Divestco

Annual Report

For the Year Ended
December 31, 2012

Management's Discussion & Analysis

For the Three Months and Year Ended December 31, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis ("MD&A") is dated April 30, 2013, and should be read in conjunction with the audited consolidated financial statements and notes of Divestco Inc. ("Divestco" or the "Company") as at and for the years ended December 31, 2012 and December 31, 2011. All financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and is reported in Canadian dollars unless otherwise specified.

DIVESTCO'S BUSINESS

Divestco operates under four business segments: Software and Data, Services, Seismic Data and Corporate and Other.

- Software and Data: Offers the market a complete software suite designed with a thorough understanding of the workflows and requirements of oil and gas professionals; as well as a full suite of data, including well data, well logs, land, rig activity and drilling data. Software and data together provide complete solutions and have become an indispensable resource for geologists, geophysicists, engineers and land agents.

- Services: Offers geomatics services, which include data integrity validation, mapping, database hosting, and advisory support and consultation; seismic processing services, which include data quality assurance, processing and data management services for geophysical and geological information; and land management services through Cavalier Land and Canadian Landmasters, including surface acquisition, public consultation, telecom acquisition and consultation, regulatory guidance, freehold mineral acquisition, and crown land sale representation.

- Seismic Data: Focused on providing the oil and natural gas industry with quick, reliable access to cost-effective, high-resolution seismic data. This includes brokering and licensing existing seismic data between data owners and licensees, managing existing seismic data for the purpose of brokering sales, and creating new seismic data inventories through recording multi-client services. The seismic brokerage division is the largest of its kind in Canada, with 11 independent brokers.

- Corporate and Other: Responsible for setting Divestco's overall strategic objectives and providing finance and accounting, sales and marketing, human resources (HR) and information technology (IT) services to the Company's operating segments. The segment is discussed under the "Results for the Periods by Segment" section of the MD&A.

BUSINESS STRATEGY

Divestco's vision is to be the leading geo-services company in Canada, providing a focused offering of data, software and services through innovation and technical expertise to the oil and gas industry worldwide.

Divestco is an exploration services company dedicated to providing a focused offering of products and services to the oil and gas industry worldwide. Through continued commitment to innovative products and services, technical expertise and exceptional customer service, Divestco offers customers the ability to conveniently access and analyze comprehensive, accurate and reliable information required to make informed critical decisions and to optimize their success in the upstream oil and gas industry. Divestco is headquartered in Calgary, Alberta, Canada and trades on the TSX Venture Exchange ("TSX-V") under the symbol "DVT".

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 was required to meet certain debt covenants in 2012 as described in Notes 15 and 16 to the consolidated financial statements for the year ended December 31, 2012. As at December 31, 2012, the Company was in violation of its working capital covenant in its operating and subordinated loan agreements. Subsequent to December 31, 2012, the lenders provided waivers of the breach as at December 31, 2012. However, based on projections and assumptions, the Company anticipates violating the working capital covenant during 2013. If the covenant is breached, the lenders have the right to demand full repayment of their loans, being $6.3 million. In addition, the Company has $3.9 million in operating lease commitments in 2013. In aggregate, this exceeds the Company's projected 2013 cash flow from operating activities net of seismic participation revenue.

The Company's ability to continue as a going concern is dependent on the continued support of the Company's lenders including shareholders, directors and related parties, the availability of the lending facility or the Company's ability to obtain other financing to fund its operations. Therefore, there is a material uncertainty that casts a significant doubt as to the ability of the Company to continue as a going concern. The Company continues to look for additional sources of capital including negotiating other debt facilities to extend the term of its debt payments.

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. As a result, 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.

FORWARD-LOOKING INFORMATION

Divestco's MD&A and consolidated financial statements contain forward-looking information related to the Company's capital expenditures, projected growth, view and outlook towards future oil and gas prices and market conditions, and demand for its products and services. Statements that contain words such as "could', "should", "can", "anticipate", "expect", "believe", "will", "may" and similar expressions and statements relating to matters that are not historical facts, constitute "forward-looking information" within the meaning applicable by Canadian securities legislation. Although management of the Company believes that the expectations reflected in such forward-looking information are reasonable, there can be no assurance that such expectations will prove to have been correct because, should one or more of the risks materialize, or should the assumptions underlying forward-looking statements or forward-looking information prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected. Readers should not place undue reliance on forward-looking statements or forward-looking information. All of the forward-looking statements and forward-looking information of the Company contained in this MD&A are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking statements pertaining to the following*:

- Company's ability to keep debt and liquidity at acceptable levels, improve/maintain its working capital position and maintain profitability in the current economy
- Availability of external and internal funding for future operations
- Relative future competitive position of the Company
- Nature and timing of growth
- Oil and natural gas production levels
- Planned capital expenditure programs

- Supply and demand for oil and natural gas
- Future demand for products/services
- Commodity prices
- Impact of Canadian federal and provincial governmental regulation on the Company
- Expected levels of operating costs, finance costs and other costs and expenses
- Future ability to execute acquisitions and dispositions of assets or businesses
- Expectations regarding the Company's ability to raise capital and to add to seismic data through new seismic shoots and acquisition of existing seismic data
- Treatment under tax laws
- New accounting pronouncements

**These statements are included under the following headings of this MD&A: "Overview of Financial and Operational Results", "Results for the Periods by Segment", "Liquidity and Capital Resources", and "New IFRS Pronouncements".*

These forward-looking statements are based upon assumptions including:
- Future prices for crude oil and natural gas
- Future interest rates and future availability of debt and equity financing will be at levels and costs that allow the Company to manage, operate and finance its business and develop its software products and various oil and gas datasets, including its seismic data library, and meet its future obligations
- Regulatory framework in respect of royalties, taxes and environmental matters applicable to the Company and its customers will not become so onerous on both the Company and its customers as to preclude the Company and its customers from viably managing, operating and financing its business and the development of its software and data
- Ability of the Company to continue to be able to identify, attract, and employ qualified staff and to obtain the outside expertise, as well as specialized and other equipment it requires, to manage, operate, and finance its business and develop its properties

These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the Company's control, including:

- General economic, market and business conditions
- Volatility in market prices for crude oil and natural gas
- Ability of Divestco's clients to explore for, develop and produce oil and gas
- Availability of financing and capital
- Fluctuations in interest rates
- Demand for the Company's product and services
- Weather and climate conditions
- Competitive actions by other companies
- Availability of skilled labour
- Ability to obtain regulatory approvals in a timely manner
- Adverse conditions in the debt and equity markets
- Government actions, including changes in environment and other regulations

These risks and uncertainties are discussed in greater detail in the "Business Risks and Environment" section of this MD&A.

NON-GAAP MEASURES

The Company's condensed consolidated interim financial statements have been prepared in accordance with IFRS as issued by the IASB. Certain measures in this document do not have any standardized meaning as prescribed by IFRS and are considered additional GAAP measures. While these measures may not be comparable to similar measures presented by other issuers, they are described and presented in this MD&A to provide shareholders and potential investors with additional information regarding the Company's results, liquidity, and its ability to generate funds to finance its operations.

These measures include:

Earnings before interest, taxes, depreciation and amortization ("EBITDA")

Divestco uses EBITDA as a key measure to evaluate the performance of its segments and divisions, as well as the Company overall, with the closest IFRS measure being net income or net loss. EBITDA is a measure commonly reported and widely used by investors as an indicator of the Company's operating performance and ability to incur and service debt, and as a valuation metric. The Company believes EBITDA assists investors in comparing the Company's performance on a consistent basis, without regard to financing decisions and depreciation and amortization, which are non-cash in nature and can vary significantly depending upon accounting methods or non-operating factors such as historical cost.

EBITDA is not a calculation based on IFRS and should not be considered an alternative to net income or net loss in measuring the Company's performance. As well, EBITDA should not be used as an exclusive measure of cash flow because it does not consider the impact of working capital growth, capital expenditures, debt principal reductions and other sources and uses of cash, which are disclosed in the condensed consolidated interim statements of cash flows. While EBITDA has been disclosed herein to permit a more complete comparative analysis of the Company's operating performance and debt servicing ability relative to other companies, investors should be cautioned that EBITDA as reported by Divestco may not be comparable in all instances to EBITDA as reported by other companies. Investors should also carefully consider the specific items included in Divestco's computation of EBITDA.

The following is a reconciliation of EBITDA with net income (loss):

	Three months ended Dec 31		Year ended Dec 31	
(Thousands)	**2012**	2011	**2012**	2011
Net Income (Loss)	**$ (1,232)**	$ (768)	**$ 1,273**	$ (4,610)
Income Tax Expense (Reduction)	**-**	25	**(51)**	86
Finance Costs	**251**	252	**531**	759
Depreciation and Amortization	**1,292**	3,823	**10,646**	9,904
EBITDA	**$ 311**	$ 3,332	**$ 12,399**	$ 6,139

Funded debt and funded debt to equity

Funded debt is a measure of Divestco's long-term debt position and includes bank indebtedness and long-term debt obligations (shareholder and subordinated loans and finance leases). Funded debt to equity is funded debt divided by shareholders' equity (as reported on the Company's consolidated statement of financial position). The ratio indicates what proportion of equity and debt the Company is using to finance its assets and is used by the Company to determine an appropriate capital structure.

Working capital

Working Capital is calculated as current assets minus current liabilities (excluding deferred revenue). Working capital provides a measure that can be used to gauge Divestco's ability to meet its current obligations.

ADDITIONAL GAAP MEASURE

Funds from operations

Divestco reports funds from operations because it is a key measure used by management to evaluate its performance and to assess the ability of the Company to finance operating and investing activities. Funds from operations excludes certain working capital changes and other sources and uses of cash, which are disclosed in the consolidated statements of cash flows.

Funds from operations is a measure that can be used to gauge Divestco's capacity to generate discretionary cash flow. Investors should be cautioned that funds from operations as reported by Divestco may not be comparable in all instances to funds from operations as reported by other companies. While the closest IFRS measure is cash from operating activities, funds from operations is considered relevant because it provides an indication of how much cash generated by operations is available before proceeds from divested assets and changes in certain working capital items.

The following reconciles funds from operations with cash from (used in) operating activities:

	Three months ended Dec 31		Year ended Dec 31	
(Thousands)	**2012**	2011	**2012**	2011
Net Cash from (used in) Operating Activities	**$ (155)**	$ 3	**$ 14,892**	$ 5,093
Changes in non-cash Working Capital Balances Related to Operating Activities	**(85)**	2,703	**(3,408)**	411
Interest Paid	**219**	202	**374**	593
Income Taxes Refunded	**31**	-	**(184)**	(352)
Funds from Operations	**$ 10**	$ 2,908	**$ 11,674**	$ 5,745

BUSINESS RISKS AND ENVIRONMENT

Demand for products and services and dependence on major customers

Divestco's business is tied primarily to the oil and gas exploration and production industry. The demand and price for services and products offered by Divestco depends on the activity levels for oil and gas producers, which are determined by commodity prices, supply and demand for oil and natural gas, access to credit and capital markets, and to a lesser extent, government regulation (including regulation of environmental matters and material changes in taxation policies).

The Company has a wide customer base in the energy sector ranging from large multinational public entities to small private companies. Notwithstanding the Company's wide customer base, the most significant customer accounted for 30% of the Company's accounts receivable as at December 31, 2012, and five customers accounted for 28% of the Company's revenue for the year ended December 31, 2012. The Company has historically had a stable relationship with these customers and has no reason to believe there will be any change to this relationship in the future. The Company continuously makes efforts to expand its customer base.

The Company spends a considerable amount of time determining the optimal location to conduct a seismic survey, which includes using its contacts in the oil and gas exploration and production industry. In order to minimize capital risk, the Company routinely pre-sells data licenses in advance of committing to a capital outlay. For larger seismic programs, the Company may rely on third parties to share in the cost and these parties are also susceptible to the risks and uncertainties associated with the oil and gas industry.

Although Divestco does what it considers to be a thorough analysis of the factors that may affect the probability of future sales of its seismic surveys and obtains pre-sale commitments for a majority of these costs, there is no certainty of future demand for these surveys by the oil and gas industry.

Seasonality

Acquisition of seismic data is usually completed in the winter season when the ground is frozen. These conditions are imperative, especially in the northern areas of Alberta and British Columbia where seismic acquisition requires the use of heavy equipment. Unfavourable weather conditions may cause potential cost overruns and delays in the field data acquisition portion of the seismic data survey, delaying revenue recognition.

Other segments of the Company, such as Services, normally exhibit a noticeable reduction in sales from mid-April through to the end of September and a noticeable increase in sales during the fall and winter months when significant drilling and exploration activities are underway in North America. Divestco tries to minimize these fluctuations by performing specific types of contract work appropriate for lower-activity months. Also, the Company's Software and Data segment has recurring revenue throughout the year due to its license and subscription sales.

Competition

Divestco operates in a highly competitive, price-sensitive industry. In addition, the Company competes with some senior companies that generally have access to a larger pool of capital resources and may have significant international presence. Divestco attempts to distinguish itself from its competitors by selling a wide range of oil and gas exploration products and services on either a stand-alone basis or as bundled solutions customized to the customer's needs.

Skilled labour

Divestco's success depends on attracting and retaining highly skilled management, geophysical, geological, software development, sales, and other staff. The Company achieves this by offering an attractive compensation package and training. To protect its competitive advantage and intellectual property, Divestco has internal confidentiality policies and obtains non-compete agreements from certain employees.

Financing

Divestco may require additional financing in order to implement its business strategy. There is no assurance that financing will be available or, if obtainable, that it will be on reasonable terms. Unless adequate funds are attainable, Divestco may not be able to take advantage of acquisition opportunities, or otherwise respond to competitive pressures.

