MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

To the Shareholders of Divestco Inc.

Management, in accordance with Canadian generally accepted accounting principles, has prepared the accompanying consolidated financial statements of Divestco Inc. Financial and operating information presented throughout this Annual Report is consistent with that shown in the consolidated financial statements.

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

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

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

Steve Popadynetz
Chief Executive Officer

Rod Chisholm
Chief Financial Officer

Calgary, Canada
March 22, 2010

AUDITORS' REPORT

To the Shareholders of Divestco Inc.

We have audited the consolidated balance sheets of Divestco Inc. as at December 31, 2009 and 2008 and the consolidated statements of loss, comprehensive loss and retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada
March 22, 2010

Consolidated Balance Sheets

(Thousands)

	AS AT DECEMBER 31	
	2009	**2008**
Assets		
Current Assets		
Cash and cash equivalents	$ 768	$ 1,811
Funds held in trust	17	31
Accounts receivable	19,267	27,858
Prepaid expenses, supplies and deposits	708	2,361
Income taxes receivable	391	59
	21,151	32,120
Long-term prepaid expense (Note 5)	846	–
Investment in affiliated company (Note 6)	88	80
Data libraries (Note 7)	138,712	154,897
Participation surveys in progress	2,186	4,708
Property and equipment (Note 8)	2,747	4,942
Deferred development costs (Note 9)	6,699	6,201
Intangible assets (Note 10)	3,494	6,787
	$175,923	$209,735
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 21,184	$ 27,235
Current portion of deferred revenue	5,543	11,206
Current portion of long-term debt obligations (Note 12)	6,217	14,622
	32,944	53,063
Deferred revenue	–	263
Long-term debt obligations (Note 12)	20,685	33,463
Convertible debentures (Note 13)	3,602	–
Future income taxes (Note 14)	12,342	10,973
	69,573	97,762
Shareholders' Equity		
Equity instruments (Note 15(b))	70,518	70,518
Contributed surplus (Note 15(d))	5,473	4,955
Equity portion of convertible debentures (Note 13)	56	–
Retained earnings	30,303	36,500
	106,350	111,973
Future operations (Note 1)		
Commitment (Note 18)		
Contingencies (Note 22)		
	$175,923	$209,735

See notes to consolidated financial statements.

Approved by the Board:

John Brussa, Chairman of the Board

Stephen Popadynetz, Director

Consolidated Statements of Loss, Comprehensive Loss and Retained Earnings

(Thousands, Except Per Share Amounts)

	FOR THE YEAR ENDED DECEMBER 31	
	2009	**2008**
Revenue	$61,976	$102,967
Operating expenses		
Salaries and benefits	21,889	34,381
General and administrative	14,705	16,113
Stock compensation expense (Note 15(d))	518	1,073
	37,112	51,567
Interest expense	2,941	5,412
Depreciation and amortization	34,692	41,209
Impairment of goodwill and intangible assets (Note 10 and 11)	1,115	13,779
Other income (loss)	4,371	(1,602)
Loss before income taxes	(9,513)	(10,602)
Income taxes (Note 14)		
Current (recovery)	(4,685)	1,094
Future (reduction)	1,369	(2,433)
	(3,316)	(1,339)
Net loss and comprehensive loss for the year	(6,197)	(9,263)
Retained earnings, beginning of year	36,500	45,763
Retained earnings, end of year	$30,303	$ 36,500
Net loss per share (Note 15(f))		
Basic and Diluted	$ (0.15)	$ (0.22)
Weighted average number of shares		
Basic and Diluted	41,958	41,767

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(Thousands)

	FOR THE YEAR ENDED DECEMBER 31	
	2009	**2008**
Cash flows from operating activities		
Net loss for the year	$ (6,197)	$ (9,263)
Items not affecting cash:		
Equity investment gain	(8)	(8)
Depreciation and amortization of data libraries, property and equipment and intangible assets	33,211	40,221
Impairment of goodwill and intangible assets	1,115	13,779
Amortization of deferred development costs	1,481	988
Amortization of deferred finance costs	346	360
Amortization of deferred finance costs and accretion of liability portion of convertible debentures	6	609
Future income taxes (reduction)	1,369	(2,433)
Data exchanges (Note 7)	(3,321)	–
Loss (gain) on sale of property and equipment (Note 5)	(4,435)	1,558
Non-cash retention bonus	–	485
Stock compensation expense (Note 15(d))	518	1,073
	24,085	47,369
Changes in non-cash working capital balances (Note 17)	(354)	(4,316)
Decrease in non-current deferred revenue	(263)	(267)
Decrease in long-term prepaid expense	354	–
	23,822	42,786
Cash flows from (used in) financing activities		
Issue of common shares, net of related expenses	–	349
Repayment of long-term debt obligations	(14,572)	(8,143)
Deferred financing costs	(173)	–
Proceeds received from debenture issue	3,750	–
Proceeds received from long-term debt obligations (net of committed revolver repayments)	(6,971)	3,433
Repurchase of common shares	–	(59)
	(17,966)	(4,420)
Cash flows from (used in) investing activities		
Purchase of data libraries	(7,246)	(26,571)
Decrease (increase) in participation surveys in progress	2,522	(3,661)
Purchase of property and equipment	(1,500)	(398)
Proceeds on sale of property and equipment	3,340	3,089
Deferred development costs	(1,979)	(2,453)
Changes in non-cash working capital balances (Note 17)	(2,036)	(9,027)
	(6,899)	(39,021)
Decrease in cash and cash equivalents	(1,043)	(655)
Cash and cash equivalents, beginning of year	1,811	2,466
Cash and cash equivalents, end of year	$ 768	$ 1,811

See notes to consolidated financial statements.

