. There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under CGAAP.

(h) Long-term debt obligations

Due to debt covenant violations on the committed revolver and term facility that existed at January 1, 2010, all of the related debt was classified as current under IFRS.

31. Additional GAAP Measure

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