Proprietary protection

Divestco relies on a combination of patent, copyright, trademark and trade secret laws, confidentiality agreements, contractual provisions and other measures to protect its own proprietary information. Management believes that Divestco's proprietary rights are sufficient to carry on its activities as currently contemplated.

Despite Divestco's efforts to protect its proprietary rights, unauthorized parties may have copied, or attempted to copy, aspects of its technology, or tried to obtain and use information that Divestco regards as proprietary, such as its various oil and gas data sets and its seismic data library. In an effort to protect the Company's seismic data asset, Divestco has initiated actions against companies for breach of license agreement, copyright, and duty of confidentiality, for unauthorized sharing of its proprietary seismic data with third parties. Divestco will continue to enforce its proprietary right using all methods at its disposal.

However, the policing of unauthorized use of any intellectual property and determining the extent of any such piracy, is difficult. The laws of some foreign countries do not protect proprietary rights as comprehensively as do the laws of Canada and the Company has not sought protection for its proprietary rights outside Canada except for one U.S. patent. There is no assurance that Divestco's efforts to protect its proprietary rights in Canada will be adequate or that competition will not independently develop similar technology. Divestco may be subject to additional risks if it enters into transactions in countries where intellectual property laws are poorly written, poorly enforced, or completely ineffective.

Divestco has no knowledge of infringing on any proprietary rights of third parties. However, the Company cannot assure investors that third parties will not assert infringement or misappropriation claims against Divestco in the future, with respect to current or future products, as the number of products and competitors in this industry segment grows and the functionality and products overlap. Any claims, with or without merit, could be time consuming to defend, result in costly litigation fees, divert management's attention and resources, or force Divestco into royalty or licensing agreements that are unacceptable. In the event of a successful claim of infringement against Divestco, the business, operating results and financial stability of Divestco could be materially affected.

Litigation may also be necessary to enforce Divestco's proprietary rights, or to determine the scope and validity of a third party's proprietary rights. There is no assurance that funds would be available to Divestco in the event of such litigation, or that Divestco would prevail in any such action. An adverse outcome in litigation or other proceedings in a court or intellectual property office could subject Divestco to significant liabilities, require disputed rights to be licensed from other parties or require Divestco to cease using certain technology or products, any of which could have an adverse effect on Divestco.

Technological change

Computer-related technologies are changing rapidly. There is no assurance that new technologies will not emerge and supplant those existing technologies on which Divestco has based some of its products. Neither can the Company be certain that it will anticipate technological changes and adapt in time to be competitive. The ability of Divestco to compete successfully will depend to a large extent on its ability to maintain a technically competent research and development group and effectively adapt to technological changes, including the continued compatibility of its products with evolving computer hardware and software environments. There is no assurance that Divestco will be successful in these efforts.

Market acceptance

The future success of Divestco depends on its ability to address the needs of its potential customer base by developing and introducing products, product updates and services on a timely basis, by adapting the operation of its products to new platforms and by keeping pace with technological developments and emerging industry standards. In order to secure future growth, Divestco must be able to commit substantial resources to developing and marketing new products and services. If markets do not develop, or demand for Divestco's products occurs more slowly than expected, the Company will have expended resources and capital without realizing sufficient revenue, and its business and operating results could be adversely affected.

Control of shares by insiders

Directors and officers of Divestco own approximately 41% of the outstanding common shares. As a result, these shareholders, acting together, are able to exercise significant influence over all matters requiring shareholder approval, including the election of directors and approval of fundamental changes to Divestco. This concentration of ownership may have the effect of delaying or preventing a change in control of Divestco, its Board of Directors or management.

Government regulations and safety

Divestco's seismic operations are subject to a variety of Canadian federal and provincial laws and regulations, including laws and regulations relating to safety and the protection of the environment. In its operations, the Company and its contractors are required to invest financial and managerial resources to comply with such laws and related permit requirements. However, because such laws and regulations are subject to change, it is not feasible for the Company to predict the cost or impact of such laws and regulations on its future operations. As well, the adoption or modification of laws and regulations could lead oil and gas companies to curtail exploration and development, reducing the demand for seismic surveys, which could also adversely affect the Company's seismic operations.

Additional information is available on the Company's website at www.divestco.com and all other previous public filings are available through SEDAR at www.sedar.com.

OVERALL PERFORMANCE

Summary Financial Results (Thousands, Except Per Share Amounts)								
	Three months ended December 31				Year ended December 31			
	2012	2011	*$ Change*	*% Change*	**2012**	2011	*$ Change*	*% Change*
Revenue	**$ 7,270**	$ 11,447	*$ (4,177)*	*-36%*	**$ 39,628**	$ 40,464	*$ (836)*	*-2%*
Operating Expenses (1)	**6,960**	8,248	*(1,288)*	*-16%*	**27,189**	34,485	*(7,296)*	*-21%*
Other Loss (Income)	**(1)**	(133)	*132*	*N/A*	**40**	(160)	*200*	*N/A*
EBITDA (2)	**311**	3,332	*(3,021)*	*-91%*	**12,399**	6,139	*6,260*	*102%*
Finance Costs	**251**	252	*(1)*	*0%*	**531**	759	*(228)*	*-30%*
Depreciation and Amortization	**1,292**	3,823	*(2,531)*	*-66%*	**10,646**	9,904	*742*	*7%*
Income (Loss) before Income Taxes	**(1,232)**	(743)	(489)	N/A	**1,222**	(4,524)	5,746	N/A
Income Tax Expense (Reduction)	**-**	25	*(25)*	*-100%*	**(51)**	86	*(137)*	*N/A*
Net Income (Loss)	**$ (1,232)**	$ (768)	*$ (464)*	*N/A*	**$ 1,273**	$ (4,610)	*$ 5,883*	*N/A*
Per Share - Basic and Diluted	**(0.02)**	(0.01)	*(0.01)*	*N/A*	**0.02**	(0.08)	*0.10*	*N/A*
Funds from Operations (2)	**$ 10**	$ 2,908	*$ (2,898)*	*-100%*	**$ 11,674**	$ 5,745	*$ 5,929*	*103%*
Per Share - Basic and Diluted	**-**	0.05	*(0.05)*	*-100%*	**0.17**	0.10	*0.07*	*70%*
Class A Shares Outstanding	**66,758**	66,610	*N/A*	*N/A*	**66,758**	66,610	*N/A*	*N/A*
Weighted Average Shares Outstanding								
Basic and Diluted	**66,738**	60,575	*N/A*	*N/A*	**66,679**	59,797	*N/A*	*N/A*

(1) *Excludes depreciation and amortization*
(2) *See the "Non GAAP and Additional GAAP Measures" sections.*

OVERVIEW OF FINANCIAL AND OPERATIONAL RESULTS

Q4 2012 vs. Q4 2011

During Q4 2012, Divestco generated revenue of $7.3 million compared to $11.4 million in Q4 2011, a decrease of $4.1 million (36%). Revenue in the Software and Data segment increased by $1.8 million (68%) due to a large data transaction completed during Q4 2012. Revenue in the Seismic Data segment decreased by $3.9 million (82%) attributable to the timing of multi-client surveys. In Q4 2012, we incurred $3.5 million in costs on a 3D seismic survey that was completed in Q1 2013. Further, there were a number of seismic data sales that did not close until Q1 2013. Revenue in the Services segment decreased by $2.1 million (49%) as demand for seismic processing land management services was weaker, while demand for geomatics was slightly stronger.

Operating expenses decreased by $1.2 million (16%) to $7 million in Q4 2012 from $8.2 million in Q4 2011. Salaries and wages were up $101,000 (2%). G&A expenses were down $1.4 million (35%) as occupancy costs decreased by $1 million (45%) due to the Company surrendering a portion of its office space lease in 2011 and 2012. Professional fees decreased by $882,000 (61%), bad debt expense increased by $807,000 and direct selling costs decreased by $246,000 (80%). Depreciation and amortization decreased by $2.7 million (1%) mainly due to lower depreciation on seismic data as we completed a survey in Q4 2011 and did not complete any surveys in Q4 2012.

Divestco had a net loss of $1.2 million for the fourth quarter of 2012 ($0.02 per share – basic and diluted) compared to a net loss of $768,000 ($0.01 per share – basic and diluted) for the same period in 2011 mainly related to the timing of seismic activity in Q4 2012.

EBITDA was $310,000 in Q4 2012, a $3 million (91%) decrease from $3.3 million for the same period in 2011. The Company generated funds from operations of $8,000 ($nil per share – basic and diluted) for the fourth quarter of 2012, compared to $2.9 million ($0.05 per share – basic and diluted) for the same period in 2011, a decrease of $2.9 million (100%) primarily due to the timing of seismic data activities.

Operating highlights for Q4 2012 included:

- Completed a log data licence sale valued at $2.2 million
- Reduced operating expenses by $1.3 million (16%) from Q4 2011

YEAR ENDED DECEMBER 31, 2012 VS. YEAR ENDED DECEMBER 31, 2011

During the year ended December 31, 2012, Divestco generated revenue of $39.6 million compared to $40.5 million for 2011, a decrease of $0.9 million (2%). Revenue in the Software and Data segment increased by $3.3 million (35%) primarily due to two significant data transactions completed in 2012. Revenue in the Seismic Data segment decreased by $466,000 (3%) due to lower seismic brokerage revenue. However, the Company completed three seismic participation surveys, signed a large data library sale and reached a settlement agreement concerning one of its legal actions in 2012 related to seismic data revenues that were due to the Company. Revenue in the Services segment decreased by $3.7 million (21%) since demand for seismic processing and land management services was weaker and only partially offset by stronger demand for geomatics services.

Operating expenses decreased by $7.3 million (21%) to $27.2 million in 2012 from $34.5 million in 2011. Salaries and wages were down $1.1 million (6%) due to lower severance costs. G&A expenses were down $6.2 million (39%) as occupancy costs decreased by $4.8 million (51%) due to the Company surrendering a portion of its office space lease in 2011. Communication expenses were down $182,000 (40%), professional fees decreased by $1.3 million (42%) and direct selling costs decreased by $993,000 (73%), partially offset by an increase in bad debt expense by $918,000. Depreciation and amortization increased by $518,000 (5%) mainly due to the completion of three seismic participation surveys during 2012 totaling $14 million, partially offset by lower depreciation on property and equipment and deferred development costs.

Divestco had net income of $1.3 million for 2012 ($0.02 per share – basic and diluted) compared to a loss of $4.6 million ($0.08 per share – basic and diluted) for 2011, a $5.9 million increase mainly driven by operating expense reductions.

EBITDA was $12.4 million for 2012, a $6.3 million (102%) increase from $6.1 million for 2011. The Company generated funds from operations of $11.7 million ($0.17 per share – basic and diluted) for the 2012, compared to $5.7 million ($0.10 per share – basic and diluted) for 2011, an increase of $6 million (103%) primarily due to a number of significant data transactions and lower operating costs in 2012.

Operating highlights for the fiscal year ended 2012:

- Entered into data agreements totaling over $8 million with $4 million included in revenue in Q2 2012 and $2 million in Q3 2012 and $2.2 million in Q4 2012
- Generated net income of $1.5 million, an improvement of $6 million from a loss of $4.5 million for 2011
- Reduced operating expenses by $7.3 million (21%) compared to 2011
- Completed three 3D seismic participation surveys covering an area of approximately 389 km^2

Outlook and Future Operations

In the first half of Q4 2012, the Company experienced a continuation of the low seasonal activity felt in Q3 2012. By the end of the quarter, however, the Company closed several significant transactions which would be recognized in Q4 2012 and Q1 2013. The closing of these transactions helped offset lower than normal activity levels in some of the services divisions over the quarter. Despite overall industry activity levels in Q4 2012 the Company's debt reduction strategies and year-end activity have positioned the firm well for entering 2013 with a stronger balance sheet and lower overhead.

Depreciation and Amortization

	Three months ended December 31				Year ended December 31			
(Thousands)	**2012**	2011	$ Change	% Change	**2012**	2011	$ Change	% Change
Depreciation and Amortization	**$ 1,292**	$ 3,823	$ (2,531)	-66%	**$ 10,646**	$ 9,904	$ 742	7%

The decrease in depreciation and amortization of $2.5 million (66%) in the fourth quarter of 2012 was mainly due to a large seismic survey completed in Q4 2011 and no surveys being completed in Q4 2012. There was a survey in progress in Q4 2012 which was completed in Q1 2013.

The increase in depreciation and amortization of $742,000 (7%) in 2012 was due to an increase in amortization of data libraries of $2.3 million (60%) due to the completion of $14 million of surveys in 2012 compared to $8.6 million in 2011. This was offset by a decrease in amortization of deferred development costs, property and equipment and intangibles of $1.7 million (28%) due to a reduction in capital expenditures and certain assets being fully depreciated prior to 2012.

Finance Costs

	Three months ended December 31				Year ended December 31			
(Thousands)	**2012**	2011	$ Change	% Change	**2012**	2011	$ Change	% Change
Interest on bank indebtedness and long-term debt obligations	**$ 219**	$ 202	$ 17	8%	**$ 374**	$ 593	$ (219)	-37%
Amortization of deferred finance charges	**24**	38	(14)	-37%	**121**	102	19	19%
Accretion of sublease loss	**8**	12	(4)	-33%	**36**	64	(28)	-44%
Finance costs	**$ 251**	$ 252	$ (1)	0%	**$ 531**	$ 759	$ (228)	-30%

In the fourth quarter of 2012 and 2011, finance costs were the same amortization of deferred finance charges decreased as the related loan nears maturity offset by an increase in interest due to higher debt levels.

In 2012, finance costs decreased by $228,000 (30%) as the Company reversed accrued interest of $620,000 on an overdue payable as an agreement was reached with the vendor. Partially offsetting this was an increase in interest due to higher debt being carried.