Divestco Inc.
Notes to Consolidated Financial Statements

December 31, 2009 (Tabular amounts in thousands, unless otherwise stated)

Divestco Inc. (Divestco or the Company) is incorporated under the Business Corporations Act of Alberta and is a publicly traded company on the Toronto Stock Exchange (TSX) under the symbol DVT. The Company offers its customers the ability to access and analyze information and make business decisions to optimize their success in the upstream oil and gas industry through four operating segments which include Software, Services, Data and Consulting. The Corporate and Other segment provides support services to the operating segments.

1. Basis of Presentation and Future Operations

These consolidated financial statements have been prepared on the basis that the Company will be able to discharge its obligations and realize its assets in the normal course of business at the values at which they are carried in these consolidated financial statements. The Company had a working capital deficit of $11.8 million at the end of 2009, including deferred revenue of $5.5 million. The working capital deficit includes $6.2 million owing on the Company's term loans and capital leases which are due before December 31, 2010. In addition, the Company incurred losses of $6.2 million for 2009 primarily due to the global recession and pre-tax charges for a $1.1 million intangible impairment and a $2 million allowance for doubtful account provision. These matters cast doubt on the ability of the Company to continue to meet its obligations. Management is reviewing additional sources of capital and debt financing to continue its activities and discharge its commitments as they become due. Management believes that the going concern assumption is appropriate for these consolidated financial statements. Adjustments to the carrying amounts of the balance sheet classifications used, assets and liabilities, and revenues and expenses, may be necessary should the going concern assumption be inappropriate. Notwithstanding the going concern assumption, the Company has a history of profitable operations, positive funds from operations and has significantly improved its working capital deficit and reduced its funded debt load considerably since December 31, 2008. Furthermore, the Company has implemented cost cutting measures and evaluates all material capital expenditures before commencement to ensure they meet appropriate funding criteria. As at December 31, 2009, the Company was in violation of its cash EBITDA covenant. The lender has acknowledged the breach and has provided the Company with a waiver of the covenant as at December 31, 2009. The Company does not expect to violate its covenants over the next 12 months ending December 31, 2010.

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

Certain figures with respect to the year ended December 31, 2008 have been reclassified to conform to the current year's presentation. Specifically, the Company's Seismic Brokerage division was moved from the Services segment to the Data segment.

2. Significant Accounting Policies

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

(a) Principles of consolidation

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

(b) Use of estimates

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

(c) Cash and cash equivalents

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

(d) Investment in affiliated company

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

(e) Data libraries

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

Amortization is provided for as follows:

	AMORTIZATION METHOD	RATE
Seismic data library	Straight-line	7 to 10 years
Datasets	Straight-line	10 years
Log and drilling library	Straight-line	20 years
Reference library	Straight-line	5 years
Map library	Straight-line	15 years

The carrying value of the data libraries is reviewed by the Company, at least annually, to assess if there has been an impairment in value. Additional amortization is recorded if it is determined that estimated future sales will not be sufficient to cover the carrying value of the asset.

(f) Property and equipment

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

	AMORTIZATION METHOD	RATE
Computer hardware and software	Straight-line	3 years
Office furniture and equipment	Straight-line	5 years
Leasehold improvements	Straight-line	Term of lease

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

(g) Intangible assets

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

	AMORTIZATION METHOD	RATE
Non-competition agreements	Straight-line	Term of agreement
Customer related intangibles	Straight-line	2 years
Proprietary software	Declining balance	50%
Software code	Straight-line	10 years
Office leases below market value	Straight-line	Term of lease
Well logs licence agreement	Straight-line	10 years

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

(h) Participation in joint ventures

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

(i) Revenue recognition and deferred revenue

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

(i) Software and software licences, including maintenance and support
(ii) Data libraries
(iii) Seismic brokerage (recorded on a net basis)
(iv) Seismic data licence sales
(v) Consulting
(vi) Other services including: seismic survey audit, information and land management, custom mapping, imaging, geophysical/geological, database management and seismic processing services.

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

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

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

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

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

(v) Consulting revenue is recorded as milestones are achieved whereby customers are billed as phases of a project are completed.

