Divestco

Management's Discussion & Analysis

For the Year Ended
December 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis ("MD&A") is dated April 11, 2012, and should be read in conjunction with the audited consolidated financial statements and notes of Divestco Inc. ("Divestco" or the "Company") as at December 31, 2011, December 31, 2010 and January 1, 2010 and for the years ended December 31, 2011 and December 31, 2010. All financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") and is reported in Canadian dollars unless otherwise specified.

On January 1, 2011, Divestco adopted IFRS for purposes of financial reporting, using a transition date of January 1, 2010. Accordingly, the consolidated financial statements for the year ended December 31, 2011 and the comparative information for December 31, 2010, have been prepared in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards", as issued by the International Accounting Standards Board ("IASB").

Previously, the Company prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("CGAAP").

The adoption of IFRS has not had an impact on the Company's operations or strategic decisions. Further information on the effect of adopting IFRS is outlined in the "Accounting Policy Changes" section of this MD&A and in Note 30, "Explanation of Transition to IFRS", to the consolidated financial statements for the years ended December 31, 2011 and 2010.

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 includes data integrity validation, mapping, database hosting, and advisory support and consultation; seismic processing services which includes 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. Divestco commenced rebuilding its seismic data library in Q4 2010 after it sold its entire seismic data library in Q3 2010 in order to retire bank debt. 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 decision 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

The consolidated financial statements for the year ended December 31, 2011 have been prepared on the basis that the Company will be able to discharge its obligations and realize its assets in the normal course of business at the values at which they are carried in the consolidated financial statements.

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

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

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

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; the regulatory framework in respect of royalties, taxes and environmental matters applicable to the Company and its customers will not become so onerous on both the Company and its customers as to preclude the Company and its customers from viably managing, operating and financing its business and the development of its software and data; and that the Company will continue to be able to identify, attract and employ qualified staff and obtain the outside expertise as well as specialized and other equipment it requires to manage, operate and finance its business and develop its properties.

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

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

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

NON-GAAP MEASURES

The Company’s consolidated financial statements have been prepared in accordance with IFRS. Certain measures in this document do not have any standardized meaning as prescribed by IFRS and are considered non-GAAP measures. These terms are not measures that have any standardized meaning prescribed by IFRS and are considered non-GAAP measures. While these measures may not be comparable to similar measures presented by other issuers, they are described and presented in this MD&A to provide shareholders and potential investors with additional information regarding the Company’s results, liquidity, and its ability to generate funds to finance its operations. 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 loss. EBITDA is a measure commonly reported and widely used by investors as indicators of the Company’s operating performance and ability to incur and service debt, and as a valuation metric. The Company believes EBITDA 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.

Previously the Company excluded “other Income (loss)” as presented on its statement of income (loss) and comprehensive income (loss) from the calculation of EBITDA. Other income (loss) includes the following items: foreign exchange gains/losses, gains/losses on sales of property and equipment and intangibles, and equity investment income/loss. Other income (loss) has been included in the calculation of EBITDA for the current and prior periods.

The Company no longer uses “operating income (loss)” as a non-GAAP measure. Instead the Company uses the closest GAAP measure, being “income or loss before income taxes” as presented on its statement of income (loss) and comprehensive income (loss).

EBITDA is not a calculation based on IFRS and should not be considered alternatives to net income or 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 consolidated 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:

	Three Months Ended Dec 31		Year Ended Dec 31	
(Thousands)	**2011**	2010	**2011**	2010
Net Income (Loss)	**$ (768)**	$ (7,105)	**$ (4,610)**	$ (65,562)
Income Tax Expense (Reduction)	**25**	(1)	**86**	(12,921)
Finance Costs	**252**	724	**759**	3,049
Depreciation and Amortization	**3,823**	1,795	**9,904**	26,642
EBITDA	**$ 3,332**	$ (4,587)	**$ 6,139**	$ (48,792)

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

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

	Year Ended Dec 31	
(Thousands)	**2011**	2010
Cash Flows from Operating Activities	**$ 5,093**	$ 3,643
Changes in non-cash Working Capital Balances Related to Operating Activities	**411**	(11,112)
Changes in Long-term Prepaid Expense	**-**	(238)
Interest Paid	**593**	2,403
Income Taxes Refunded	**(352)**	(12)
Funds From (Used in) Operations	**$ 5,745**	$ (5,316)

Funded debt and funded debt to equity

Funded debt is a measure of Divestco's long term debt position and includes bank indebtedness, long-term debt obligations (shareholder and subordinated loans and finance leases) and convertible debentures. 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 is a measure that can be used to gauge Divestco's ability to meet its current obligations.

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 customers accounted for 34% of the Company's accounts receivable as at December 31, 2011, and five customers accounted for 38% of the Company's revenue for 2011. 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.

Divestco depends on qualified contractors to complete the surveys on time and within budget. To help ensure this, Divestco obtains written cost estimates before a survey begins, and then regularly follows up with the contractor on the progress and costs incurred during the survey.

Other segments of the Company, such as Services, normally exhibit a noticeable reduction in sales from mid-April through to the end of September and a noticeable increase in sales during the fall and winter months when significant drilling and exploration activities are underway in North America. Divestco tries to minimize these fluctuations by performing specific types of contract work appropriate for lower-activity months. Also, the Company's Software and Data segment has recurring revenue through out 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 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 or have attempted to copy aspects of its technology or 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 and 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 not well written, poorly enforced, or completely ineffective.