Income Taxes

	Three months ended December 31				Year ended December 31			
(Thousands)	**2012**	**2011**	**$ Change**	**% Change**	**2012**	**2011**	**$ Change**	**% Change**
Current	**-**	25	(25)	-100%	**(51)**	86	(137)	N/A

In 2012, Divestco recorded a current tax recovery of $51,000. No deferred tax provision was recorded as the Company has not recognized any benefit associated with its tax pools as it is not probable that the asset will be realized.

As at December 31, 2012 there were approximately $36 million in Federal and $22 million in Alberta non-capital loss carry-forwards ($2.7 million was assumed through various acquisitions in 2007), which begin to expire in 2027. In addition, the Company has approximately $1.5 million in federal scientific research and experimental development investment tax credits to reduce taxes payable in the future, which begin to expire in 2029.

Financial Position

Divestco ended fiscal 2012 with a working capital deficit of $7.5 million (December 31, 2011: $0.3 million surplus), excluding deferred revenue of $2.4 million (December 31, 2011 - $4.6 million). The decline in working capital from the end of 2011 was primarily due to an unpredictably slow Q3 and Q4 that directly impacted the Services segment and delayed the signing and delivery of several seismic data contracts. While the Company had significantly reduced its payables since the end of 2011, receivables fell sharply as well. In addition, $843,000 of the subordinated loan was reclassified from long-term to current liabilities as compared to December 31, 2011 as the loan matures in May 2013. The Company's funded debt to equity ratio remained unchanged at 0.64:1 at December 31, 2012 from December 31, 2011 (0.64:1) as higher equity was offset by higher funded debt levels ($10.6 million at the end of 2012 compared to $9.4 million at the end of 2011).

SELECTED ANNUAL INFORMATION

Divestco's 2012 annual results reflect an increase in activity and revenue in the Software and Data segment as the Company completed two large data transactions while Services and Seismic Data were down year-over-year due to the reduction in commodity prices throughout 2012. In 2011, the Company surrendered a portion of its main office lease (giving up 5 floors in total) which significant reduced operating expenses in 2011 and 2012. In 2010, the Company sold its seismic data library and recognized an accounting loss of $40.9 million before taxes. Following the sale, the Company commenced rebuilding its seismic data library. In addition the Company recognized $8.6 million in additional expenses related to a sublease loss provision, large bad debt write-off and lawsuit settlement in 2010. Excluding these items EBITDA would have been $0.7 million for 2010.

	Year ended December 31		
	2012	2011	2010
Revenue	**$ 39,628**	$ 40,464	$ 40,190
EBITDA [1]	**12,399**	6,139	(48,792)
Net Income (Loss)	**1,273**	(4,610)	(65,562)
Net Income (Loss) Per Share - Basic and Diluted	**0.02**	(0.08)	(1.54)
Cash Dividends per Class A Share	**-**	-	0.20
Funds from (used in) Operations [1]	**11,674**	5,745	(5,316)
Funds from (used in) Operations Per Share - Basic and Diluted [1]	**0.17**	0.10	(0.13)
Class A Shares Outstanding	**66,758**	66,610	58,938
Weighted Average Shares Outstanding - Basic and Diluted	**66,679**	59,797	42,601

	Balance at December 31		
	2012	2011	2010
Total Assets	**$ 41,945**	$ 43,761	$ 34,984
Working Capital (Deficit) [1][2]	**(7,483)**	297	3,599
Long-Term Financial Liabilities [3]	**7,622**	8,610	3,907

[1] *See the "Non GAAP and Additional GAAP Measures" sections.*
[2] *Excludes the current portion of deferred revenue of $2.4 million (December 31, 2011: $4.6 million; December 31, 2010: $3.9 million)*
[3] *Includes long-term debt obligations, deferred rent obligations, sublease loss provision and other long-term liabilities. The long-term debt obligations are comprised of the Company's subordinated debt, shareholder loans and finance leases.*

SELECTED QUARTERLY INFORMATION

	2012				2011			
(Thousands, Except Per Share Amounts)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**$ 7,270**	$ 6,409	$ 11,483	$ 14,466	$ 11,447	$ 9,565	$ 10,637	$ 8,815
EBITDA [1]	**311**	356	4,282	7,450	3,332	1,721	1,943	(857)
Income (loss) before income taxes	**(1,232)**	(1,131)	940	2,645	(743)	251	251	(4,283)
Net Income (Loss)	**(1,232)**	(1,080)	940	2,645	(768)	255	235	(4,332)
Per Share - Basic and Diluted	**(0.02)**	(0.02)	0.01	0.04	(0.01)	0.00	0.00	(0.07)
Funds from Operations [1]	**10**	191	4,266	7,207	2,908	1,639	2,067	(869)
Per Share - Basic and Diluted	**0.00**	0.00	0.06	0.11	0.05	0.03	0.03	(0.01)

[1] *See the "Non GAAP and Additional GAAP Measures" sections.*

The variances in the quarterly results illustrated in the table above are a result of economic and seasonality factors. In Q3 2012, the oil and gas industry was significantly impacted by a fall in commodity prices and a price differential for western Canadian oil crude caused by a lack of infrastructure to transport supply to market. This led to reduced capital spending in the second half of 2012 and delayed the signing of sales contracts to Q1 2013 instead of Q4 2012. In an effort to mitigate market volatility and reduce costs, Divestco reduced its occupancy costs, its largest G&A expense, through shedding unused office space starting in Q2 2011. The Company began to realize the economic benefit of this in Q4 2011 and throughout 2012 as well as significant savings going forward.

The variance in quarterly results is also a factor of seasonality. Typically, the first and fourth quarters are the busiest for the Company when drilling activities are at their peak in western Canada. As temperatures rise in the spring, the ground thaws and becomes unstable resulting in government road bans, which severely restrict activity in the second quarter. These seasonal trends typically lead to quarterly fluctuations in operating results and working capital requirements, which should be considered in any quarter-over-quarter analysis of performance of the Company.

RESULTS FOR THE PERIODS BY SEGMENT

For the three months ended December 31 2012 (Thousands)	**Software & Data**	**Services**	**Seismic Data**	**Corporate & Other**	**Total**
Revenue	**$ 4,319**	**$ 2,121**	**$ 830**	**$ -**	**$ 7,270**
Operating Expenses (1)	**1,796**	**2,882**	**995**	**1,287**	**6,960**
Other Loss (Income)	**-**	**-**	**-**	**(1)**	**(1)**
EBITDA (2)	**2,523**	**(761)**	**(165)**	**(1,286)**	**311**
Finance Costs (Income)	**-**	**-**	**-**	**251**	**251**
Depreciation and Amortization	**788**	**221**	**156**	**127**	**1,292**
Income (Loss) Before Income Taxes	**1,735**	**(982)**	**(321)**	**(1,664)**	**(1,232)**

For the three months ended December 31 2011 (Thousands)	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	$ 2,566	$ 4,195	$ 4,686	$ -	$ 11,447
Operating Expenses (1)	1,424	3,009	720	3,095	8,248
Other Loss (Income)	-	-	-	(133)	(133)
EBITDA (2)	1,142	1,186	3,966	(2,962)	3,332
Finance Costs (Income)	-	(1)	(1)	254	252
Depreciation and Amortization	706	294	2,631	192	3,823
Income (Loss) Before Income Taxes	436	893	1,336	(3,408)	(743)

For the year ended December 31 2012 (Thousands)	**Software & Data**	**Services**	**Seismic Data**	**Corporate & Other**	**Total**
Revenue	**$ 12,742**	**$ 13,568**	**$ 13,318**	**$ -**	**$ 39,628**
Operating Expenses (1)	**6,695**	**12,439**	**3,681**	**4,374**	**27,189**
Other Loss (Income)	**-**	**-**	**-**	**40**	**40**
EBITDA (2)	**6,047**	**1,129**	**9,637**	**(4,414)**	**12,399**
Finance Costs (Income)	**-**	**(1)**	**(9)**	**541**	**531**
Depreciation and Amortization	**3,150**	**893**	**6,034**	**569**	**10,646**
Income (Loss) Before Income Taxes	**2,897**	**237**	**3,612**	**(5,524)**	**1,222**

For the year ended December 31 2011 (Thousands)	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	$ 9,414	$ 17,266	$ 13,784	$ -	$ 40,464
Operating Expenses (1)	5,873	13,646	3,133	11,833	34,485
Other Loss (Income)	-	-	-	(160)	(160)
EBITDA (2)	3,541	3,620	10,651	(11,673)	6,139
Finance Costs (Income)	-	(3)	(6)	768	759
Depreciation and Amortization	3,453	1,098	3,632	1,721	9,904
Income (Loss) Before Income Taxes	88	2,525	7,025	(14,162)	(4,524)

[(1)] *Excludes depreciation and amortization*
[(2)] *See the "Non GAAP and Additional GAAP Measures" sections*

SOFTWARE AND DATA

	Three months ended December 31				Year ended December 31			
(Thousands)	2012	2011	$ Change	% Change	2012	2011	$ Change	% Change
Revenue	**$ 4,319**	$ 2,566	$ 1,753	68%	**$ 12,742**	$ 9,414	$ 3,328	35%
Operating Expenses (1)	**1,796**	1,424	372	26%	**6,695**	5,873	822	14%
EBITDA (2)	**2,523**	1,142	1,381	121%	**6,047**	3,541	2,506	71%
Depreciation and Amortization	**788**	706	82	12%	**3,150**	3,453	(303)	-9%
Income (Loss) Before Income Taxes	**1,735**	436	1,299	298%	**2,897**	88	2,809	3192%

[(1)] *Excludes depreciation and amortization*
[(2)] *See the "Non GAAP and Additional GAAP Measures" sections*

Q4 2012 vs. Q4 2011

Software and Data had revenues of $4.3 million in Q4 2012, compared to $2.6 million in Q4 2011. The increase of $1.8 million (68%) was primarily due to a significant data transaction completed during the quarter and higher digitizing revenue. This was partially offset by a decrease in software sales across all product lines due to sales staff turnover.

In Q4 2012, Software and Data recorded income before taxes of $1.7 million, compared with $436,000 in the fourth quarter of 2011, an increase of $1.3 million (298%). EBITDA increased by $1.4 million (121%). Operating expenses were $1.8 million in Q4 2012 compared to $1.4 million in Q4 2011, an increase of $372,000 (26%). Salaries and benefits increased by $198,000 (21%) due to a profit-share accrual, while G&A costs increased by $174,000 (35%) due to higher IT allocations. Depreciation and amortization increased by $82,000 (12%) as amortization of deferred development costs increased by $119,000 (23%) as amortization commenced on some projects that were completed during the quarter, while depreciation of property and equipment and intangibles decreased by $38,000 (21%).

YEAR ENDED DECEMBER 31, 2012 VS. YEAR ENDED DECEMBER 31, 2011

Software and Data had revenues of $12.7 million in 2012, compared to $9.4 million in 2011. The increase of $3.3 million (35%) was due to two significant data transactions as well as higher digitizing and scanning revenues. This was partially offset by a decrease in software sales across all product lines due to sales staff turnover.

In 2012, Software and Data recorded income before taxes of $2.9 million, compared with $88,000 during in 2011, an improvement of $2.8 million (3192%). EBITDA increased by $2.5 million (71%). Operating expenses were $6.7 million in 2012 compared to $5.9 million in 2011, an increase of $822,000 (14%). Salaries and benefits increased by $160,000 (4%) due a profit-share accrual while G&A costs increased by $662,000 (32%) due to higher occupancy costs and IT allocations offset by lower bad debt write-offs. Depreciation and amortization decreased by $303,000 (9%) as amortization of deferred development costs decreased by $117,000 (4%) due to certain large projects being fully amortized prior to 2012, while depreciation of property and equipment and intangibles decreased by $185,000 (23%).

Outlook

Q1 2013 is expected to be a relatively steady period for general software and data sales. General service work could see a slight decrease as industry indicators show a tightening up of spending in the E&P and services sector. However, we have several development consulting projects for both GeoCarta and LandRite which will move to completion in the quarter.

Development continues against all product lines. GeoVista development will complete in Q1 2013 ready for its scheduled release in Q2 2013.

Also in Q1 2013, we expect to begin direct delivery on directional survey data. This previous proof of concept has been moved into active development; data collection, digitizing and quality assurance processes are now in place allowing for rapid, quality construction of this data asset.

SERVICES

	Three months ended December 31				Year ended December 31			
(Thousands)	2012	2011	$ Change	% Change	2012	2011	$ Change	% Change
Revenue	**$ 2,121**	$ 4,195	$ (2,074)	-49%	**$ 13,568**	$ 17,266	$ (3,698)	-21%
Operating Expenses [(1)]	**2,882**	3,009	(127)	-4%	**12,439**	13,646	(1,207)	-9%
EBITDA [(2)]	**(761)**	1,186	(1,947)	N/A	**1,129**	3,620	(2,491)	-69%
Finance Costs	**-**	(1)	1	N/A	**(1)**	(3)	2	N/A
Depreciation and Amortization	**221**	294	(73)	-25%	**893**	1,098	(205)	-19%
Income (Loss) Before Income Taxes	**(982)**	893	(1,875)	N/A	**237**	2,525	(2,288)	-91%

[(1)] Excludes depreciation and amortization
[(2)] See the "Non GAAP and Additional GAAP Measures" sections

Q4 2012 vs. Q4 2011

Services generated revenues of $2.1 million in Q4 2012, compared to $4.2 million in Q4 2011, a decrease of $2.1 million (49%). Revenue in Geomatics increased slightly while seismic processing and land management services were directly impacted by lower activity levels and employee turnover.