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

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

(j) Future income taxes

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

(k) Stock-based compensation plan

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

(l) Employee share ownership plan

The Company has an employee share ownership plan (ESOP) whereby each employee may elect to contribute up to 25% of their regular salary towards the savings plan. The Company matches the employee's contribution up to 4.5% of their monthly regular salary to a maximum of $450 per month. The common shares are purchased through the facilities of the TSX. The Company's contributions under the ESOP for 2009 were $111,000 (2008 – $704,000) and categorized as salaries and benefits in the consolidated statements of loss and comprehensive loss. Due to the impact of the global recession, the Company matched portion was suspended until further notice effective April 1, 2009.

(m) Net loss per share

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

(n) Investment tax credits

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

(o) Research and development

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

(p) Foreign currency

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

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

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

(q) Financial Instruments

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

- Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost determined using the effective interest rate method. Transaction costs attributable to financial instruments classified as other than held-for-trading are included in the recognized amount of the related financial instrument and recognized over the life of the resulting financial instrument. Prior to January 1, 2007, transaction costs were recorded as deferred charges and recognized in net income on a straight-line basis over the life of the financial instrument. On adoption, transaction costs were recognized as if the effective interest rate method had always been applied whereby the amount recognized varies over the life of the financial instrument based on principal outstanding. Amortization of premiums or discounts and losses due to impairment are included in current period net loss.
- Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income and reclassified to net income when derecognized or impaired.
- Held-for-trading financial instruments are measured at fair value. All gains and losses on derivatives that are not designated or do not qualify for hedge accounting are included in net income in the period in which they arise.

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

3. Changes in Accounting Policies and Future Accounting Pronouncements

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

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

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

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

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

Non-controlling interests, which establishes the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The standard requires a non-controlling interest in a subsidiary to be classified as a

separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interest. The adoption of this standard should not have a material impact on Divestco's consolidated financial statements.

4. Changes in Accounting Estimates

On January 1, 2009, the Company changed the useful life of its data libraries and property and equipment as follows:

	AMORTIZATION METHOD		RATE	
	Previous	**New**	**Previous**	**New**
Reference library	Declining balance	Straight-line	20%	5 years
Computer hardware and software	Declining balance	Straight-line	30%	3 years
Office furniture and equipment	Declining balance	Straight-line	20-30%	5 years

In addition, the Company no longer records one half year's worth of amortization in the year of acquisition. As a result of this change, additional depreciation and amortization $1.8 million was recorded for the year ended December 31, 2009.

On October 1, 2008, the Company changed the useful life of its customer related intangibles. As a result of this change, additional depreciation and amortization expense for customer lists of $5.4 million was recorded in 2008 and $1.1 million in 2009.

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

5. Dispositions

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

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

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

The Company received a prepaid archive services credit of $1.5 million or $300,000 per year over five years. From April 1, 2009 to December 31, 2009, the Company used $354,000 of the total credit.

In addition, the Company has guaranteed a minimum revenue obligation to the purchaser of $400,000 per year over five years for a total of $2 million. Any annual short-fall will be paid in cash by the Company to the purchaser. The Company can discharge its obligation in advance without penalty. From April 1, 2009 to December 31, 2009, the Company fulfilled its annual obligation.

On September 3, 2008, the Company sold all of the operating assets of its wholly-owned U.S. subsidiary and ceased its U.S. operations. The disposition is summarized below in Canadian dollars:

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

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

6. Investment in Affiliated Company

The Company owns 36.11% of the common shares of SDLS Inc. (SDLS), a private company. The investment has been accounted for using the equity basis. The Company's pro-rata share of the net income of SDLS for the year ended December 31, 2009 was $8,000 (2008 – net income of $8,000) as has been recorded in other income (loss) in the consolidated statements of loss and comprehensive loss. The fair value of the balances due from SDLS and the investment in SDLS approximate their carrying values as at December 31, 2009.

7. Data Libraries

	BALANCE AS AT DECEMBER 31			
		2009		2008
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Seismic data library	$253,040	$119,765	$241,707	$ 92,748
Datasets	632	486	632	451
Log and drilling library	7,209	2,098	7,209	1,737
Reference library	445	416	445	327
Map library	239	88	239	72
	$261,565	$122,853	$250,232	$ 95,335
Net book value		$138,712		$154,897

In 2009, the Company acquired $3.3 million of seismic data libraries and sold $6.3 million of seismic data licenses and related services in data exchanges. The net cash amount of $3 million was reflected as an investing activity in the consolidated statements of cash flows. There were no data exchanges in 2008.