Divestco has no knowledge of infringing 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			
	2011	2010	*$ Change*	*% Change*	**2011**	2010	*$ Change*	*% Change*
Accounting base	***IFRS***	*IFRS*			***IFRS***	*IFRS*		
Revenue	**$ 11,447**	$ 8,949	*$ 2,498*	*28%*	**$ 40,464**	$ 40,190	*$ 274*	*1%*
Operating Expenses	**8,248**	13,526	*(5,278)*	*-39%*	**34,485**	47,566	*(13,081)*	*-28%*
Other Loss (Income)	**(133)**	10	*(143)*	*N/A*	**(160)**	41,416	*(41,576)*	*N/A*
EBITDA [(1)]	**3,332**	(4,587)	*7,919*	*N/A*	**6,139**	(48,792)	*54,931*	*N/A*
Finance Costs	**252**	724	*(472)*	*-65%*	**759**	3,049	*(2,290)*	*-75%*
Depreciation and Amortization	**3,823**	1,795	*2,028*	*113%*	**9,904**	26,642	*(16,738)*	*-63%*
Income (loss) before income taxes	**(743)**	(7,106)	6,363	N/A	**(4,524)**	(78,483)	73,959	N/A
Income Tax Expense (Benefit)	**25**	(1)	*26*	*N/A*	**86**	(12,921)	*13,007*	*N/A*
Net Loss	**$ (768)**	$ (7,105)	*$ 6,337*	*N/A*	**$ (4,610)**	$ (65,562)	*$ 60,952*	*N/A*
Per Share - Basic and Diluted	**(0.01)**	(0.16)	*0.15*	*N/A*	**(0.08)**	(1.54)	*1.46*	*N/A*
Cash Dividends per Class A Share	**$ -**	$ 0.20	*$ (0.20)*	*-100%*	**$ -**	$ 0.20	*$ (0.20)*	*-100%*
Funds from (used in) Operations [(1)]	**$ 2,908**	$ (3,382)	*$ 6,290*	*N/A*	**$ 5,745**	$ (5,316)	*$ 11,061*	*N/A*
Per Share - Basic and Diluted [(1)]	**0.05**	(0.08)	*N/A*	*N/A*	**0.10**	(0.13)	*N/A*	*N/A*
Class A Shares Outstanding	**66,610**	58,938	*N/A*	*N/A*	**66,610**	58,938	*N/A*	*N/A*
Weighted Average Shares Outstanding Basic and Diluted	**60,575**	44,491	*N/A*	*N/A*	**59,797**	42,601	*N/A*	*N/A*

[(1)] See the "Non-GAAP Measures" section.

OVERVIEW OF FINANCIAL AND OPERATIONAL RESULTS

Q4 2011 vs. Q4 2010

During Q4 2011, Divestco generated revenue of $11.4 million compared to $8.9 million in Q4 2010, an increase of $2.5 million (28%) indicative of an over resurgence in the industry. Revenue in the Seismic Data segment increased by $1.9 million (70%) as the Company shot two seismic participation surveys and commenced two additional surveys in Q4 2011. In line with high oil prices, the surveys were shot within areas predominantly prospective for oil. Revenue in the Software and Data segment grew by $0.3 million (11%) due to a large sale in sale in Q4 2011. Revenue in the Services segment improved by $0.3 million (8%) as the demand for seismic processing was stronger.

Operating expenses decreased by $5.3 million (39%) to $8.2 million in Q4 2011 from $13.5 million in Q4 2010. Salaries and wages were down $0.9 million (17%) due to reduced staffing levels. In addition, there was a $1.2 million sublease loss recognized in Q4 2010 which was not repeated in Q4 2011, occupancy costs decreased by $0.6 million (15%) and bad debt expense decreased by $2.4 million (114%) due to a non-recurring large write-off in Q4 2010. Depreciation and amortization increased by $2 million (113%) mainly due to the completion of two seismic participation surveys in Q4 2011.

Divestco significantly reduced its net loss for the fourth quarter of 2011 to $0.8 million ($0.01 per share – basic and diluted) compared to a net loss of $7.1 million ($0.16 per share – basic and diluted) for the same period in 2010. Revenues increased and operating costs decreased, however, depreciation and amortization increased as two new seismic surveys were completed in Q4 2011.

EBITDA was $3.3 million in Q4 2011, a $7.9 million increase from a loss of $4.6 million for the same period in 2010. The Company generated funds from operations of $2.9 million ($0.05 per share – basic and diluted) for the fourth quarter of 2011, compared to funds used in operations of $3.4 million ($0.08 per share – basic and diluted) for the same period in 2010, an increase of $6.3 million.

Operating highlights for Q4 2011 included:

- Reducing operating expenses by $5.3 million (39%)
- Completing a $1 million private placement for working capital and capital expenditure purposes
- Completing two 3D seismic participation surveys covering an area of approximately 251 km^2
- Commencing two 3D seismic participation survey expected to cover an area of approximately 260 km^2

Year ended December 31, 2011 vs. December 31, 2010

During 2011, Divestco generated revenue of $40.5 million, an increase of $0.3 million (1%) from $40.1 million for the same period in 2010. Revenue in the Seismic Data segment increased by $1 million (8%) as the Company shot three seismic participation surveys and commenced two additional surveys in 2011. Offsetting this was a decrease in sales of existing seismic data due to the sale of the Company's seismic assets in Q3 2010. Seismic brokerage revenue was down slightly from 2010. Revenue is the Software and Data segment was flat as a large software sale in 2011 and improved sales in log data were offset by a decrease in support data revenue. Revenue in the Services segment decreased by $0.7 million (4%) as the demand for across all divisions was softer in the first three quarters of 2011. The exception being crown land revenue (land management division) due to higher land sales then in previous years with the record land sales in Alberta.