Services recorded a loss before taxes of $982,000, compared to income of $893,000 in the fourth quarter of 2011, a negative variance of $1.9 million. EBITDA also decreased by $1.9 million. Operating expenses were $2.9 million in Q4 2012 compared to $3 million in Q4 2011, a decrease of $127,000 (4%). Salaries and benefits decreased by $150,000 (7%) due to reduced headcounts and lower severance costs. G&A expenses increased by $23,000 (2%), mainly due to an increase in IT allocations offset by a decrease in direct operating expenses for the land management division. Amortization and depreciation decreased by $73,000 (25%) due to assets being fully amortized in prior periods and reduced capital spending.

YEAR ENDED DECEMBER 31, 2012 VS. YEAR ENDED DECEMBER 31, 2011

Services generated revenues of $13.6 million in 2012 compared to $17.2 million in 2011, a decrease of $3.7 million (21%). Geomatics showed better results year over year due to strong audit sales and international work. Processing completed certain larger projects earlier in the year but levelled off due to softer industry activity levels and higher employee turnover in Q3 and Q4 2012. Land management services experienced similar issues to that of processing.

Income before taxes decreased by $2.3 million (91%) to $237,000 compared to $2.5 million in 2011. EBITDA also decreased by $2.5 million (69%). Operating expenses were $12.4 million compared to $13.6 million in 2011, a decrease of $1.2 million (9%). Salaries and benefits decreased by $955,000 (10%) due to reduced headcounts and lower severance costs. G&A expenses decreased by $252,000 (6%), mainly due to a decrease in direct operating expenses for the land management division, offset by an increase in IT allocations. Amortization and depreciation decreased by $205,000 (19%) due to lower amortization of deferred development costs and reduced capital spending.

Outlook

Processing revenues for Q4 2012 continued to be lower due to an ongoing reorganization of the group which was completed in Q1 2013. In addition, we hired some key employees in 2012, bringing with them a wealth of knowledge and industry contacts. This is expected to improve our technical sales and marketing for 2013 and going forward. We are also attempting to broaden our international client base with visits to Colombia in early February and Europe in mid-March. We are promoting a third party software process under a revenue sharing opportunity which has stimulated a lot of interest and we will be doing several presentations supporting this process which better defines fracture imaging important for the shale plays of interest currently.

Geomatics is focusing on international opportunities for 2013 and though this can be a slow process, traction is expected to be gained through the year. Geomatics continues to hold a strong market share in the domestic market and expects to continue to do so through the year.

Despite overall lower activity levels in the oil and gas industry in Alberta, the land services division continues to focus on delivering quality services to existing surface and mineral clients. The Cavalier team brought on a major telecom client at the beginning of Q4 2012 and we anticipate considerable growth from the telecom revenue stream going forward in 2013. These telecom gains will come from both our existing major client and opportunities identified in the telecom industry. Cavalier has sourced reputable field staff to support our marketing efforts in Southern Saskatchewan and Northern Alberta. Our marketing and sales focus will continue toward solidifying our existing client base and making gains with prospective clients when the opportunity arises. The traditional fourth quarter lower activity is expected to be offset by a busier first quarter when industry levels return to higher volumes. The division is optimistic about its position in the industry and continues to build on its reputation for quality work.

SEISMIC DATA

	Three months ended December 31				Year ended December 31			
(Thousands)	**2012**	2011	$ Change	% Change	**2012**	2011	$ Change	% Change
Revenue	**$ 830**	$ 4,686	$ (3,856)	-82%	**$ 13,318**	$ 13,784	$ (466)	-3%
Operating Expenses [(1)]	**995**	720	275	38%	**3,681**	3,133	548	17%
EBITDA [(2)]	**(165)**	3,966	(4,131)	N/A	**9,637**	10,651	(1,014)	-10%
Finance Costs	**-**	(1)	1	N/A	**(9)**	(6)	(3)	N/A
Depreciation and Amortization	**156**	2,631	(2,475)	-94%	**6,034**	3,632	2,402	66%
Income (Loss) Before Income Taxes	**(321)**	1,336	(1,657)	N/A	**3,612**	7,025	(3,413)	-49%

[(1)] *Excludes depreciation and amortization*
[(2)] *See the "Non GAAP and Additional GAAP Measures" sections.*

Seismic Data Library	Balance at December 31	
	2012	2011
2D in Gross KM	**49**	49
2D in Net KM	**49**	49
3D in Gross KM^2	**778**	389
3D in Net KM^2	**778**	389

Q4 2012 vs. Q4 2011

Seismic data had revenues of $830,000 for Q4 2012, compared to $4.7 million for Q4 2011. The decrease of $3.9 million (82%) was mainly attributable to the timing of multi-client surveys. In Q4 2011 the Company was in the process of acquiring a new survey while in Q4 2012, there was a survey in progress, however, the related license contract commences in 2013. Brokerage revenue was $486,000 in Q4 2012 compared to $989,000 in Q4 2011. The decrease of $502,000 (51%) was due to a slowdown in industry activity levels as compared to last year. Natural gas prices are still at all-time lows and price differentials for heavy oil kept activity levels lower.

For Q4 2012, Seismic Data recorded a loss before taxes of $321,000, compared with income of $1.3 million in the fourth quarter of 2011. In addition, EBITDA decreased by $4.1 million attributed to the timing of multi-client activity. Operating expenses were up $274,000 or 38% ($994,000 in Q4 2012 compared to $720,000 in Q4 2011). G&A expenses increased by $376,000 (18%) due to a higher bad debt expense. Salaries and benefits decreased by $102,000 (22%) due to lower commissions. Amortization of data libraries decreased by $2.5 million (94%) due to the completion of a seismic data survey in Q4 2011 while no surveys were completed in Q4 2012.

YEAR ENDED DECEMBER 31, 2012 VS. YEAR ENDED DECEMBER 31, 2011

Seismic data had revenues of $13.3 million in 2012, compared to $13.8 million in 2011, a decrease of $466,000 (3%). Excluding seismic brokerage revenue, seismic data revenue (including sales of existing data and participation survey revenue) was $11.2 million, compared to $10.9 million in 2011, a $364,000 increase (3%). There were $4.4 million of sales of existing seismic data in 2012, compared to $100,000 in 2011. Participation survey revenue was $6.9 million for 2012 compared to $10.8 million for 2011, a $3.9 million (37%) decrease. The Company completed three 3D surveys in 2012 covering 389 square kilometres. Brokerage revenue was $2.1 million in 2012, compared to $2.9 million in 2011. The decrease of $830,000 (29%) was due to a slowdown in industry activity levels as compared to last year. Natural gas prices are still at all-time lows and price differentials for heavy oil kept activity levels lower.

Seismic data recorded income before taxes of $3.6 million, compared to $7 million in 2011, a decrease of $3.4 million (49%). EBITDA decreased by $1 million (10%). Operating expenses were $3.7 million in 2012, compared to $3.1 million in 2011, an increase of $548,000 (17%). Salaries and benefits decreased by $48,000 (3%) due to lower commissions. G&A expenses increased by $596,000 (36%) mainly due to an increase in bad debt expense partially offset by a decrease in consulting expenses. Amortization of data libraries increased by $2.4 million (66%) due to the completion of $14 million in surveys in 2012 compared to $8.3 million in 2011.

Outlook

Divestco continues to see success with the rebuilding of its seismic data library and is committed to adding quality play specific seismic assets. Growth in this area will be done strategically and within existing cash flow ensuring the corporation is adding the right assets without overly leveraging the company at large. 2013 should be an exciting year as we are currently evaluating a number of programs targeting Cardium, Duvernay and Montney trends and are excited about the opportunities for third and fourth quarter work. Along this vein, we have just completed the acquisition of a multi-client seismic program in the Willisden Green area of Alberta. This 90 square-kilometre 3D program is an excellent resource to evaluate the emerging shale plays, and complements our existing data in the area.

Brokerage will continue to be challenged by low natural gas prices and an uncertain oil climate in 2013. In the coming year we will be launching a number of initiatives that should allow us to trend positive in this segment. These initiatives will focus on adding new product lines, increased efficiencies through technology and adding to our already extensive relationships. Divestco is the largest and most experienced Seismic Data Brokerage in Canada and is in a unique position to use our breadth and scope to capitalize on opportunities as they arise.

CORPORATE AND OTHER

	Three months ended December 31				Year ended December 31			
(Thousands)	**2012**	2011	$ Change	% Change	**2012**	2011	$ Change	% Change
Revenue	**$ -**	$ -	$ -	N/A	**$ -**	$ -	$ -	N/A
Operating Expenses (1)	**1,287**	3,095	(1,808)	-58%	**4,374**	11,833	(7,459)	-63%
Other Loss (Income)	**(1)**	(133)	132	N/A	**40**	(160)	200	N/A
EBITDA (2)	**(1,286)**	(2,962)	1,676	N/A	**(4,414)**	(11,673)	7,259	N/A
Finance Costs	**251**	254	(3)	-1%	**541**	768	(227)	-30%
Depreciation and Amortization	**127**	192	(65)	-34%	**569**	1,721	(1,152)	-67%
Income (Loss) Before Income Taxes	**(1,664)**	(3,408)	1,744	N/A	**(5,524)**	(14,162)	8,638	N/A

[1] *Excludes depreciation and amortization*
[2] *See the "Non GAAP and Additional GAAP Measures" sections.*

Q4 2012 vs. Q4 2011

Loss before income taxes in Q4 2012 was $1.6 million, compared to $3.4 million in Q4 2011, a decrease of $1.7 million. Salaries and benefits decreased by $103,000 (16%), mainly due to a lower headcount. G&A expenses decreased by $1.7 million (69%), mainly due to a reduction in occupancy costs as the Company surrendered five floors of office space in its new premises, lower stock-based compensation expense and lower professional fees. This was offset by higher bad debt expense. Finance costs decreased by $3,000 (1%). Amortization decreased by $67,000 (35%) due to reduced capital expenditures.

YEAR ENDED DECEMBER 31, 2012 VS. YEAR ENDED DECEMBER 31, 2011

Loss before income taxes in 2012 was $5.5 million, compared to $14.2 million in 2011, a decrease of $8.7 million. Salaries and benefits decreased by $1.2 million (38%), mainly due to reduced severance costs. G&A expenses decreased by $6.3 million (72%), mainly due to a reduction in occupancy costs and professional fees (real estate commissions) as the Company surrendered five floors of office space in its new premises in 2011. This was offset by an increase in stock-based compensation expense and bad debt expense. Finance costs decreased by $228,000 (30%), as the Company reversed $620,000 in accrued interest on an overdue payable as agreed to by the vendor. This was offset by interest costs on new and existing debt. Amortization decreased by $1.2 million (67%), due to a net impairment recorded on leasehold improvements in 2011 related to the surrendered office space.

Outlook

Divestco continues to reduce its corporate overhead costs. In 2011, the Company finalized two agreements whereby the lease of five floors of space in its current office premises was assumed by another company. As compared to 2011, this will save the Company approximately $5 million in 2013 and annually going forward until the lease expires in 2025.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Financial Position	Balance at December 31		Increase	
(Thousands, except as otherwise indicated)	2012	2011	(Decrease)	Explanation
Working Capital (1)				
Current Assets				
Cash	**$ 1,320**	$ 1,547	$ (227)	Free cash being applied to pay down subordinated loan
Funds held in trust	**18**	40	(22)	Less land sale activities in 2012
Accounts receivable	**7,134**	11,810	(4,676)	Larger amount of seismic being acquired at the end of 2011 compared to 2012
Prepaid expenses, supplies and deposits	**357**	235	122	Additional software contracts
Income taxes receivable	**196**	110	86	Related to scientific research and development tax credits
Asset held for sale	**-**	2,500	(2,500)	Asset sold in Q1 2012
Total Current Assets	**$ 9,025**	$ 16,242	$ (7,217)	
Current Liabilities (2)				
Bank indebtedness	**4,450**	3,700	750	Line used to support working capital requirements
Accounts payable and accrued liabilities	**9,624**	10,669	(1,045)	Larger amount of seismic being acquired at the end of 2011 compared to 2012
Current loss on sublease loss provision	**326**	320	6	Accretion charge for 2012
Current portion of long-term debt obligations	**1,986**	1,143	843	Remaining portion of subordinated debt becoming current in 2012
Current portion of tenant inducement	**122**	113	9	Additional funds received in 2012
Total Current Liabilities (2)	**16,508**	15,945	563	
Working Capital (1)	**$ (7,483)**	$ 297	$ (7,780)	
Funded Debt to Equity Ratio (1)(5)				
Funded Debt (3)	**$ 10,551**	$ 9,434	$ 1,117	Debenture and shareholder loan proceeds net of repayments on subordinated debt
Shareholders' Equity (4)	**16,318**	14,711	1,607	Net income for 2012 and share-based transactions
Funded Debt to Equity Ratio (1)(5)	**0.65**	0.64	0.01	

(1) See the “Non GAAP and Additional GAAP Measures” sections
(2) Excludes deferred revenue of $2.4 million (December 31, 2011 - $4.6 million)
(3) Includes bank indebtedness (operating line), shareholder and subordinated loans, and finance leases for both current and long-term portions
(4) Includes equity instruments, contributed surplus and deficit
(5) Funded debt divided by shareholders' equity

LIQUIDITY

For the year ended December 31, 2012, Divestco had funds from operations of $11.7 million compared to $5.7 million in 2011. The increase of $6 million (103%) was mainly due to a reduction of operating expenses related to the Company’s efforts to condense its office space.

Funds from operations were disbursed as follows for 2012: $12.6 million on acquiring seismic data, $1.3 million on PP&E additions (mainly leasehold improvements) and $2.4 million on deferred development costs. The Company increased its total funded debt by $1.1 million for 2012, which included a draw of $750,000 on the Company’s operating line. Divestco has a $5 million revolving operating loan facility; $4.5 million drawn as at December 31, 2012. The remaining increase in debt was from proceeds received from shareholder loans and debentures net of repayments on the subordinated debt and finance leases.