8. Property and Equipment

	BALANCE AS AT DECEMBER 31			
		2009		2008
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware and software	$ 6,921	$ 5,556	$ 6,814	$4,862
Office furniture and equipment	1,744	1,461	1,247	755
Leasehold improvements	1,492	1,032	1,297	729
Assets under capital lease	3,521	2,912	3,964	2,064
Land	30	–	30	–
	$13,708	$10,961	$13,352	$8,410
Net book value		$ 2,747		$4,942

9. Deferred Development Costs

	BALANCE AS AT DECEMBER 31	
	2009	**2008**
Balance, beginning of year	$ 6,201	$4,736
Additions	1,979	2,453
Amortization[1]	(1,481)	(988)
Balance, end of year	$ 6,699	$6,201

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

10. Intangible Assets

	BALANCE AS AT DECEMBER 31			
	2009		**2008**	
	Cost	**Accumulated Amortization**	**Cost**	**Accumulated Amortization**
Non-competition agreements	$ 3,938	$ 3,938	$ 3,938	$ 3,938
Customer related intangibles	11,389	11,389	11,389	10,336
Proprietary software and code	8,256	4,762	8,256	4,084
Office leases below market value	2,700	2,700	2,700	1,138
Well logs licence agreement	750	750	750	750
	$27,033	$23,539	$27,033	$20,246
Net book value		$ 3,494		$ 6,787

During 2009, the Company recorded a non-cash intangible asset impairment charge of $1.1 million, (pre-tax), in its Services segment based on its annual impairment test performed as at December 31, 2009. During 2008, the Company recorded a non-cash intangible asset impairment charge of $3.7 million, (pre-tax), in its Software, Services, Data and Consulting segments based on its annual impairment test performed as at December 31, 2008. The charges are recorded on the consolidated statements of loss and comprehensive loss under impairment of goodwill and intangible assets. The estimated future cash flows were unable to support the value of these assets. Estimated future cash flows declined in 2009 and 2008 as the demand for some of the Company's products and services dropped brought on by the general slowdown in the North American economy. Management determined that the stated value of the Company's intangible assets was impaired as the estimated future cash flows associated with these assets had decreased.

11. Goodwill

There was no goodwill on the Company's consolidated balance sheets as at January 1, 2009. In 2008, the Company recorded a non-cash goodwill impairment charge of $10.1 million (pre-tax) in its Software, Services and Consulting segments based on its annual goodwill impairment test it performed as at December 31, 2008. The charge was recorded in impairment of goodwill and intangible assets on the consolidated statements of loss and comprehensive loss.

The first step of the test indicated impairment to the value of the goodwill due to the decline in the market value of the Company's stock compared to the book value of shareholders' equity. As a result, the Company performed the second step of the assessment to quantify the amount of impairment. The implied fair value of the goodwill in the Company's reporting units was calculated and compared to the

carrying value of the goodwill. The fair value of the reporting unit was allocated to all of its assets and liabilities. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. As a result, the Company recognized a non-cash goodwill impairment charge. The goodwill impairment charge is non-cash in nature and did not affect the Company's liquidity, cash flows from operating activities, or compliance with debt covenants.

12. Long-Term Debt Obligations

	BALANCE AS AT DECEMBER 31	
	2009	**2008**
Term loans and committed revolver (a)	$26,545	$ 41,202
Promissory notes (b)	67	6,091
Capital lease obligations (c)	718	1,491
	27,330	48,784
Current portion	(6,217)	(14,622)
Deferred finance charges (d)	(428)	(699)
Long-term portion	$20,685	$ 33,463

(a) Term loans and committed revolver

As at December 31, 2009, the Company had the following credit facility in place:

(i) Committed revolver of $20 million with $15.8 million drawn as at December 31, 2009. The committed revolver reduces to $17.5 million on January 1, 2010.

(ii) Term loan A which is payable in monthly instalments of $378,000. $8.6 million was outstanding on December 31, 2009.

(iii) Term loan B which is payable in monthly instalments of $96,000. $2.2 million was outstanding on December 31, 2009.

The Company's interest rate was calculated on a formula grid structure of LIBOR and Canadian base-rate options plus 4.00% to 5.00% until December 31, 2009.

The facilities are subject to the Company meeting certain debt covenants. The Company was to have a minimum of $25 million in cash EBITDA for the year ended December 31, 2009 (trailing 12 months) and a fixed charge coverage ratio of at least 1.25:1 as at December 31, 2009 (trailing 12 months). As at December 31, 2009, the Company was in violation of its cash EBITDA covenant. The lender has acknowledged the breach and has provided the Company with a waiver of the covenant as at December 31, 2009.

Subsequent to December 31, 2009, the Company must maintain a cash EBITDA exceeding approximately $4.7 million as at March 31, 2010 (trailing three months), $8.1 million as at June 30, 2010 (trailing six months), $10.3 million as at September 30, 2010 (trailing nine months) and $17.1 million as at December 31, 2010 (trailing 12 months). The Company must maintain a fixed charge coverage ratio of at least 1.25:1 as at March 31, 2010 (trailing three months), 1.25:1 as at June 30, 2010 (trailing six months), 1.10:1 as at September 30, 2010 (trailing nine months) and 1.25:1 as at December 31, 2010 (trailing 12 months).

Effective January 1, 2010, the Company's interest rate is at LIBOR and Canadian base-rate options plus 5.00% increasing to 6.00% as at October 1, 2010, 6.25% as at July 1, 2011, 6.5% as at October 1, 2011, 6.75% as at January 1, 2012 and 7% as at April 1, 2012 to maturity.