Operating expenses decreased by $13.1 million (28%) to $34.5 million in 2011 from $47.6 million in 2010. Salaries and wages were down $2.6 million (12%) due to reduced staffing levels partially offset by severance costs. In addition there was a $3.3 million sublease loss recognized in 2010 which was not repeated in 2011, bad debt expense decreased by $5.4 million (104%) due to a large write-off in 2010, stock based compensation expense decreased by $0.5 million (86%) and seismic data storage costs decreased by $0.5 million (100%) due to the sale of the seismic assets.

Divestco realized a net loss for 2011 of $4.6 million ($0.08 per share – basic and diluted) compared to a net loss of $65.6 million ($1.54 per share – basic and diluted) for the same period in 2010. Excluding an accounting loss of $29.5 million ($40.9 million net of tax of $11.4 million) related to the sale of the Company's seismic data assets in 2010, the reduction in net loss year over year of $31.5 million was due to a $13.1 million (28%) decrease in operating expenses, $2.2 million (73%) decrease in finance costs due to a lower debt load and a $16.7 million (63%) decrease in depreciation and amortization due to the sale of the seismic assets. The proceeds from the 2010 sale of the seismic assets were used to retire the Company's debt being its committed revolver, term loans and convertible debentures.

EBITDA was $6 million in 2011, a $54.9 million increase from a loss of $48.8 million in 2010. The loss in 2010 included a $40.9 million accounting loss on the sale of the seismic assets. Excluding the accounting loss and other non-recurring charges totalling $8.6 million related to a sublease loss provision, large bad debt write-off and lawsuit settlement, EBITDA would have been $0.7 million for 2010. The Company generated funds from operations of $5.7 million ($0.10 per share – basic and diluted) for the year ended December 31, 2011, compared funds used in operations of $5.3 million ($0.13 per share – basic and diluted) for the same period in 2010, an increase of $11 million.

Operating highlights for 2011 included:

- Securing a $5 million subordinated bridge loan and completing a $1 million private placement for working capital and capital expenditure purposes
- Completing three seismic participation surveys covering an area of approximately 322 km^2 and acquiring another survey covering an area of approximately 66 km^2 through a data exchange
- Commencing two 3D seismic participation surveys expected to cover an area of approximately 260 km^2
- Surrendering five floors of space in the Company's current office premises for a savings of $4 million expected for 2012 and $5 million thereafter as compared to 2011 occupancy costs

Outlook and Future Operations

To date in 2012, industry activity has shown signs of positive recovery with certain areas of the business at capacity. Work in progress coupled with winter activity commitments from clients point to continued but slow recovery to pre-recession levels. Successful completion of Divestco's 2011 corporate objectives to reduce operating expenses will be fully realized by the Company in 2012. The most significant of these initiate being the surrender of five floors of office space commencing in December 2011. The savings to Divestco for this initiative alone is approximately $29 million in base rent costs until the end of the lease in 2025.

To better align with industry activity, Divestco has adjusted its strategy for the rebuild of its seismic data library. The focus is on oil-rich zones as opposed to natural gas-rich zones due to current commodity prices. In addition, the Company's pre-funding level targets have been set higher on new surveys than they have been in the past due to the capital intensive nature of seismic acquisition.

Divestco's other core business lines continue to optimize efficiencies and maximize their individual strategic advantages. As in previous post recession recovery periods, the Company recognizes the importance in finding and retaining key staff and as a result it has put in place a number of strategic human resource initiatives. Customers continue to be satisfied and overall sales, marketing and support infrastructure, coupled with leveraging technology, remain vital to Divestco's strategic advantage.

Deprecation and Amortization

	Three months ended December 31				Year ended December 31			
(Thousands)	**2011**	2010	$ Change	% Change	**2011**	2010	$ Change	% Change
Depreciation and Amortization	**$ 3,823**	$ 1,795	$ 2,028	113%	**$ 9,904**	$ 26,642	$ (16,738)	-63%

In the fourth quarter of 2011, depreciation and amortization was $3.8 million, compared with $1.8 million in the fourth quarter of 2010, an increase of $2 million (113%). Amortization of deferred development costs decreased by $396,000 (32%) due to certain projects being fully amortized. Amortization of data libraries increased by $2.4 million (2346%) due to the completion of two seismic surveys in Q4 2011 and the sale of the Company's seismic assets in Q3 2010 resulting in little amortization in Q4 2010. Amortization of property and equipment and intangibles decreased slightly due to a reduction in capital expenditures and a significant portion of leaseholds being amortized in the prior quarter.

In 2011, depreciation and amortization was $9.9 million, compared with $26.6 million in 2010, a decrease of $16.7 million (63%). Amortization of data libraries decreased by $17.4 million (82%) due to the sale of the Company's seismic assets in 2010 offset by the subsequent completion of three seismic surveys in 2011. Amortization of deferred development costs increased by $472,000 (53%) due to certain projects being completed and the amortization commencing on these in 2010. Depreciation of property and equipment increased by $280,000 (11%) due to $1.3 million in depreciation recorded in Q4 2011 for leasehold improvements (net of tenant inducements) related to the surrender of leased office space which offset by a decrease in depreciation of computer hardware and software.