While management believes that the Company’s funds from operations will provide the capital to continue to operate in the short-term, this is dependent upon future financial performance that is subject to financial, business, and other risk factors, including elements beyond the Company’s control. To mitigate these risks, the Company is looking at additional sources of capital. In the medium to long-tem, additional financing may be required to meet the Company’s planned growth. This could comprise additional debt, equity, or a combination thereof, dependent on capital market conditions.

Divestco is in continuous negotiations with its lenders and potential lenders to ensure that the Company's credit facilities, combined with its working capital and funds from operations, will be sufficient in the short-term and long-term to meet planned growth and to fund future capital expenditures. Furthermore, Divestco has implemented significant cost-cutting measures, which included surrendering a significant portion of its office space lease in 2011 and is utilizing salary austerity measures during seasonally slow periods. In addition, the Company evaluates all material capital expenditures, mainly seismic participation surveys, before commencement to ensure they meet appropriate funding levels.

The Company was required to meet certain debt covenants in 2012, as described in the "Financial Instruments" section. As at December 31, 2012, the Company was in violation of its working capital covenant in its operating and subordinated loan agreements. Subsequent to December 31, 2012, the lenders have provided waivers of the breach as at December 31, 2012.

Working capital

As at December 31, 2012, Divestco had a working capital deficit of $7.5 million (excluding deferred revenue of $2.4 million), compared to working capital of $0.3 million (excluding deferred revenue of $4.6 million) as at December 31, 2011. The decrease from the end of last year was primarily due to a significant slow down in industry activity levels during the last six months of 2012 due to a fall in commodity prices and worldwide economic pressures. While the third quarter is typically a slower period for the Company, these other factors led to a sharper decline than had been expected. In addition, employee turnover directly impacted processing and land services. While Divestco lost some key employees during the time, the Company has been able to rehire in those positions.

Funded Debt to Equity

Divestco had a funded debt to equity ratio of 0.60:1 as at December 31, 2012. The Company's practice is to utilize an appropriate mix of debt and equity to finance its current capital expenditures and growth initiatives. Consistent with the year ended December 31, 2011, 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 the Company's effort to maintain a healthy statement of financial position. The Company's strategy is to maintain a funded debt to equity ratio of less than 1:1.

Contractual Obligations

Below is a summary of Divestco's contractual obligations, including principal and interest:

(Thousands)	Carrying amount	Contractual cash flows	<1 year	1-2 years	2-5 years	Thereafter	Total
Operating Line	$ 4,450	$ 4,450	$ 4,450	$ -	$ -	$ -	**$ 4,450**
Debt Obligations [(1)]	5,900	6,701	2,311	2,443	737	1,210	**6,701**
Finance Leases	201	227	102	64	61	-	**227**
Operating Leases [(2)]	N/A	54,968	3,839	3,925	12,425	34,779	**54,968**
Other Obligations [(3)]	1,332	1,482	356	356	770	-	**1,482**
Total	**$ 11,883**	**$ 67,828**	**$ 11,058**	**$ 6,788**	**$ 13,993**	**$ 35,989**	**$ 67,828**

(1) Includes subordinated loan, shareholder loans and debentures
(2) See "Off Balance Sheet Arrangements" section
(3) Includes sublease loss liability

SELECTED CASH FLOW ITEMS

	Three months ended Dec 31		Year ended Dec 31	
(Thousands)	**2012**	2011	**2012**	2011
Operating Activities				
Funds from (used in) Operations [1]	**$ 10**	$ 2,908	**$ 11,674**	$ 5,745
Changes in Non-Cash Working Capital Balances	**85**	(2,703)	**3,408**	(411)
Interest Paid	**(219)**	(202)	**(374)**	(593)
Income Taxes Refunded	**(31)**	-	**184**	352
Cash From (Used in) Operating Activities	**(155)**	3	**14,892**	5,093
Financing Activities				
Bank Indebtedness	**100**	600	**750**	1,650
Long-Term Debt Obligations	**(158)**	415	**245**	5,094
Issue of Common Shares (Net of Related Costs)	**-**	994	**-**	1,093
Other - Net	**-**	-	**14**	(153)
Cash From (Used in) Financing Activities	**(58)**	2,009	**1,009**	7,684
Investing Activities				
Additions to intangible assets	**263**	(6,547)	**(14,197)**	(9,012)
Participation Surveys in Progress	**(3,508)**	755	**1,600**	(3,855)
Additions to Property, Plant and Equipment	**(266)**	(345)	**(1,320)**	(5,907)
Additions to Tenant Inducements	**-**	172	**118**	3,596
Lease Incentive	**-**	1,000	**-**	1,000
Payments Towards Sublease Loss Provision	**(89)**	(434)	**(357)**	(922)
Investment in Affiliates	**-**	-	**-**	(29)
Deferred Development Costs	**(583)**	(592)	**(2,353)**	(2,475)
Changes in Non-Cash Working Capital Balances	**2,750**	4,437	**381**	2,678
Cash From (Used in) Investing Activities	**(1,433)**	(1,554)	**(16,128)**	(14,926)
Change in Cash	**$ (1,646)**	$ 458	**$ (227)**	$ (2,149)

[1] *See the "Non GAAP and Additional GAAP Measures" sections.*

Operating Activities

In 2012, funds from operations were $11.7 million ($0.17/share (basic and diluted)), compared with $5.7 million ($0.10/share (basic and diluted)) in 2011. The increase of $5.9 million (103%) was mainly due to a reduction of operating expenses due to lower occupancy costs.

Financing Activities

In 2012, the Company drew $750,000 on its revolving credit facility. The funds were used for working capital purposes. The Company made $2 million in principal payments on its subordinated loan and finance leases and received $2.2 million in debentures and shareholder loan proceeds.

Investing Activities

In 2012, Divestco incurred $1.3 million for leasehold improvements (net of tenant inducements) and purchasing computer hardware. A further $12.4 million was spent to complete three 3D seismic surveys and commence an additional survey which was completed in Q1 2013. $148,000 was spent on consulting fees for the re-write of a commercial software product.

FINANCIAL INSTRUMENTS

Operating Line

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 interest rate on this facility is prime plus 3.00% per annum, with a non-refundable facility fee of 0.75% per annum being charged on the unused portion of the facility. The facility is subject to a step-down to $4.75 million on January 31, 2013, $4.5 million on March 31, 2013, $4.25 million on May 31, 2013 and $4 million on July 31, 2013. As at December 31, 2012, $4.45 million (December 31, 2011: $3.7 million) was drawn on the facility. The facility is presented as bank indebtedness in the consolidated statements of financial position.

The facility is subject to the Company meeting certain debt covenants as follows: current ratio cannot fall below 1.00:1 (amended from 1:25:1 effective on June 30, 2012) 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, depreciation and amortization. As at December 31, 2012, the Company was in violation of its current ratio covenant. Subsequent to December 31, 2012, the lender provided the Company with a waiver of the covenant breach as at December 31, 2012.

Subordinated Debt

The Company has a $5 million subordinated bridge loan with $2 million of the loan proceeds being provided by two of the Company's directors as a condition of the financing. The interest rate on this facility is 12% per annum. Monthly principal payments of $90,000 commenced on January 1, 2012. The loan has a maturity date of April 30, 2013 with a balloon payment of $1.6 million due at that time. The directors agreed to postpone receiving their monthly principal payments of $60,000 until January 1, 2014. As at December 31, 2012, the principal amount due on the loan was $3.9 million (December 31, 2011: $5 million).

The facility is subject to the Company meeting certain debt covenants as follows: current ratio cannot fall below 1.00:1 (amended from 1:25:1 effective on June 30, 2012) 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, depreciation and amortization. As at December 31, 2012, the Company was in violation of its current ratio covenant. Subsequent to December 31, 2012, the lender provided the Company with a waiver of the covenant breach as at December 31, 2012.

Debentures

The Company has $1.2 million in secured debentures with a royalty interest. Four directors of the Company subscribed for $1 million of the debentures. The debentures bear interest of 8% per annum. Principal payments are calculated as follows: 50% of the net revenues generated by certain of the Company's seismic data on or after July 1, 2012, multiplied by the amount of debentures outstanding divided by $5 million. The balance of the revenue is retained by the Company. Net revenues equal 90% of the gross revenues generated by the seismic data as the Company retains 10% of the gross revenues as a management fee. The seismic data is comprised of the seismic surveys acquired by the Company prior to July 1, 2012. Principal payments are postponed if the Company is in breach of any of its senior debt covenants. No principal payments have been made since issuance and none are expected for 2013.

Upon full repayment of the principal amount of the debentures and all accrued interest, the royalty interest becomes effective and will be paid as a royalty indefinitely. Royalty payments are calculated as follows: 25% of the net revenues generated by the seismic data multiplied by the amount of debentures outstanding divided by $5 million. The balance of the revenue is retained by the Company. Net revenues will equal 90% of the gross revenues generated by the seismic data as the Company will retain 10% of the gross revenues as a management fee. Royalty payments are postponed if the Company is in breach of any of its senior debt covenants.

The principal amount of the debentures and accrued interest, but not the royalty interest, is secured against the seismic data by way of a registered security interest pursuant to the Personal Property Security Act (Alberta) but is subordinated to the Company's existing and future senior debt.

Unsecured loans from shareholders

The Company has $800,000 in unsecured loans from two of the Company's directors. The loans bear interest of 10% per annum and payments are interest only until January 1, 2014.

Finance leases

As at December 31, 2012, equipment under finance lease is computer hardware and office equipment. Interest rates are fixed, ranging between 1.8 to 12.4% and expire between 2013 and 2016.

OFF-BALANCE SHEET ARRANGEMENTS

The Company's main office lease has a term of 15 years expiring in 2025. Excluding subleases, the monthly commitment was approximately $355,000 including operating costs for 2012 and is expected to be $266,000 for 2013. The annual square foot rate increases in 2016, 2018, 2020 and 2023. This includes a monthly commitment of $30,000 until November 2016 related to a portion of the lease the Company surrendered in 2011. A portion of the current space is subleased on a month-to-month basis. Sublease payments totalling $78,000 were received in 2012 and $83,000 is expected to be received in 2013. The Company also leases approximately 15,000 square feet of office space in another location with the lease expiring in 2025. The monthly commitment was approximately $60,000 including operating costs for 2012 and is expected to be $63,000 for 2013.

In 2011, the Company surrendered four floors of space in its new office premises and surrendered a fifth floor on January 1, 2013. Total savings were approximately $4 million in 2012 and will be $5 million annually thereafter.

Summary of non-cancellable building lease (net of subleases) commitments until expiry:

	As at December 31	
	2012	**2011**
Less than one year	**$ 3,839**	$ 4,450
Between one and five years	**16,350**	15,140
More than five years	**34,779**	38,710
	$ 54,968	$ 58,300

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 of 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. In addition, 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. During 2012, the Company discontinued and settled one of its legal actions.

OUTSTANDING SHARE DATA

Divestco's Class A common shares are listed on the TSX-V and trade under the symbol DVT. The Company is authorized to issue an unlimited number of voting Class A common shares.

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

	Balance as at		
(Thousands)	**Apr 30, 2013**	**Dec 31, 2012**	Dec 31, 2011
Class A shares			
Outstanding	66,877	**66,758**	66,610
Weighted Average Outstanding			
Basic and diluted - YTD (1)		**66,679**	59,797
Basic and diluted - QTR (2)		**66,738**	60,575
Stock Options			
Outstanding	4,006	**4,061**	3,030
Exercise Price Range	$0.17 to $1.30	**$0.17 to $1.30**	$0.17 to $3.68
Performance Share Units			
Outstanding	-	**1,310**	-
Share Purchase Warrants			
Outstanding	-	**-**	16,280
Exercise Price	$-	**$-**	$0.32

(1) In computing diluted net income (loss) per share, no shares were added to the weighted average number of Class A Shares outstanding for year ended December 31, 2012 as the options were out of the money. In computing diluted net income (loss) per share, no shares were added to the weighted average number of Class A Shares outstanding for year ended December 31, 2011 as there was a net loss for the year. As there was a net loss for 2011, the options and warrants were anti-dilutive and were also out of the money.

(2) In computing diluted net income (loss) per share, no shares were added to the weighted average number of Class A Shares outstanding for the three months ended December 31, 2012 and 2011 as there was a net loss for both periods. Therefore the options and warrants were antidilutive.

Long-Term Service Awards

The Company issues 5 and 10 year service awards ("Service Awards") to eligible 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, 2012, $25,000 (2011: $47,000) was included in salaries and benefits in the consolidated statements of income (loss) and comprehensive income (loss) for the value of awards issued based on the share price on the date of issuance.

Employee Stock Purchase Plan

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, $187,000 (2011: $87,000) was included in salaries and benefits in the consolidated statements of loss and comprehensive loss for the value of the Company's contributions. All of the employer contributions for 2012 and 2011 were in form of cash.

Stock Options

As at December 31, 2012, there were 6,676,000 Class A common shares reserved for grants of stock options combined with all other forms of stock-based compensation.

During the year ended December 31, 2012:

- 1,585,000 options were granted with exercise prices ranging from of $0.17 to $0.25 per option including 750,000 options granted to officers and directors with an exercise price of $0.25 per option.
- 554,540 options were forfeited with exercise prices ranging from $0.17 to $3.68 per option.

From January 1, 2013 to April 30, 2013:

- 55,000 options were forfeited with an exercise prices ranging from $0.17 to $1.30 per option.

Performance share units

The Company has a performance share unit ("PSU") plan whereby 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 plans to 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 2% of the issued and outstanding Class A Shares of the Company and 1% for any one insider. Compensation expense related to the PSUs 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.

During the year ended December 31, 2012, 1,310,000 PSUs were granted to officers and employees (2011: 900,000).