The Company does not expect to violate its covenants over the next 12 months ending December 31, 2010.

PRINCIPAL PAYMENTS ON THE TERM LOANS ARE AS FOLLOWS:	
2010	$ 5,695
2011	5,091
	$10,786

COMMITTED REVOLVER:	
Current potion	$ –
Long-term portion	15,759
	15,759
Total	$26,545

(b) Promissory notes

	BALANCE AS AT DECEMBER 31	
	2009	2008
Unsecured promissory notes issued to replace the convertible debentures on the date of maturity (Note 13), bearing interest of 10%, repayable in 12 equal monthly blended payments commencing January 15, 2009.	$ –	$ 5,608
Unsecured promissory notes issued on the acquisition of Spectrum, bearing interest of 6%, repayable on June 19, 2009.	–	350
Unsecured promissory notes issued on the acquisition of Landmasters, bearing interest at 2% above the Company's prime lending rate, repayable in three equal instalments of $66,667 on each of December 31, 2008, 2009, and 2010.	67	133
	$ 67	$ 6,091
Current portion	(67)	(6,024)
Long-term portion	$ –	$ 67

(c) Capital lease obligations

The Company has capital lease obligations, which have terms of two to four years and bear interest at 1.4% to 8.8% per annum. Minimum annual lease payments are as follows:

2010	$455
2011	220
2012	40
2013	3
	$718

(d) Deferred finance charges

	BALANCE AS AT DECEMBER 31	
	2009	**2008**
Balance, beginning of year	$ 699	$1,059
Additions	75	–
Amortization[(1)]	(346)	(360)
Balance, end of year	$ 428	$ 699

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

13. Convertible Debentures

	BALANCE AS AT DECEMBER 31	
	2009	**2008**
Balance, beginning of year	$ –	$ 7,533
Additions	3,750	–
Equity component	(56)	–
Accretion of liability portion to face value	2	609
Deferred finance charges	(98)	–
Amortization of deferred finance charges	4	–
Conversion to common shares	–	(665)
Conversion to promissory notes	–	(7,477)
Balance, end of year	$3,602	$ –

On November 16, 2009, the Company closed a private placement of an aggregate principal amount of $3,750,000 of unsecured convertible debentures maturing November 15, 2011. The convertible debentures are convertible at the option of the 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 bear interest at 9.75% per annum, payable quarterly, and are repayable in cash at maturity. The net proceeds of the offering were used for the repayment of existing promissory notes and working capital purposes.

The $7.5 million in convertible debentures as at January 1, 2008, were assumed through the acquisition of BlueGrouse Seismic Solutions Ltd. Each debenture carried interest at a rate of 10% per annum and was convertible, in whole or in part, into common shares at a conversion price of $4.48 per common share at any time on or before November 21, 2008. On the date of maturity, $665,000 of the debentures converted into 148,437 common shares. The Company converted the remaining principal repayment of approximately $7.5 million to promissory notes payable with new repayment terms. On December 15, 2008, the Company repaid 25% or $1.9 million of the outstanding notes and the balance was to be repaid in 12 equal monthly principal payments plus 10% annual interest, commencing January 15, 2009. Payments were made from January to May 2009. The June to October payments were deferred. On November 15, 2009, the promissory note was fully repaid with proceeds from the issuance of new convertible debentures as discussed above.

14. Income Taxes

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

	FOR THE YEAR ENDED DECEMBER 31	
	2009	**2008**
Income (loss) before income taxes	$ (9,513)	$(10,602)
Statutory rate	29.00%	29.50%
Computed income tax provision	$ (2,759)	$ (3,128)
Effects of differences:		
Non-deductible expenses	192	648
Sale of property and equipment	(290)	–
Goodwill impairment	–	2,158
Adjustments for enacted changes in income tax rates	(529)	(1,060)
Other	70	43
Actual income tax expense	$ (3,316)	$ (1,339)
Current (recovery)	(4,685)	1,094
Future (reduction)	1,369	(2,433)
Actual income tax expense	$ (3,316)	$ (1,339)

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

	BALANCE AS AT DECEMBER 31	
	2009	**2008**
Databases, property and equipment, and intangibles	$(21,507)	$(13,424)
Non-capital loss carry forwards	3,194	861
SR&ED expenditures	(1,927)	(2,148)
Share issue and financing costs	262	484
Deferred partnership income	7,636	3,254
Future income tax liability	$(12,342)	$(10,973)

(c) The Company files Scientific Research and Experimental Development (SR&ED) claims with the Canada Revenue Agency (CRA) in respect of certain research and development expenditures. Although the claims are filed on the basis of the regulations, the recoverability of the amounts recorded in these financial statements is subject to confirmation by the CRA. In 2009, the Company used approximately $2.1 million (2008 – $3.3 million) in SR&ED expenses to recover income taxes paid in 2007. As at December 31, 2009, the Company had $572,000 of investment tax credits (ITC) available to reduce federal income taxes payable in the future which expire in 2029.