Finance Costs

	Three months ended December 31				Year ended December 31			
(Thousands)	2011	2010	$ Change	% Change	2011	2010	$ Change	% Change
Interest on bank indebtedness and long-term debt obligations	$ 203	$ 703	$ (500)	-71%	$ 593	$ 2,402	$ (1,809)	-75%
Amortization of deferred finance charges	38	-	38	N/A	102	572	(470)	-82%
Accretion of sublease loss and equity portion of convertible debentures	11	21	(10)	-48%	64	75	(11)	-15%
Finance costs	$ 252	$ 724	$ (472)	-65%	$ 759	$ 3,049	$ (2,290)	-75%

In the fourth quarter of 2011, finance costs were $252,000, compared with $724,000 in the fourth quarter of 2010, a decrease of $472,000 (65%). Interest expense decreased due to lower debt loads being carried by the Company. The deferred finance charges in Q4 2011 are related to the subordinated loan.

In 2011, finance costs were $759,000, compared with $3 million for 2010, a decrease of $2.3 million (75%). Interest expense and amortization of deferred finance charges decreased due to lower debt loads being carried by the Company. There was no accretion of the sublease loss provision for the same period in 2010.

Income Taxes

	Three months ended December 31				Year ended December 31			
(Thousands)	2011	2010	$ Change	% Change	2011	2010	$ Change	% Change
Current (Recovery)	25	(1)	26	N/A	86	(113)	199	N/A
Deferred (Reduction)	-	-	-	N/A	-	(12,808)	12,808	N/A
Income Taxes (Benefit)	$ 25	$ (1)	$ 26	N/A	$ 86	$ (12,921)	$ 13,007	N/A

In the fourth quarter of 2011, Divestco recorded a current tax expense of $25,000. 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.

In 2011, Divestco recorded a current tax provision of $86,000. 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, 2011 there were $40 million in Federal and $25 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 $1.7 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 2011 with positive working capital of $0.3 million, excluding deferred revenue $4.6 million (December 31, 2010 - $3.6 million; December 31, 2009 $(6.3) million). The Company's funded debt to equity ratio at December 31, 2011 was 0.64:1 (2010 - 0.14:1).

SELECTED ANNUAL INFORMATION

Divestco's 2011 annual results reflect an increase in activity and revenue in the Seismic Data segment while Services was down and Software and Data was flat year over year. In Q3 2010, the Company sold it 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		
	2011	2010	2009
Accounting base	***IFRS***	*IFRS*	*CGAAP*
Revenue	**$ 40,464**	$ 40,190	$ 61,976
EBITDA [1]	**6,139**	(48,792)	$ 28,120
Net Loss	**(4,610)**	(65,562)	(6,197)
Net Loss Per Share - Basic and Diluted	**(0.08)**	(1.54)	(0.15)
Cash Dividends per Class A Share	**-**	0.20	-
Funds from (used in) Operations [1]	**5,745**	(5,316)	24,085
Funds from (used in) Operations Per Share - Basic and Diluted [1]	**0.10**	(0.13)	0.57
Class A Shares Outstanding	**66,610**	58,938	41,958
Weighted Average Shares Outstanding - Basic and Diluted	**59,797**	42,601	41,958

	Balance at December 31		
	2011	2010	2009
Accounting base	***IFRS***	*IFRS*	*CGAAP*
Total Assets	**$ 43,761**	$ 34,984	$ 175,923
Working Capital [1][2]	**297**	3,599	(6,250)
Long-Term Financial Liabilities [3]	**8,610**	3,907	30,504

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

SELECTED QUARTERLY INFORMATION

	2011				2010			
(Thousands, Except Per Share Amounts)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Accounting base	*IFRS*	*IFRS*	*IFRS*	*IFRS*	*IFRS*	*IFRS*	*IFRS*	*IFRS*
Revenue	**$ 11,447**	$ 9,565	$ 10,637	$ 8,815	$ 8,949	$ 8,516	$ 10,647	$ 12,078
EBITDA [(1)]	**3,332**	1,721	1,943	(857)	(4,587)	(50,310)	2,420	3,685
Income (loss) before income taxes	**(743)**	251	251	(4,283)	(7,106)	(59,296)	(5,961)	(6,120)
Net Income (Loss)	**(768)**	255	235	(4,332)	(7,105)	(49,685)	(4,561)	(4,211)
Per Share - Basic and Diluted	**(0.01)**	0.00	0.00	(0.07)	(0.15)	(1.18)	(0.11)	(0.10)
Funds from Operations [(1)]	**2,908**	1,639	2,067	(869)	(3,382)	(6,294)	2,422	1,938
Per Share - Basic and Diluted	**0.05**	0.03	0.03	(0.01)	(0.08)	(0.15)	0.06	0.04