RELATED PARTY TRANSACTIONS

Loans from directors and shareholders

The Company has $800,000 in unsecured loans from two directors.

$2 million of the $5 million subordinated bridge loan was loaned to the Company by two directors in accordance with a condition of the financing.

$1 million of the debentures was subscribed for by three directors and $210,000 was subscribed for by shareholders.

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.

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. 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:

			Transaction value for the year ended December 31		**Balance outstanding as at December 31**	
Name	**Position**	**Transaction**	**2012**	**2011**	**2012**	**2011**
W. Brillon	Director and shareholder	Consulting fees and commissions(1)	**$ 214**	$ 198	**$ 82**	$ 96
W. Tobman	Director and shareholder	Seismic data management services (2)	**219**	-	**-**	-
B. Gough	Director and shareholder	Seismic processing and geomatics services(3)	**10**	-	**-**	-

(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.

(2) The Company managed a seismic data survey for a company controlled by Mr. Tobman. The contract terms were made on terms equivalent to those that prevail in arm's length transactions.

(3) The Company provided seismic processing and geomatics services to a company where Mr. Gough is the Vice President, Operations. The contract terms were made on terms equivalent to those that prevail in arm's length transactions.

NEW IFRS PRONOUNCEMENTS

Consolidation, joint arrangements and related disclosure

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". This standard requires a party to assess its rights and obligations from the arrangement in order to determine the type of joint arrangement. The choice of proportionate consolidation accounting is removed for joint ventures (formerly jointly controlled entities) as equity accounting is required;

- 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; and

- 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.

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. The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The Company is currently evaluating the impact of adopting this standard on its financial statements.

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, eliminating the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables. 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 adopting these standards on its financial statements.

CORPORATE INFORMATION

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

[1] Chairman of the Board
[2] Member of the Audit Committee
[3] Member of the Compensation Committee
[4] Member of the Corporate Governance Committee

OFFICERS
Stephen Popadynetz – Chief Executive Officer, Chief Financial Officer and President
Steve Sinclair-Smith – Chief Operating Officer
Lonn Hornsby – Senior VP Operations – Divestco Seismic
Danny Chiarastella – VP Finance
Mathew Hepton – VP Software Development

CORPORATE SECRETARY
Faralee A. Chanin

STOCK EXCHANGE LISTING
TSX-V: DVT

REGISTRAR AND TRANSFER AGENT
CIBC Mellon Trust Company

AUDITORS
KPMG LLP

LEGAL COUNSEL
Field LLP

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Divestco

Consolidated Financial Statements

For the Year Ended
December 31, 2012

Divestco Inc.
Consolidated Financial Statements
For the year ended December 31, 2012

Contents

To the Shareholders of Divestco Inc.

Management, in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), 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 Audit Committee 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 IFRS as issued by the IASB.

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 30, 2013

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, 2012 and December 31, 2011, the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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, 2012 and December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes that the Company has a working capital covenant which the Company has breached at December 31, 2012, and which the Company projects will be breached in 2013 and could result in outstanding operating and subordinated loan balances being called by the lenders. The Company’s ability to continue as a going concern is dependent upon its ability to obtain financing. These conditions, along with other matters as described in Note 2 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

“KPMG LLP”

Chartered Accountants
Calgary, Canada
April 30, 2013

Divestco Inc.
Consolidated Statements of Financial Position

		At December 31	
(Thousands)	**Note**	**2012**	**2011**
Assets			
Current Assets			
Cash		**$ 1,320**	$ 1,547
Funds held in trust		**18**	40
Accounts receivable		**7,134**	11,810
Prepaid expenses, supplies and deposits		**357**	235
Income taxes receivable		**196**	110
Asset held for sale	7	**-**	2,500
Total current assets		**9,025**	16,242
Investment in affiliated company	8	**137**	141
Participation surveys in progress		**3,508**	5,108
Property and equipment	9	**4,607**	4,147
Intangible assets	10	**24,668**	18,123
Total assets		**$ 41,945**	$ 43,761
Liabilities and Shareholders' Equity			
Current Liabilities			
Bank indebtedness	15	**$ 4,450**	$ 3,700
Accounts payable and accrued liabilities		**9,624**	10,669
Deferred revenue		**2,420**	4,561
Current loss on sublease loss provision	21	**326**	320
Current portion of long-term debt obligations	16	**1,986**	1,143
Current portion of tenant inducements	21	**122**	113
Total current liabilities		**18,928**	20,506
Deferred rent obligations	21	**189**	1,124
Long-term debt obligations	16	**4,115**	4,591
Sublease loss provision	21	**1,006**	1,332
Tenant Inducements	21	**1,389**	1,397
Other long-term liabilities		**-**	100
Total liabilities		**25,627**	29,050
Shareholders' Equity			
Equity instruments	18	**7,216**	76,431
Contributed surplus		**7,829**	5,663
Retained Earnings (deficit)		**1,273**	(67,383)
Total shareholders' equity		**16,318**	14,711
Future operations	2		
Operating leases	21		
Total liabilities and shareholders' equity		**$ 41,945**	$ 43,761

Approved by the Board:

"Edward Molnar"
Edward Molnar, Director

"Stephen Popadynetz"
Stephen Popadynetz, Director

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

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

		Year ended December 31	
(Thousands, Except Per Share Amounts)	Note	2012	2011
Revenue	11	**$ 39,628**	$ 40,464
Operating expenses			
Salaries and benefits		**17,667**	18,748
General and administrative	12	**9,213**	15,664
Depreciation and amortization		**10,646**	9,904
Share-based payments	19	**309**	73
Total operating expenses		**37,835**	44,389
Finance costs	13	**531**	759
Other loss (income)	14	**40**	(160)
Income (loss) before income taxes		**1,222**	(4,524)
Income taxes			
Current		**(51)**	86
Net income (loss) and comprehensive income (loss) for the year		**$ 1,273**	$ (4,610)
Net income (loss) per share			
Basic and Diluted	18	**$ 0.02**	$ (0.08)

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

Divestco Inc.
Consolidated Statements of Changes in Equity

(Thousands)	Note	Number of Shares Issued	Share Capital	Number of Warrants Issued	Warrants	Equity Instruments	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
Balance as at January 1, 2011		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:									
Issuance 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 as at December 31, 2011		66,610	$ 74,571	16,280	$ 1,860	$ 76,431	$ 5,663	$ (67,383)	$ 14,711
Balance as at January 1, 2012		66,610	$ 74,571	16,280	$ 1,860	$ 76,431	$ 5,663	$ (67,383)	$ 14,711
Reduction of stated capital and deficit	18		**(67,383)**			**(67,383)**		**67,383**	**-**
Net income and comprehensive income for the year								**1,273**	**1,273**
Transactions with owners, recorded in equity contributions by and distributions to owners:									
Issuance of Class A common shares		**128**	**25**			**25**			**25**
Issuance of Class A common shares on exercise of PSUs		**20**	**3**			**3**			**3**
Reclassification on exercise of PSUs						**-**	**(3)**		**(3)**
Reclassification on expiry of warrants				**(16,280)**	**(1,860)**	**(1,860)**	**1,860**		
Share-based payment transactions						**-**	**309**		**309**
Balance as at December 31, 2012		**66,758**	**$ 7,216**	**-**	**$ -**	**$ 7,216**	**$ 7,829**	**$ 1,273**	**$ 16,318**

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

Divestco Inc.
Consolidated Statements of Cash Flows

		Year ended December 31	
(Thousands)	**Note**	**2012**	**2011**
Cash from (used in) operating activities			
Net income (loss) for the year		**$ 1,273**	$ (4,610)
Items not affecting cash:			
Equity investment income		**(10)**	(12)
Depreciation and amortization	8	**10,646**	9,904
Sublease loss	21	**-**	(839)
Amortization of tenant inducements	21	**(117)**	(109)
Deferred rent obligations	21	**(936)**	557
Income taxes		**(51)**	86
Gain on sale of property and equipment		**-**	(146)
Unrealized foreign exchange loss		**4**	(3)
Non-cash employment benefits		**25**	85
Share-based payments	19	**309**	73
Finance costs	13	**531**	759
Funds from operations	27	**11,674**	5,745
Changes in non-cash working capital balances	20	**3,408**	(411)
Interest paid		**(374)**	(593)
Income taxes refunded		**184**	352
Net cash from operating activities		**14,892**	5,093
Cash from (used in) financing activities			
Bank indebtedness	15	**750**	1,650
Advances from affiliated company	8	**14**	-
Issue of common shares (net of related costs)		**-**	1,093
Repayment of long-term debt obligations	16	**(1,965)**	(406)
Deferred financing costs		**-**	(153)
Proceeds received from long-term debt obligations	16	**2,210**	5,500
Net cash from financing activities		**1,009**	7,684
Cash from (used in) investing activities			
Additions to intangible assets	10	**(14,197)**	(9,012)
Decrease (increase) in participation surveys in progress		**1,600**	(3,855)
Purchase of property and equipment	9	**(1,320)**	(5,907)
Additions to tenant inducements	21	**118**	3,596
Lease incentive		**-**	1,000
Payments towards sublease loss provision	21	**(357)**	(922)
Investment in affiliates		**-**	(29)
Deferred development costs		**(2,353)**	(2,475)
Changes in non-cash working capital balances	20	**381**	2,678
Net cash from (used in) investing activities		**(16,128)**	(14,926)
Increase (decrease) in cash		**(227)**	(2,149)
Cash, beginning of year		**1,547**	3,696
Cash, end of year		**$ 1,320**	$ 1,547

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, 2012 are comprised of 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 the following operating segments: 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 was required to meet certain debt covenants in 2012 as described in Notes 15 and 16. As at December 31, 2012, the Company was in violation of its working capital covenant in its operating and subordinated loan agreements. Subsequent to December 31, 2012, the lenders provided waivers of the breach as at December 31, 2012. However, based on projections and assumptions, the Company anticipates violating the working capital covenant during 2013. If the covenant is breached, the lenders have the right to demand full repayment of their loans, being $6.3 million. In addition, the Company has $3.9 million in operating lease commitments in 2013. In aggregate, this exceeds the Company's projected 2013 cash flow from operating activities net of seismic participation revenue.

The Company's ability to continue as a going concern is dependent on the continued support of the Company's lenders including shareholders, directors and related parties, the availability of the lending facility or the Company's ability to obtain other financing to fund its operations. Therefore, there is a material uncertainty that casts a significant doubt as to the ability of the Company to continue as a going concern. The Company continues to look for additional sources of capital including negotiating other debt facilities to extend the term of its debt payments.

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. As a result, 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") as issued by the International Accounting Standards Board ("IASB"). The Company's significant accounting policies under IFRS are presented in Note 4.

These consolidated financial statements were authorized for issuance by the Company's Audit Committee and Board of Directors on April 30, 2013.

(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 is as follows:

- Determination of cash generating units for purposes of impairment testing. Management determined that the Company's non-financial assets, excluding deferred income tax assets, have been allocated to the following CGUs: Geomatics, Seismic Processing, Land Management Services, Seismic Data and Software and Data. These CGUs constitute the smallest identifiable group of assets that generate cash inflows that are independent of cash flows from other assets or groups of assets
- Determination if the Company intends to and has sufficient resources to complete development and to use or sell assets for which development costs have been capitalized
- 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
- Determination of when significant risks and rewards of ownership have been transferred to the customer for the purpose of recognizing revenue
- 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:

- Determination of the useful life and recoverable amount of property and equipment
- Determination of the useful life and recoverable amount of intangible assets
- Key assumptions used in discounted cash flow projections with respect to impairment testing and going concern assessment
- Key assumptions used in determining if the criteria are met for capitalizing development expenditures including: 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
- 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
- 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 accounts 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 and 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.

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% 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 to determine 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 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 carrying amount of the assets 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 income (loss) and comprehensive income (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 income (loss) and comprehensive income (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 based on historical experience.

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.

(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 cancellations, 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 the 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 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.

Seismic 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 and performance share units.

(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, 2012, and have not been applied in preparing these consolidated financial statements:

Consolidation, joint arrangements and related disclosure

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". This standard requires a party to assess its rights and obligations from the arrangement in order to determine the type of joint arrangement. The choice of proportionate consolidation accounting is removed for joint ventures (formerly jointly controlled entities) as equity accounting is required;

- 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; and

- 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.

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. The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The Company is currently evaluating the impact of adopting this standard on its financial statements.

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, eliminating the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables. 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 adopting these standards on its financial statements.

6. Operating Segments

The Company has four reportable operating segments. These offer different products and services which are managed separately as they require different technologies, marketing and financial management strategies. For each strategic segment, the Company's chief operating decision maker reviews internal management reports on a monthly basis.

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 providing 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 income (loss) and comprehensive income (loss) are not allocated to the reportable segments.

December 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

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 depreciation.

As at and for the year ended December 31 2012	**Software & Data**	**Services**	**Seismic Data**	**Corporate & Other**	**Total**
Revenue from external customers	**$ 12,742**	**$ 13,568**	**$ 13,318**	**$ -**	**$ 39,628**
Inter-segment revenue	**-**	**274**	**-**	**-**	**274**
Reportable segment income (loss) before tax	**2,897**	**237**	**3,612**	**(5,524)**	**1,222**
Finance costs (income)	**-**	**(1)**	**(9)**	**541**	**531**
Depreciation and amortization	**3,150**	**893**	**6,034**	**569**	**10,646**
Share of profit (loss) of equity-accounted investees	**-**	**-**	**-**	**10**	**10**
Reportable segment assets	**12,697**	**6,421**	**20,077**	**2,750**	**41,945**
Reportable segment liabilities	**5,792**	**4,050**	**3,643**	**12,142**	**25,627**
Equity-accounted investees	**-**	**-**	**-**	**137**	**137**
Capital expenditures (1)	**213**	**457**	**12,516**	**731**	**13,917**
Deferred development costs	**2,353**	**-**	**-**	**-**	**2,353**

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 (income)	-	(3)	(6)	768	759
Depreciation and amortization	3,453	1,098	3,632	1,721	9,904
Share of profit (loss) of equity-accounted investees	-	-	-	12	12
Reportable segment assets	13,859	9,707	17,769	2,426	43,761
Reportable segment liabilities	5,561	5,769	5,983	11,737	29,050
Equity-accounted investees	-	-	-	141	141
Capital expenditures (1)	954	2,034	12,513	3,273	18,774
Deferred development costs	2,475	-	-	-	2,475

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

Major Customer

No revenue from one customer represented 10% or more of the Company's total revenue for the year ended December 31, 2012. One customer represented $4.7 million in revenue (12%) of the Company's total revenue for the year ended December 31, 2011.