(d) As at December 31, 2009, the Company and its Canadian subsidiaries had $17.6 million in Federal and $2.9 million in Alberta non-capital loss carry-forwards in Canada, a portion of which was assumed through various acquisitions in 2007, which begin to expire in 2027.

15. Equity Instruments

(a) Authorized

An unlimited number of voting common shares.

(b) Issued

	BALANCE AS AT DECEMBER 31			
		2009		**2008**
Common shares	**Number of Shares**	**Amount**	**Number of Shares**	**Amount**
Balance, beginning of year	41,958	$70,518	41,579	$69,180
Cancellation of shares issued as retention bonuses	–	–	(1)	(5)
Reclassification to common shares on share purchase loan forgiveness and bonus shares release from escrow	–	–	–	252
Exercise of stock options – cash consideration	–	–	268	349
Exercise of stock options – reclassification of contributed surplus	–	–	–	136
Repurchase for cancellation	–	–	(36)	(59)
Conversion of convertible debentures	–	–	148	665
Balance, end of year	41,958	$70,518	41,958	$70,518

(c) Normal course issuer bid

On January 24, 2008 the Toronto Stock Exchange accepted the Company's Notice of Intention to make a Normal Course Issuer Bid (NCIB) to purchase up to 2,092,853 (a maximum of 5%) of its issued and outstanding common shares (41,857,070 common shares as at January 14, 2008) in a twelve-month period. The NCIB commenced January 28, 2008 and terminated on January 27, 2009. There were 35,600 shares purchased under the NCIB in 2008 for $59,000 ($1.66 per share average). No shares were purchased in 2009.

(d) Contributed surplus

	BALANCE AS AT DECEMBER 31	
	2009	**2008**
Balance, beginning of year	$4,955	$3,661
Stock compensation expense	518	1,073
Reclassification to common shares on exercise of options	–	(136)
Reclassification to common shares on share purchase loan forgiveness and bonus shares released from escrow	–	(252)
Equity component of convertible debentures	–	609
Balance, end of year	$5,473	$4,955

(e) Stock options

The Company has established a stock option plan whereby the Company may grant options to purchase common shares to directors, officers, employees and consultants. The options have a five-year term and are exercisable pursuant to a vesting schedule of one-third following the first anniversary of the grant date, one-third following the second anniversary of the grant date, and the remaining one-third following the third anniversary of the grant date. 4,196,009 common shares of the Company have been reserved under the Plan.

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

	NUMBER OF OPTIONS	OPTION PRICE	WEIGHTED AVERAGE PRICE
Options outstanding, December 31, 2007	2,743	$1.00-$6.10	$3.19
Granted	516	$1.30-$2.39	$1.34
Exercised	(268)	$1.20-$1.69	$1.30
Forfeited	(504)	$1.00-$6.10	$3.74
Options outstanding, December 31, 2008	2,487	$1.00-$6.10	$2.90
Granted[(1)]	**975**	**$0.60**	**$0.60**
Forfeited[(2)]	**(1,325)**	**$1.00-$6.10**	**$2.67**
Options outstanding, December 31, 2009	**2,137**	**$0.60-$6.10**	**$1.99**

(1) Granted to Directors and officers

(2) Includes 837,925 options held by Directors, officers and a former officer.

Stocks options which were outstanding and vested as at December 31, 2009, are summarized as follows:

OPTIONS OUTSTANDING	OPTION PRICE	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	NUMBER OF OPTIONS CURRENTLY EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE OF OPTIONS CURRENTLY EXERCISABLE
1,472	$0.60-$1.99	$0.84	4.32	203	$1.30
200	$2.00-$3.49	$3.00	1.28	185	$3.04
214	$3.50-$4.99	$4.22	1.90	188	$4.31
251	$5.00-$6.10	$6.02	1.33	251	$6.02
2,137	$0.60-$6.10	$1.99	3.44	827	$3.81

The per share weighted average fair value of the stock options granted for the year ended December 31, 2009, was $0.44 (2008 – $0.78). This was estimated using the Black-Scholes option pricing model with the following assumptions: an average expected volatility of 91% (2008 – 67%), an average risk free interest rate of 2.3% (2008 – 3.0%), no dividend rate and an expected life of five years. The compensation expense is recognized evenly over the three-year vesting period of the stock options.

(f) Net loss per share

Basic net loss per share is computed using the weighted-average number of common shares outstanding during the year, being 41,958,000 for 2009 (2008 – 41,767,000). Diluted net loss per share is computed using the "treasury stock" method whereby outstanding stock options are only dilutive if, and to the extent, that they are "in the money" and the "if-converted" method whereby outstanding convertible debentures were assumed to have been converted at the beginning of the year unless their effect was anti-dilutive. In computing diluted net loss per share, no shares (2008 – nil) were added to the weighted average number of common shares outstanding for the dilution from the stock options and convertible debentures. Options to purchase 2,137,000 (2008 – 2,487,000) common shares have been excluded from the calculations of diluted net loss per share as they were out of the money for all of 2009 and 2008. The convertible debentures were also excluded from the calculations of diluted net loss per share due to their anti-dilutive effect.