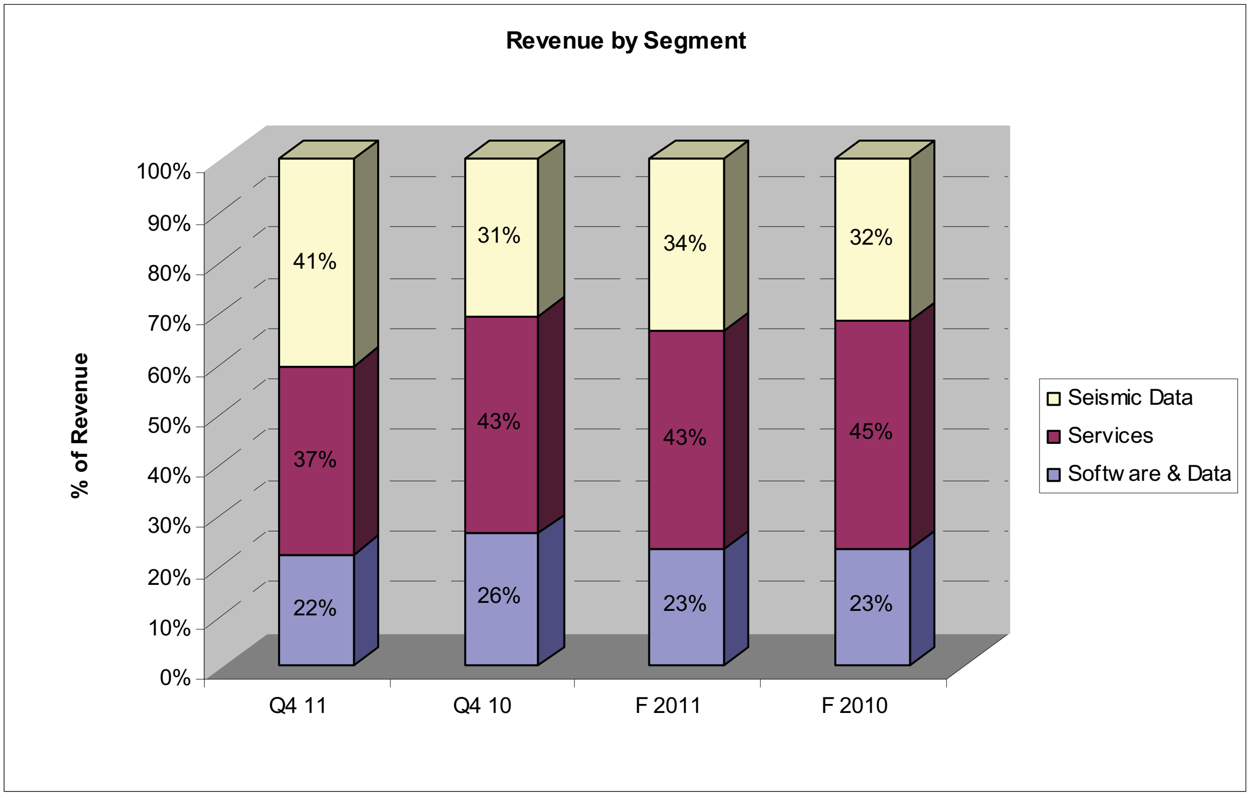
[(1)] *See the "Non-GAAP Measures" section.*

The variances in the quarterly results illustrated in the table above are a result of divestments made by Divestco and in particular the sale of its seismic data library in Q3 2010. The Company recognized an accounting loss on the sale of $40.9 million (before taxes) and amortization of data libraries decreased significantly since the sale. In Q4 2010, the Company commenced rebuilding its seismic data library and added approximate 389 square kilometres of 3D data in 2011. For the first three quarters of 2011, the Company's remaining segments continued to feel the effects of the uncertainty in the Canadian oil and gas industry with clients remaining hesitant on certain spending. Activity levels started to improve in Q4 2011 and results are expected to be stronger in 2012 compared to 2011.

The steady improvement in the Company's financial performance is also due to austerity measures it introduced in 2009 in reaction to negative regional and global market conditions. Salary austerity measures continue to be used to mitigate the effect on earnings during seasonally slow periods. In addition, the Company has reduced its occupancy costs, its largest G&A expense, through shedding unused office space starting in Q1 2011. The Company began to realize the economic benefit of this in Q4 2011 and have 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 peaks 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 Canadian 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, 2011 (Thousands)					
	Software & Data	**Services**	**Seismic Data**	**Corporate & Other**	**Total**
Revenue	**$ 2,566**	**$ 4,195**	**$ 4,686**	**$ -**	**$ 11,447**
Operating Expenses	**1,424**	**3,009**	**720**	**3,095**	**8,248**
Other Loss (Income)	**-**	**-**	**-**	**(133)**	**(133)**
EBITDA [1]	**1,142**	**1,186**	**3,966**	**(2,962)**	**3,332**
Finance Costs	**-**	**(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)**
Gain (Loss) on Sale of Intangibles and Property and Equipment	**-**	**-**	**-**	**146**	**146**

For the three months ended December 31, 2010 (Thousands)					
	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	$ 2,303	$ 3,896	$ 2,750	$ -	$ 8,949
Operating Expenses	1,465	3,803	3,113	5,145	13,526
Other Loss (Income)	-	-	-	10	10
EBITDA [1]	838	93	(363)	(5,155)	(4,587)
Finance Costs	-	(1)	(1)	726	724
Depreciation and Amortization	1,251	414	47	83	1,795
Income (Loss) Before Income Taxes	(413)	(320)	(409)	(5,964)	(7,106)
Gain (Loss) on Sale of Intangibles and Property and Equipment	-	-	-	-	-

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	**5,873**	**13,646**	**3,133**	**11,833**	**34,485**
Other Loss (Income)	**-**	**-**	**-**	**(160)**	**(160)**
EBITDA [1]	**3,541**	**3,620**	**10,651**	**(11,673)**	**6,139**
Finance Costs	**-**	**(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)**
Gain (Loss) on Sale of Intangibles and Property and Equipment	**-**	**-**	**-**	**146**	**146**

For the year ended December 31, 2010 (Thousands)					
	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue	$ 9,386	$ 18,044	$ 12,760	$ -	$ 40,190
Operating Expenses	6,121	15,797	9,227	16,421	47,566
Other Loss (Income)	-	(90)	41,496	10	41,416
EBITDA [1]	3,265	2,337	(37,963)	(16,431)	(48,792)
Finance Costs	-	(1)	(1)	3,051	3,049
Depreciation and Amortization	3,327	1,658	20,940	717	26,642
Income (Loss) Before Income Taxes	(62)	680	(58,902)	(20,199)	(78,483)
Gain (Loss) on Sale of Intangibles and Property and Equipment	-	90	(41,496)	-	(41,406)