December 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

7. 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 were measured at the lower of their carrying value and fair value less cost to sell (based on the actual net sales proceeds).

8. 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, 2012 was $10,000 (2011: $12,000) as has been recorded in other income (loss) in the consolidated statements of income (loss) and comprehensive income (loss).

Summarized financial information of SDLS is as follows:

	At December 31	
	2012	**2011**
Total assets	**$ 44**	$ 57
Total liabilities	**$ 283**	$ 317
Total shareholders' equity	**(239)**	(260)
Total liabilities and shareholders' equity	**$ 44**	$ 57

	Year ended December 31	
	2012	**2011**
Revenue	**$ 126**	$ 137
Net income	**21**	28

December 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

9. Property and Equipment

	Computer Hardware and Software	Office Furniture and Equipment	Leasehold Improvements	Assets under Finance Leases	Land[1]	Total
Cost:						
At January 1 2011	$ 6,934	$ 1,286	$ 3,193	$ 3,894	$ 30	$ 15,337
Additions	732	40	5,138	235	-	6,145
Disposals	-	-	(1,515)	-	-	(1,515)
At December 31 2011	7,666	1,326	6,816	4,129	30	19,967
Additions	277	9	1,034	-	-	1,320
At December 31 2012	**$ 7,943**	**$ 1,335**	**$ 7,850**	**$ 4,129**	**$ 30**	**$ 21,287**
Accumulated depreciation:						
At January 1 2011	$ 6,339	$ 1,184	$ 1,227	$ 3,561	$ -	$ 12,311
Depreciation	592	97	2,616	204	-	3,509
At December 31 2011	6,931	1,281	3,843	3,765	-	15,820
Depreciation	430	16	220	194	-	860
At December 31 2012	**$ 7,361**	**$ 1,297**	**$ 4,063**	**$ 3,959**	**$ -**	**$ 16,680**
Carrying amounts:						
At December 31 2011	735	45	2,973	364	30	4,147
At December 31 2012	**582**	**38**	**3,787**	**170**	**30**	**4,607**

[1] Land is 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 15). 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 16).

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

10. Intangible Assets

	Data Libraries								
	Seismic Data Library	Datasets	Log, Support and Drilling Data Library	Reference Library	Map Library	Sub-Total	Proprietary Software and Code	Deferred Development Costs[1]	Total
Cost									
At January 1 2011	$ 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
Additions	14,049	-	-	-	-	14,049	148	2,133	16,330
At December 31 2012	**$ 22,469**	**$ 632**	**$ 7,209**	**$ 445**	**$ 239**	**$ 30,994**	**$ 9,057**	**$ 15,428**	**$ 55,479**
Accumulated depreciation									
At January 1 2011	$ 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
Amortization	5,852	19	361	-	16	6,248	552	2,985	9,785
At December 31 2012	**$ 9,207**	**$ 573**	**$ 3,180**	**$ 445**	**$ 136**	**$ 13,541**	**$ 6,607**	**$ 10,663**	**$ 30,811**
Carrying amount									
At December 31 2011	$ 5,065	$ 78	$ 4,390	$ -	$ 119	$ 9,652	$ 2,854	$ 5,617	$ 18,123
At December 31 2012	**13,262**	**59**	**4,029**	**-**	**103**	**17,453**	**2,450**	**4,765**	**24,668**

(1) In 2012, the Company expensed $1.6 million (2011 - $1.5 million) in research costs.

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 15). 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 16).

Amortization of intangible assets in the amount of $9.8 million (2011: $7.7 million) has been included in depreciation and amortization in the consolidated statements of income (loss) and comprehensive income (loss).

December 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

11. Revenue

	Year ended December 31	
	2012	**2011**
Sales of goods	**$ 24,075**	$ 20,317
Rendering of services	**13,568**	17,266
Commissions	**1,985**	2,881
	$ 39,628	$ 40,464

As at December 31, 2012, the Company had deferred revenue of $2.4 million (2011: $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.

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

12. General and Administrative Expenses by Nature

	Year ended December 31	
	2012	**2011**
Occupancy costs	**$ 4,232**	$ 9,032
Communications	**269**	452
Advertising and promotion	**737**	758
Operating leases and office supplies	**893**	1,177
Recruitment and training	**327**	203
Consultant and professional fees	**2,169**	4,113
Charges and fees	**183**	113
Bad debt (recovery)	**403**	(184)
	$ 9,213	$ 15,664

December 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

13. Finance costs

		Year ended December 31	
	Note	2012	2011
Interest expense on debt		$ **374**	$ 593
Amortization of deferred finance charges	16	**121**	102
Accretion of sublease loss		**36**	64
		$ **531**	$ 759

14. Other income (loss)

	Year ended December 31	
	2012	2011
Foreign exchange loss	$ **50**	$ (2)
Gain on sale of property and equipment	**-**	(146)
Equity investment income	**(10)**	(12)
	$ **40**	$ (160)

15. 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 + 3.00% per annum with a non-refundable facility fee of 0.75% per annum being charged on the unused portion of the facility. The facility is subject to a step-down to $4.75 million on January 31, 2013, $4.5 million on March 31, 2013, $4.25 million on May 31, 2013 and $4 million on July 31, 2013. As at December 31, 2012, $4.45 million (December 31, 2011: $3.7 million) was drawn on the facility.

The facility is subject to the Company meeting certain debt covenants as follows: current ratio (current assets divided by current liabilities (excluding deferred revenue) cannot fall below 1.00:1 (amended from 1.25:1 effective June 30, 2012) and debt service coverage ratio (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, depreciation and amortization) cannot fall below 2.25:1 on a trailing 12-month basis. As at December 31, 2012, the Company was in violation of its current ratio covenant. Subsequent to December 31, 2012, the lender provided the Company with a waiver of the covenant breach as at December 31, 2012.

December 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

16. 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 23).

	At December 31	
	2012	**2011**
Non-current liabilities		
Secured subordinated bridge loan	**$ 2,000**	$ 3,920
Debenture	**1,210**	-
Unsecured loans from shareholders	**800**	500
Finance lease liabilities	**105**	201
Deferred finance charges	**-**	(30)
	$ 4,115	$ 4,591
Current liabilities		
Secured subordinated bridge loan	**$ 1,920**	$ 1,080
Finance lease liabilities	**96**	184
Deferred finance charges	**(30)**	(121)
	$ 1,986	$ 1,143
Total	**$ 6,101**	$ 5,734

	Nominal interest rate	Year of maturity	December 31, 2012 Face value	December 31, 2012 Carrying amount	December 31, 2011 Face value	December 31, 2011 Carrying amount
Secured subordinated bridge loan	12%	2013	**$ 1,920**	**$ 1,890**	$ 3,000	$ 2,849
Secured subordinated bridge loan (portion owing from Directors)	12%	2016	**$ 2,000**	**$ 2,000**	$ 2,000	$ 2,000
Debenture	8%	N/A	**1,210**	**1,210**	-	-
Unsecured loans from shareholders	10%	2016	**800**	**800**	500	500
Finance lease obligations	1.8-12.4%	2012-2016	**227**	**201**	434	385
Total interest-bearing liabilities			**$ 6,157**	**$ 6,101**	$ 5,934	$ 5,734

Secured subordinated bridge loan

The Company has a $5 million subordinated bridge loan with $2 million of the loan proceeds being provided by two of the Company's directors as a condition of the financing. The interest rate on this facility is 12% per annum. Monthly principal payments of $90,000 commenced on January 1, 2012. The loan has a maturity date of April 30, 2013 with a balloon payment of $1.6 million due at that time. The directors agreed to postpone receiving their monthly principal payments of $60,000 until January 1, 2014. As at December 31, 2012, the principal amount due on the loan was $3.9 million (December 31, 2011: $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 facility is subject to the Company meeting certain debt covenants as follows: current ratio (current assets divided by current liabilities (excluding deferred revenue)) cannot fall below 1.00:1 (amended from 1.25:1 effective June 30, 2012) and debt service coverage ratio (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, depreciation and amortization) cannot fall below 2.25:1

December 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

on a trailing 12-month basis. As at December 31, 2012, the Company was in violation of its current ratio covenant. Subsequent to December 31, 2012, the lender provided the Company with a waiver of the covenant breach as at December 31, 2012.

Debentures

The Company has $1.2 million in secured debentures with a royalty interest. Four directors, who are also shareholders of the Company, subscribed for $1 million of the debentures. The debentures bear interest of 8% per annum. Principal payments are calculated as follows: 50% of the net revenues generated by certain of the Company's seismic data (the "Seismic Data"), multiplied by the amount of debentures outstanding divided by $5 million. The balance of the revenue is retained by the Company. Net revenues equal 90% of the gross revenues generated by the Seismic Data as the Company retains 10% of the gross revenues as a management fee. The Seismic Data is comprised of the seismic surveys acquired by Corporation prior to July 1, 2012. Principal payments are postponed if the Company is in breach of any of its senior debt covenants. No principal payments were made in 2012 as there was no revenue generated on the Seismic Data from July 1 to December 31, 2012. No principal payments are expected in 2013.

Upon full repayment of the principal amount of the debentures and all accrued interest, the royalty interest becomes effective and will be paid as a royalty indefinitely. Royalty payments are calculated as follows: 25% of the net revenues generated by the Seismic Data multiplied by the amount of debentures outstanding divided by $5 million. The balance of the revenue is retained by the Company. Net revenues will equal 90% of the gross revenues generated by the Seismic Data as the Company will retain 10% of the gross revenues as a management fee. Royalty payments may be postponed if the Company is in breach of any of its senior debt covenants.

The principal amount of the debentures and accrued interest, but not the royalty interest, is secured against the Seismic Data by way of a registered security interest pursuant to the Personal Property Security Act (Alberta) but is subordinated to the Company's existing and future senior debt.

Unsecured loans from shareholders

The Company has $800,000 in unsecured loans from two of the Company's directors. The loans bear interest of 10% per annum. The directors have agreed to postpone their principal payments until January 1, 2014. Payments are interest only until that time.

Finance lease obligations

Finance lease obligations are payable as follows:

	December 31, 2012			December 31, 2011		
	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	**$ 103**	**$ 7**	**$ 96**	$ 199	$ 15	$ 184
Between one and five years	**124**	**19**	**105**	235	34	201
	$ 227	**$ 26**	**$ 201**	$ 434	$ 49	$ 385

Equipment under finance lease is computer hardware and office equipment.

December 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

Deferred finance charges

	At December 31	
	2012	**2011**
Balance, beginning of year	**$ 151**	$ -
Additions [(1)]	**-**	253
Amortization [(2)]	**(121)**	(102)
Balance, end of year	**$ 30**	$ 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 income (loss) and comprehensive income (loss)

17. 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, 2012 and 2011.

	Year ended December 31	
	2012	**2011**
Loss before income taxes	**$ 1,222**	$ (4,524)
Statutory rate	**25.00%**	26.50%
Computed income tax recovery	**$ 306**	$ (1,199)
Effects of differences:		
Non-deductible expenses	**109**	47
Adjustments for enacted changes in income tax rates	**-**	76
Changes in unrecognized temporary differences	**(466)**	1,162
Actual income taxes	**$ (51)**	$ 86
Current (recovery)	**-**	86
Actual income taxes	**$ (51)**	$ 86

The decrease in the statutory rate from 2011 to 2012 was due to a reduction in the 2012 Federal corporate tax rates as part of a series of corporate tax rate reductions previously enacted by the Federal Government.

Unrecognized deferred tax assets

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

	Balance at December 31	
	2012	**2011**
Non-capital losses	**$ 6,920**	$ 6,143
Share issue and debt financing costs	**34**	19
	$ 6,954	$ 6,162

December 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

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, 2012, the Company and its Canadian subsidiaries had approximately $36 million in Federal and $22 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

	Balance at December 31	
	2012	**2011**
Deferred tax liabilities		
Property and equipment and intangibles	**$ (1,162)**	$ (2,727)
Deferred tax assets		
Sublease loss liability	**$ 333**	$ 413
Non-capital loss carry forwards	**829**	2,314
	$ 1,162	$ 2,727
Net deferred tax assets (liabilities)	**$ -**	$ -

Movement in temporary differences during the year

	Balance at Jan 1, 2011	Recognized in net loss	Balance at Dec 31, 2011	Recognized in net income	Balance at Dec 31, 2012
Property and equipment and intangibles	$ (3,243)	$ 516	$ (2,727)	$ 1,565	**$ (1,162)**
Sublease loss liability	837	(424)	413	(80)	**333**
Non-capital loss carry forwards	2,406	(92)	2,314	(1,485)	**829**
	$ -	$ -	$ -	$ -	**$ -**

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, 2012, the Company had $2.1 million of federal investment tax credits, including $1.5 million carried forward from 2011, available to reduce federal income taxes payable in the future which begin to expire in 2028. It is not probable that the future taxable profit will be available against which the Company can utilize the benefits.