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

	FOR THE YEAR ENDED DEC 31	
	2009	**2008**
Numerator		
Net loss	$ (6,197)	$ (9,263)
Net loss for diluted earnings per share	$ (6,197)	$ (9,263)
Denominator		
Weighted average number of shares outstanding for basic earnings per share	41,958	41,767
Weighted average number of shares outstanding for diluted earnings per share	41,958	41,767
Basic and diluted net loss per share	$ (0.15)	$ (0.22)

16. Management of Capital

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

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

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

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

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

During 2009, the Company's strategy was to maintain the targets set out in the following table which were amended from the prior year. The Company has determined that in reaction to the current economic environment it will target its funded debt to equity at the lower end of the range to ensure adequate financial flexibility to meet the financial obligations, both current and long term. The Company believes that these ratios remain in a range that will continue provide access to capital at a reasonable cost.

Total funded debt to equity ratio at the end of 2009 is within the Company's target.

		BALANCE AS AT DECEMBER 31	
		2009	**2008**
Components of funded debt to equity ratio:			
Current portion of long-term funded debt obligations		$ 6,217	$ 14,622
Long-term funded debt obligations		20,685	33,463
Convertible Debentures		3,602	–
Total funded debt		30,504	48,085
Shareholders' equity		$106,350	$111,973
	Company Target		
Total funded debt to equity	25% to 45%	29%	43%

17. Statement of Cash Flows

	FOR THE YEAR ENDED DECEMBER 31	
	2009	**2008**
Interest and income taxes paid		
Income taxes paid	$ 538	$ 7,376
Income taxes refunded	$ 5,688	$ –
Interest paid (net of interest revenue)	$ 2,955	$ 5,398
Changes in non-cash working capital balances		
Funds held in trust	$ 14	$ 647
Accounts receivable	8,591	(1,154)
Income taxes receivable	(332)	(59)
Prepaid expenses, supplies and deposits	953	(636)
Accounts payable and accrued liabilities	(6,051)	(12,148)
Income taxes payable	–	(7,286)
Deferred revenue	(5,565)	7,293
	$(2,390)	$(13,343)
Changes in non-cash working capital balances related to operating activities	$ (354)	$ (4,316)
Changes in non-cash working capital balances related to investing activities	(2,036)	(9,027)
	$(2,390)	$(13,343)

In 2009, the Company recorded capital lease additions of $89,000 (2008 – $669,000). In 2008, proceeds from the sale lease-back are included in proceeds from long-term debt obligations on statements of cash flows. At December 31, 2009, the Company held $71,000 (2008 – $61,000) of cash and cash equivalents which were denominated in a foreign currency.

18. Commitments

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

2010	$ 7,352
2011	7,768
2012	6,588
2013	6,181
2014 +	82,745
Total	$110,634

19. Related Party Transactions

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

(a) In 2009, the Company incurred $268,000 (2008 – $199,000) in seismic consulting fees and brokerage commissions from a company controlled by a director. Included in accounts payable as at December 31, 2009 was $101,000 (December 31, 2008 – $nil) related to these commissions.

(b) In 2009, the Company incurred $423,000 (2008 – $233,000) in legal fees from the law firm at which the Company's Corporate Secretary is employed. Included in accounts payable as at December 31, 2009 was $26,000 (December 31, 2008 – $22,000) related to these legal fees.

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

20. Financial Instruments and Risk Management

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

(a) Credit risk

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

A significant portion of the Company's trade accounts receivable are from companies in the oil and gas industry and are exposed to normal industry credit risks. The concentration risk is mitigated primarily by the customers being large investment grade organizations. The credit worthiness of new customers is subject to review by management through consideration of the type of customer and the size of the contract. For 2009, two customers each accounted for more than 10% of the Company's revenue with a majority of the sales related to contacts for seismic data. At the end of 2009, three customers accounted for 28% of the Company's total accounts receivable.

The Company reviews its accounts receivable amounts regularly and amounts are written down to their expected realizable value when outstanding amounts are determined not to be fully 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. Bad debt expense is charged to net loss in the period that the account is determined to be doubtful. Estimates of the allowance for doubtful accounts are determined on a customer-by-customer evaluation of collectability at each reporting date taking into consideration the following factors: the length of time the receivable has been outstanding, specific knowledge of each customer's financial condition and historical experience. In addition, the Company records an allowance for doubtful accounts equal to 20% of balances that are older than 120 days. The carrying amount of accounts receivable represents the maximum credit exposure.