[1] *See the "Non-GAAP Measures" section.*

SOFTWARE AND DATA

	Three months ended December 31				Year ended December 31			
(Thousands)	2011	2010	$ Change	% Change	2011	2010	$ Change	% Change
Revenue	**$ 2,566**	$ 2,303	$ 263	11%	**$ 9,414**	$ 9,386	$ 28	0%
Operating Expenses	**1,424**	1,465	(41)	-3%	**5,873**	6,121	(248)	-4%
Other Loss (Income)	**-**	-	-	N/A	**-**	-	-	N/A
EBITDA [1]	**1,142**	838	304	36%	**3,541**	3,265	276	8%
Depreciation and Amortization	**706**	1,251	(545)	-44%	**3,453**	3,327	126	4%
Income (Loss) Before Income Taxes	**436**	(413)	849	N/A	**88**	(62)	150	N/A

[1] *See the "Non-GAAP Measures" section.*

Q4 2011 vs. Q4 2010

Software and Data had revenues of $2.6 million in Q4 2011, compared to $2.3 million in Q4 2010. The increase of $263,000 (11%) was due to an increase in software and log data revenues offset by lower support data revenues. There was a significant GeoCarta sale in Q4 2011 offset by lower software development consulting activities and weaker recurring revenue across geophysical and geological offerings. Support Data experienced cancellations and lower consulting revenue. Log Data continued to see higher digitizing revenue.

In Q4 2011, Software and Data recorded income before taxes of $436,000, compared with loss of $413,000 in the fourth quarter of 2010, an increase of $849,000. EBITDA increased by $304,000 (36%). Operating expenses were $1.4 million in Q4 2011 and Q4 2010. Salaries and benefits decreased by $121,000 (12%) due to lower headcounts offset by higher severance costs while G&A costs increased by $80,000 (21%) due to higher occupancy costs and consulting fees offset by lower bad debt write-offs. Depreciation and amortization decreased by $545,000 (44%) as amortization of deferred development costs decreased by $508,000 (49%) due to some large projects being fully amortized by the end of 2010 while depreciation of property and equipment and intangibles increased by $37,000 (17%).

Year ended December 31, 2011 vs. December 31, 2010

Software and Data had revenues of $9.4 million in 2011 and 2010. Higher software and log data revenues were offset by a decrease in support data revenue. Software licenses sales were relatively flat year over year as each product line except land experienced a decrease in revenue in 2011 compared to 2010 due to cancellations and scale back of seat counts after a major client re-organized its operations. Training centre revenue was also down due in part to a lack of new sales as well as a lack of training centre facilities. Log data had two large digital subscriptions, and increased raster subscription and digitizing revenue due to increased activity. Support data experienced cancellations and lower consulting revenue.

Software and Data recorded income before taxes of $88,000, compared with loss of $62,000 in the fourth quarter of 2010, an increase of $150,000. EBITDA increased by $276,000 (8%). Operating expenses were $5.9 million in 2011 compared to $6.1 million in 2010, a decrease of $248,000 (4%). Salaries and benefits decreased by $656,000 (15%) due to lower head counts while G&A expenses increased by $408,000 due to higher occupancy and royalty costs. Depreciation and amortization decreased by $126,000 (4%) as amortization of deferred development costs increased by $398,000 (18%) due to the completion of projects for which amortization commenced in 2010 while depreciation of property and equipment and intangibles increased by $272,000 (26%).

Outlook

As the market improves, Software and Data continue to pursue a number of solid opportunities with close dates later in 2012. Software product releases slated for end of Q1 2012 will provide further opportunity for product integration and bundling, including the introduction of on-line digital log delivery into the

GeoCarta system. There is also a heavy focus on upgrading the Geophysical software suite and expanding land conversion activities.

The segment is pleased to see the 2011 activity levels in the log data division carrying into 2012. There has also been an increase in opportunities for the support data division beginning in Q4 2011 and carrying into 2012. The division will also benefit from the adoption of newly developed, more efficient data handling processes that have been under development throughout 2011 and will be incorporated into daily operations in the first half of 2012.

SERVICES

	Three months ended December 31				Year ended December 31			
(Thousands)	**2011**	2010	$ Change	% Change	**2011**	2010	$ Change	% Change
Revenue	**$ 4,195**	$ 3,896	$ 299	8%	**$ 17,266**	$ 18,044	$ (778)	-4%
Operating Expenses	**3,009**	3,803	(794)	-21%	**13,646**	15,797	(2,151)	-14%
Other Loss (Income)	**-**	-	-	N/A	**-**	(90)	90	N/A
EBITDA [(1)]	**1,186**	93	1,093	1175%	**3,620**	2,337	1,283	55%
Finance Costs	**(1)**	(1)	-	N/A	**(3)**	(1)	(2)	N/A
Depreciation and Amortization	**294**	414	(120)	-29%	**1,098**	1,658	(560)	-34%
Income (Loss) Before Income Taxes	**893**	(320)	1,213	N/A	**2,525**	680	1,845	271%
Gain (Loss) on Sale of Intangibles and Property and Equipment	**-**	-	-	N/A	**-**	90	(90)	-100%

[(1)] See the "Non-GAAP Measures" section.

Q4 2011 vs. Q4 2010

Services had revenues of $4.2 million in Q4 2011, compared to $3.9 million in Q4 2010, an increase of $299,000 (8%). Geomatics revenue increased by $75,000 (8%) compared to Q4 2010 mainly due to a rise in audit services offset by shortfalls in consulting and spatial data/mapping services. Revenue for the processing division increased by $180,000 (10%) due to work related to the Company's seismic data acquisition activities. Land management services division revenue was up $33,000 (3%) due to higher crown land activity from increased land sales in Alberta offset by a decrease in freehold, mineral and telecom services revenue.