18. Equity Instruments and Net Income (Loss) per Share

Authorized - Unlimited number of voting Class A shares

As voted on and approved by the shareholders of the Company at its Annual and Special General Meeting held on May 17, 2012, the Company's accumulated deficit balance of $67.4 million as at January 1, 2012 was eliminated and applied against accounting share capital.

Issuance of share capital

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 were 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, 2012, 127,592 Class A shares were issued as long service awards, and 20,000 Class A shares were issued on the exercise of performance share units (PSUs). The fair value of the shares was measured using the closing price on the day before the long service awards were issued and the closing price on the day before the PSU's were granted. There were no cash proceeds.

Warrants

On December 31, 2012, 16,279,763 warrants expired leaving no warrants outstanding. Each warrant entitled the holder to purchase one Class A Share of the Company at an exercise price of $0.32 per share until December 31, 2012. The fair market value of the warrants had been calculated based on the Black-Scholes formula.

Net income (loss) per share

Basic net loss per share is computed using the weighted-average number of Class A Shares outstanding during the year ended December 31, 2012 of 66,679,251. In computing diluted net income per share, no shares were added year ended December 31, 2012 to the weighted average number of Class A Shares outstanding as the stock options were out of the money.

Basic net loss per share is computed using the weighted-average number of Class A Shares outstanding during the year ended December 31, 2011 of 59,797,219. In computing diluted net loss per share, no shares were added year ended December 31, 2011 to the weighted average number of Class A Shares outstanding. As there was a net loss for 2011, the options and warrants were anti-dilutive and were also out of the money.

19. 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. Combined with the Company's other share-based payment arrangements, the option plan allows for the granting of options to purchase Class A Shares to a maximum number equal to 10% of the issued and outstanding Class A Shares of the Company. 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, 2012 (Tabular amounts in thousands, unless otherwise stated)

The following table summarizes the stock options as at December 31, 2012:

	Number	Weighted Average Exercise Price
Options outstanding, January 1, 2011	907	$2.89
Granted	2,585	$0.17
Forfeited	(462)	$4.18
Options outstanding, December 31, 2011	3,030	$0.37
Granted	**1,585**	**$0.23**
Forfeited	**(554)**	**$0.78**
Options outstanding, December 31, 2012	**4,061**	**$0.27**
Options exercisable, December 31, 2012	**1,087**	**$0.42**

In 2012, 750,000 were granted to directors and officers with an exercise price of $0.25 per option. In 2011, 1,675,000 were granted to directors and officers with an exercise price of $0.17 per option.

Stocks options which were outstanding and vested as at December 31, 2012, are summarized as follows:

Options Outstanding				Exercisable Options	
Number	Price Range	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Number	Weighted Average Exercise Price
3,863	$0.17-$1.00	$0.20	3.40	889	$0.23
198	$1.01-$1.30	$1.30	0.75	198	$1.30
4,061	**$0.17-$1.30**	**$0.27**	**3.91**	**1,087**	**$0.42**

The grant date fair value of the stock options granted 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:

	Year ended December 31	
	2012	2011
Weighted average fair value at grant date ($/option)	**$0.16**	$0.12
Expected volatility (weighted average)	**108.7%**	100.2%
Option life (expected weighted average life)	**5 years**	5 years
Risk-free interest rate (weighted average)	**1.4%**	2.1%
Forfeiture rate	**17.1%**	17.1%

Performance share unit plan (equity settled)

The Company has a performance share unit ("PSU") plan whereby 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 plans to 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 2% of the issued and outstanding Class A Shares of the Company and 1% for any one insider. Compensation expense related to the PSUs 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.

December 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

During the year ended December 31, 2012, 1,310,000 PSUs were granted to officers and employees (2011: 900,000). The Company recorded share-based compensation expense of $92,000 during 2012 (2011: $3,000) and presented as such on the Company's statements of income (loss) and comprehensive income (loss).

Employee stock ownership plan (cash and 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, 2012, $187,000 (2011: $87,000) was included in salaries and benefits in the consolidated statements of income (loss) and comprehensive income (loss) for the value of the Company's contributions. All of the employer contributions for 2012 and 2011 were in the form of cash.

Long-term service awards (equity settled)

The Company issues 5 and 10 year service awards ("Service Awards") to eligible 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, 2012, $25,000 (2011: $47,000) was included in salaries and benefits in the consolidated statements of income (loss) and comprehensive income (loss) for the value of awards issued based on the share price on the date of issuance.

20. Statement of Cash Flows

	Year ended December 31	
	2012	**2011**
Changes in non-cash working capital balances		
Funds held in trust	**$ 22**	$ (25)
Accounts receivable	**4,676**	(51)
Prepaid expenses, supplies and deposits	**(122)**	2
Accounts payable and accrued liabilities	**1,354**	490
Deferred revenue	**(2,141)**	1,851
	$ 3,789	$ 2,267
Changes in non-cash working capital balances related to operating activities	**$ 3,408**	$ (411)
Changes in non-cash working capital balances related to investing activities	**381**	2,678
	$ 3,789	$ 2,267

December 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

21. 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	
	2012	**2011**
Less than one year	**$ 3,839**	$ 4,450
Between one and five years	**16,350**	15,140
More than five years	**34,779**	38,710
	$ 54,968	$ 58,300

Movement in the commitments for 2012:

Balance, January 1, 2012	**$ 58,300**
Payments (net of subleases)	**(4,805)**
Increase in operating costs	**1,473**
Balance, December 31, 2012	**$ 54,968**

The Company's main office lease has a term of 15 years expiring in 2025. Excluding subleases, the monthly commitment was approximately $355,000 including operating costs for 2012 and is expected to be $266,000 for 2013. The annual square foot rate increases in 2016, 2018, 2020 and 2023. This includes a monthly commitment of $30,000 until November 2016 related to a portion of the lease the Company surrendered in 2011. A portion of the current space is subleased on a month-to-month basis. Sublease payments totalling $78,000 were received in 2012 and $83,000 is expected to be received in 2013. The Company also leases approximately 15,000 square feet of office space in another location with the lease expiring in 2025. The monthly commitment was approximately $60,000 including operating costs for 2012 and is expected to be $63,000 for 2013.

In March 2011, the Company finalized an agreement whereby a new tenant assumed the lease for two 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 commenced on January 1 and February 1, 2012 respectively for two floors and January 1, 2013 for the third floor. The commitments reflect the cost savings associated with the surrender of these floors.

Tenant Inducements

In 2012, the Company received $118,000 (2011: $3.6 million) in tenant inducements. Tenant inducements are amortized over the term of lease as a reduction to occupancy costs (included in operating expenses in the consolidated statement of income (loss) and comprehensive income (loss)). In 2012, $118,000 (2011: $1.4 million) of the tenant inducements was amortized. Unamortized tenant inducements were $1.5 million as at December 31, 2012 (2011:$1.5 million).

December 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

Sublease Loss Provision

Balance, January 1, 2012	$	**1,652**
Payments towards rent shortfall		**(357)**
Accretion		**37**
Balance, December 31, 2012	$	**1,332**

The Company pays $29,000 per month until November 2016 related to office space it surrendered to its landlord in 2011. Accretion on the sublease loss provision is included in finance costs in the consolidated statements of income (loss) and comprehensive income (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.

22. Related Parties

Transactions with key management personnel

Loans from directors

The Company has $800,000 in unsecured loans from two directors who also shareholders (see Note 16). The proceeds were used for capital expenditures.

$2 million of the $5 million subordinated bridge loan was loaned to the Company by two directors who also shareholders in accordance with a condition of the financing (see Note 16).

$1 million of the debentures was subscribed for by three directors who also shareholders and the remaining $210,000 was subscribed for by non-director shareholders (see Note 16).

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 18).

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 19).

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:

December 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

	Year ended December 31	
	2012	**2011**
Salaries, benefits and annual non-equity incentives	**$ 1,182**	$ 1,291
Termination benefits	**-**	373
Share-based payments	**105**	214
	$ 1,287	$ 1,878

Key management personnel and director transactions

Directors and officers of the Company control approximately 42% 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 including 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:

			Transaction value for the year ended December 31		Balance outstanding as at December 31	
Name	**Position**	**Transaction**	**2012**	**2011**	**2012**	**2011**
W. Brillon	Director	Consulting fees and commissions(1)	**$ 214**	$ 198	**$ 82**	$ 96
W. Tobman	Director and shareholder	Seismic data management services (2)	**219**	-	**-**	-
B. Gough	Director and shareholder	Seismic processing and geomatics services(3)	**10**	-	**-**	-

(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.

(2) The Company managed a seismic data survey for a company controlled by Mr. Tobman. The contract terms were made on terms equivalent to those that prevail in arm's length transactions.

(3) The Company provided seismic processing and geomatics services to a company where Mr. Gough is the Vice President, Operations. The contract terms were made on terms equivalent to those that prevail in arm's length transactions.

These transactions are on the same terms and conditions as those entered into by other Company employees or customers.

23. Financial Instruments and Risk Management Overview

FINANCIAL RISK MANAGEMENT

Overview

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

December 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

- 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.

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. Credit risk also exists on the Company's outstanding cash balances.

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:

	Balance at December 31	
	2012	**2011**
Accounts receivable	**$ 7,134**	$ 11,810
Cash	**1,320**	1,547
	$ 8,454	$ 13,357

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.

A significant portion of the Company's trade accounts receivable and revenue are from companies in the oil and gas industry in western Canada and are exposed to normal industry credit risks. As at December 31, 2012, 30% of the Company's consolidated accounts receivables are due from one customer with an outstanding balance of greater than $1 million, compared to 34% due from two customers with outstanding balances of greater than $1 million each at December 31, 2011. During 2012, approximately 28% (2011: 38%) of the Company's revenue was attributable to sales transactions with five customers. 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.

December 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

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 may be 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) 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

b) 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:

	At December 31			
	2012		2011	
	Gross	Impaired	Gross	Impaired
Not past due (less than 30 days old)	**$ 4,860**	**$ -**	$ 8,756	$ -
30 to 60 days old	**1,236**	**-**	1,374	-
60 to 90 days old	**437**	**-**	345	-
90 to 120 days old	**145**	**-**	220	-
More than 120 days old	**457**	**116**	973	207
Trade receivables	**7,135**	**116**	11,668	207
Non-trade receivables and accrued revenue	**115**	**-**	349	-
Accounts receivable not impaired	**7,250**	**116**	12,017	207
Accounts receivable net of impairment	**$ 7,134**		$ 11,810	

December 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

Apart from the 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:

	At December 31	
	2012	**2011**
Balance, beginning of year	**$ 207**	$ 225
Impairment loss recognized (reversed)	**-**	(18)
Amounts collected	**(200)**	-
Amounts written off	**109**	-
Balance, end of year	**$ 116**	$ 207

As at December 31, 2011, the impairment loss relates to the 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 (see Note 2).

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 does not take into account 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 with interest payable at prime plus 3.00%;
- Issued $1.2 million in debentures repayable with seismic data revenue;
- Secured a $5 million subordinated demand bridge loan in May 2011. $3 million is repayable by April 30, 2013 and $2 million is interest only until January 1, 2014; and
- Obtained $800,000 in shareholder loans which are interest only until January 1, 2014 and repayable by December 31, 2016.

As at December 31, 2012 the Company had a cash balance of $1.3 million, $7.1 million in accounts receivable and $0.5 million in unused committed bank credit facilities totaling $8.9 million to settle current liabilities of $16.5 million (excluding deferred revenue of $2.4 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 Company's financial liabilities based on contractual undiscounted payments, including estimated interest payments:

December 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

As at December 31, 2012	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	$ 4,450	$ 4,450	$ 4,450	$ -	$ -	$ -	$ -	$ 4,450
Accounts payable and accrued liabilities	9,624	9,624	9,624	-	-	-	-	9,624
Deferred rent obligations	189	189	-	-	-	-	189	189
Long-term debt obligations (excluding finance lease obligations)	5,900	6,701	2,151	160	2,443	737	1,210	6,701
Finance lease obligations	201	227	51	51	64	61	-	227
Loss on sublease	1,332	1,394	178	178	356	682	-	1,394
Total	$ 21,696	$ 22,585	$ 16,454	$ 389	$ 2,863	$ 1,480	$ 1,399	$ 22,585

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

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):

December 31, 2012 (Tabular amounts in thousands, unless otherwise stated)

	At December 31			
	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed rate instruments				
Bridge loan [1]	**$ 3,920**	**$ 3,920**	$ 5,000	$ 5,000
Shareholder loans	**800**	**800**	500	500
Debenture	**1,210**	**1,210**	-	-
Finance lease obligations	**201**	**201**	385	385
	$ 6,131	**$ 6,131**	$ 5,885	$ 5,885
Variable rate instruments				
Bank indebtedness	**$ 4,450**	**$ 4,450**	$ 3,700	$ 3,700

[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 $41,000 (2011: $29,000).

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.

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

	Balance at December 31	
	2012	2011
Components of funded debt to equity ratio:		
Bank indebtedness	**$ 4,450**	$ 3,700
Current portion of long-term debt obligations	**1,986**	1,143
Long-term debt obligations	**4,115**	4,591
Total funded debt	**10,551**	9,434
Shareholders' equity	**$ 16,318**	$ 14,711
Total funded debt to equity	**0.65**	0.64

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, 2011, the strategy of the Board of Directors and management is to operate the

Company with the lowest possible debt load in reaction to unstable economic conditions. 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.

24. 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.

Cash and accounts receivables

The fair value of cash and accounts 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, 2012, 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, 2012 (Tabular amounts in thousands, unless otherwise stated)

25. 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.

26. Subsidiaries

	Country of incorporation	Ownership interest (%)	
		2012	**2011**
Cavalier Land Ltd.	Canada	**100**	100
Agadir Resources Inc.	Canada	**100**	100
Canadian Landmasters Resource Services Ltd.	Canada	**100**	100

27. 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.