The aging of trade receivables is illustrated below:

	BALANCE AS AT DECEMBER 31			
		2009		2008
	Gross	Allowance	Gross	Allowance
Not past due	$ 6,982	$ –	$11,329	$ –
Past due 0-30 days	4,057	–	2,731	–
Past due 31-120 days	1,189	–	2,547	–
More than 121 days	8,716	2,030	4,346	517
Total trade receivables	$20,944	$2,030	$20,953	$517
Accrued receivables	353	–	7,422	–
Allowance for doubtful accounts	(2,030)	–	(517)	–
Total accounts receivable	$19,267	$2,030	$27,858	$517

(b) Interest rate risk

The Company's short-term borrowings are based on floating rates and subject to interest rate cash flow risk as the required cash flows to service the debt will fluctuate as a result of changes in market rates. The Company's long-term debt is based on interest on fixed interest rates ranges from 1.4% to 9.75%. If these transactions were entered into today, the interest expense would not be materially different.

The Company's sensitivity analysis includes items bearing interest at variable rates and indicates that a 100 basis points fluctuation in interest rates would have an approximately $333,000 impact on annual net loss for 2009 (on a pre-tax basis). The Company does not use derivative financial instruments to reduce its interest risk exposure. The carrying amounts of the Company's term debt approximate their fair values.

(c) Foreign currency risk

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

(d) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. As at December 31, 2009 the Company had a cash and cash equivalents balance of $0.8 million, $19.3 million in accounts receivable and $1.7 million in unused committed bank credit facilities (term facilities cannot be redrawn upon) totalling $21.8 million to settle current liabilities of $27.4 million (excluding deferred revenue of $5.5 million). To manage liquidity risk, the Company utilizes long and short-term cash forecasts to ensure it has necessary funds to fulfill its obligations. Management is reviewing additional sources of capital and alternative replacement debt structures to continue its activities and discharge its commitments as they become due. The Company is also focused on disposing of non-core assets and has implemented considerable expense reductions. Management believes that the liquidity risk is acceptable given historical operating results, value of the underlying assets as well as the existing and future pipeline of business opportunities. The Company's liquidity position has significantly improved over the past two years and the Company will remain committed to not undertaking any significant capital expenditure unless the project is fully funded with sales contracts or until its working capital position has further improved.

The following table summarizes the maturities of financial liabilities and associated interest payments as at December 31, 2009:

	< 1 YEAR	1-2 YEARS	2-5 YEARS	TOTAL
Accounts payable and accrued liabilities	$21,184	$ –	$ –	$21,184
Long-term debt obligations(1)	6,217	5,311	15,802	27,330
Convertible debentures(2)	–	3,750	–	3,750
Total	**$27,401**	**$9,061**	**$15,802**	**$52,264**

(1) Excludes deferred finance charges of $428,000.
(2) Excludes equity portion of $56,000 and deferred finance charges of $92,000

21. Segmented Information

The Company is an oil and gas services company offering products and services to customers in the oil and gas exploration and production industry. The Company's products and services are offered through four segments: Software, Services, Data, and Consulting. In addition, the Company reports its overhead activities through its Corporate and Other segment. Before the disposition of the assets of its wholly-owned U.S. subsidiary in 2008, the Company operated in two geographic locations – Canada and the United States.

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

The accounting policies of the segments are the same as those described in Note 2. Inter-segment sales and transfers, which are accounted for at market value, are eliminated on consolidation. Operating income (loss) is measured as revenue less operating expenses, interest, depreciation and amortization and impairment of goodwill and intangibles. Other income (loss) items and income taxes reported on the Company's consolidated statements of loss and comprehensive loss are not allocated to the reportable segments.

	AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2009					
	Software	Services	Data	Consulting	Corporate & Other	Total
Revenue from external customers	$ 7,766	$13,618	$ 33,877	$6,715	$ –	$ 61,976
Inter-segment revenue	–	657	–	–	–	657
Operating income (loss)(1)	2,703	(1,369)	(2,381)	(541)	(12,296)	(13,884)
Interest expense (net of interest revenue)	17	1	21	(1)	2,903	2,941
Depreciation and amortization	1,568	2,240	28,917	430	1,537	34,692
Impairment of goodwill and intangibles	–	1,115	–	–	–	1,115
Total assets	10,711	7,447	155,149	1,857	759	175,923
Capital expenditures	236	470	5,190	–	328	6,224
Deferred development costs	1,387	392	200	–	–	1,979

	AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2008					
	Software	Services	Data	Consulting	Corporate & Other	Total
Revenue from external customers	$ 8,356	$21,618	$ 60,648	$12,345	$ –	$102,967
Inter-segment revenue	–	2,245	–	–	–	2,245
Operating income (loss)(1)	(631)	(4,389)	19,255	(8,727)	(14,508)	(9,000)
Interest expense (net of interest revenue)	22	–	418	(16)	4,988	5,412
Depreciation and amortization	1,874	3,346	31,716	3,786	487	41,209
Impairment of goodwill and intangibles	1,930	6,355	218	5,276	–	13,779
Total assets	10,836	12,624	181,348	3,321	1,606	209,735
Capital expenditures	63	125	30,355	–	87	30,630
Deferred development costs	1,486	967	–	–	–	2,453

	AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2009		
	Canada	U.S.	Total
Revenue	61,976	–	61,976
Data libraries, participation surveys in progress, property and equipment, intangible assets and goodwill	147,139	–	147,139

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

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

22. Contingencies

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