Services recorded income before taxes of $893,000, compared with loss of $320,000 in the fourth quarter of 2010, an increase of $1.2 million. EBITDA increased by $1.1 million (1175%). Operating expenses were $3 million in 2011 compared to $3.8 million in 2010, a decrease of $794,000 (21%). Salaries and benefits decreased by $558,000 (22%) due to reduced headcounts offset by severance costs. G&A expenses were also lower, decreasing by 236,000 (22%), mainly due to a decrease in occupancy costs and direct operating expenses for the land management division. Amortization and depreciation decreased by $120,000 (29%) due to a reduction in computer hardware costs.

Year ended December 31, 2011 vs. December 31, 2010

Services had revenues of $17.2 million in Q4 2011, compared to $18 million in Q4 2010, an increase of $778,000 (4%). Geomatics revenue decreased by $208,000 (5%) compared to 2010. Audit revenues were higher than 2010 which was more than offset by decreases in the remaining areas. Consulting projects that either did not occur or were greatly reduced in size contributed to the shortfall. The spatial data/mapping group was down as clients are not requiring the same services they once had due to technology advancements that have put the solutions on their desktops. Processing division revenue decreased by $400,000 (5%) due to some larger projects that were delayed until after the end of 2011. Revenue for the land management services division was up $172,000 (3%) due to an increase in crown land services related to a rise in land sales in Alberta over the comparative period and telecom services due to increases in activity in eastern Canada. These were offset by a decrease in surface and mineral land services. Due to the sale of the business consulting division in March 2010, revenue in Services was lower by $300,000. An accounting gain of $90,000 was realized on the sale.

Services recorded income before taxes of $2.5 million, compared with $680,000 in the fourth quarter of 2010, an increase of $1.8 million. EBITDA increased by $1.3 million (55%). Operating expenses were $13.7 million in 2011 compared to $15.8 million in 2010, a decrease of $2.1 million (14%). Salaries and benefits decreased by $990,000 (10%) due to lower headcounts offset by severance costs in 2011. G&A expenses were also lower, decreasing by $1.2 million (25%) mainly due to a decrease in occupancy costs, bad debts, and the sale of the business consulting division in Q1 2010. Amortization and depreciation decreased by $559,000 (34%) due to a reduction in computer hardware costs.

Outlook

Seismic processing activity levels for 2012 are expected to increase as an earlier trend of previously dormant customers is reversing with these customers becoming active and continuing to bring in new projects. With the division being awarded some large projects, it will require investment in new hardware and software. The new processing software will allow development of new products and services. A large portion of these additional expenditures are expected to be offset by a reduction in overall support costs and higher revenues.

Geomatics will be focusing on international opportunities throughout 2012 through both sales and marketing efforts with the goal of generating leads as the year unfolds. In addition, geographic information system mapping and survey re-construction/validation will be a major focus for Geomatics through 2012 and going forward with various presentations planned for the current year.

For the land management services division (Cavalier Land), sales volumes are expected to rise due to a few key factors. The continued stability of oil prices is expected to lead to increased exploration and production for many clients, and Cavalier is planning to aggressively market and pursue new opportunities in the oil prone areas of the Western Canadian Sedimentary Basin. Cavalier Land continues to focus on growth in the telecommunications and mineral markets. The telecommunications department is encouraged as the federal government has recently changed the regulations to allow new entrants into the market. The telecommunications department is well positioned to aggressively pursue any new entrants to the market. Mineral land services continues to work steadily with the two major oil and gas clients gained in 2011, as well as a number of smaller oil and gas clients. The group also began working in south-eastern Saskatchewan and now has three active clients in the area. In addition, minerals is seeking another major oil and gas client and has a good potential lead that may bring work by Q2 2012.

SEISMIC DATA

	Three months ended December 31				Year ended December 31			
(Thousands)	**2011**	2010	**$ Change**	**% Change**	**2011**	2010	**$ Change**	**% Change**
Revenue	**$ 4,686**	$ 2,750	$ 1,936	70%	**$ 13,784**	$ 12,760	$ 1,024	8%
Operating Expenses	**720**	3,113	(2,393)	-77%	**3,133**	9,227	(6,094)	-66%
Other Loss (Income)	**-**	-	-	N/A	**-**	41,496	(41,496)	-100%
EBITDA [(1)]	**3,966**	(363)	4,329	N/A	**10,651**	(37,963)	48,614	N/A
Finance Costs	**(1)**	(1)	-	N/A	**(6)**	(1)	(5)	N/A
Depreciation and Amortization	**2,631**	47	2,584	5498%	**3,632**	20,940	(17,308)	-83%
Income (Loss) Before Income Taxes	**1,336**	(409)	1,745	N/A	**7,025**	(58,902)	65,927	N/A
Gain (Loss) on Sale of Intangibles and Property and Equipment	**-**	-	-	N/A	**-**	(41,496)	41,496	N/A

[(1)] *See the "Non-GAAP Measures" section.*

Seismic Data Library	Balance as at Dec 31	
	2011	2010
2D in Gross KM	**49**	49
2D in Net KM	**49**	49
3D in Gross KM^2	**389**	-
3D in Net KM^2	**389**	-

Q4 2011 vs. Q4 2010

Seismic Data had revenues of $4.7 million in Q4 2011, compared to $2.8 million in Q4 2010, an increase of $1.9 million (70%). Excluding seismic brokerage revenue, seismic data revenue (includes sales of existing data and participation survey revenue) in Q4 2011 was $3.7 million compared to $1.9 million in Q4 2010, a $1.8 million increase (90%). Sales of existing seismic data decreased by $1.2 million (100%) as the Company sold its seismic data library in Q3 2010 and commenced rebuilding its data library late in 2010. Participation survey revenue was $3.7 million for Q4 2011 compared to $0.7 million for Q4 2010, a $3 million (420%) increase due to the completion of two 3D surveys and commencement of two additional surveys. Brokerage revenue was $989,000 in Q4 2011 compared to $799,000 in Q4 2010. The increase of $190,000 (24%) was due to a large sale during the period.

Seismic data recorded income before taxes of $1.3 million, compared with a loss of $409,000 in the fourth quarter of 2010, an increase of $1.8 million. EBITDA increased by $4.3 million. Operating expenses were $720,000 in 2011 compared to $3.1 million in 2010, a decrease of $2.4 million (77%). Salaries and benefits decreased by $13,000 (3%) while G&A expenses decreased by $2.4 million (91%) mainly due to a decrease in bad debt expense. Amortization of data libraries increased by $2.4 million (100%) as compared to Q4 2010 due to new data being acquired during the current quarter offset by the sale of the seismic assets in Q3 2010.

Year ended December 31, 2011 vs. December 31, 2010

Seismic Data had revenues of $13.8 million in 2011, compared to $12.8 million in 2010, an increase of $1 million (8%). Excluding seismic brokerage revenue, seismic data revenue (includes sales of existing data and participation survey revenue) for 2011 was $10.9 million compared to $9.8 million in for the same period in 2010, a $1.1 million increase (11%). Participation survey revenue increased by $9.8 million (960%) due to the completion of three 3D surveys during 2011 and the commencement of two additional 3D surveys in Q4 2011. Sales of existing seismic data decreased by $8.7 million (99%) as a result of the sale of the Company's seismic data library in Q3 2010. Brokerage revenue was $2.9 million during 2011 compared to $3 million for 2010. The decrease of $86,000 (3%) was due to an increase in brokered data sales more than offset by a decrease in data management contracts.

Seismic data recorded income before taxes of $7 million, compared with a loss of $58.9 million in 2010, an increase of $65.9 million. EBITDA increased by $48.6 million. Included in income before taxes and EBITDA for 2010 was a loss of $40.9 million from the divestiture of the Company's seismic data library. Excluding the accounting loss, the loss before taxes in 2010 would have been $18 million and EBITDA would have been a positive $2.9 million. Operating expenses were $3.1 million in 2011 compared to $9.2 million in 2010, a decrease of $6.1 million (66%). Salaries and benefits decreased by $271,000 (2%) while G&A expenses decreased by $5.8 million (79%) mainly due to a large bad debt provision recorded in 2010. Amortization decreased by $17.3 million (83%) in 2011 as compared to 2010 due to the sale of the seismic data assets in the previous year.

Outlook

Divestco commenced the rebuild of its seismic data library in Q4 2010, adding 49 kilometres of 2D and 389 square kilometres of 3D seismic by the end of 2011 subsequent to the divestiture of its seismic data assets in Q3 2010. In Q4 2011, the Company commenced two more 3D surveys, Brazeau and Big Valley, which were completed in Q1 2012 covering an area of approximately 260 square kilometers. In Q1 2012, Divestco commenced its Ante Creek survey which is expected to be completed early in Q2 2012 and cover approximately 120 square kilometers.

CORPORATE AND OTHER

	Three months ended December 31				Year ended December 31			
(Thousands)	2011	2010	$ Change	% Change	2011	2010	$ Change	% Change
Revenue	**$ -**	$ -	$ -	N/A	**$ -**	$ -	$ -	N/A
Operating Expenses	**3,095**	5,145	(2,050)	-40%	**11,833**	16,421	(4,588)	-28%
Other Loss (Income)	**(133)**	10	(143)	N/A	**(160)**	10	(170)	N/A
EBITDA (1)	**(2,962)**	(5,155)	2,193	N/A	**(11,673)**	(16,431)	4,758	N/A
Finance Costs	**254**	726	(472)	-65%	**768**	3,051	(2,283)	-75%
Depreciation and Amortization	**192**	83	109	131%	**1,721**	717	1,004	140%
Income (Loss) Before Income Taxes	**(3,408)**	(5,964)	2,556	N/A	**(14,162)**	(20,199)	6,037	N/A
Gain (Loss) on Sale of Intangibles and Property and Equipment	**146**	-	146	N/A	**146**	-	146	N/A

(1) *See the “Non-GAAP Measures” section.*

Q4 2011 vs. Q4 2010

Loss before income taxes in Q4 2011 was $3.4 million, compared to $5.2 million in Q4 2010, a decrease of $2.6 million. EBITDA increased by $2.2 million. Salaries and benefits decreased by $208,000 (20%) mainly due to reduced headcounts. G&A expenses decreased by $1.5 million (34%) mainly due to a sublease loss provision of $1.2 million that was recognized in Q4 2010, offset by a reduction in occupancy costs, charges and fees and the general bad debt provision. This was offset by real estate commissions incurred in Q4 2011 to surrender excess office space. Interest expense decreased by $471,000 (65%) as the Company repaid a significant portion of its debt in Q3 2010 with its seismic sale proceeds. Amortization increased by $112,000 (17%) due to leasehold improvements.

Year ended December 31, 2011 vs. December 31, 2010

Loss before income taxes in 2011 was $14.2 million, compared to $20.2 million in 2010, a decrease of $6 million. EBITDA increased by $4.8 million. Salaries and benefits decreased by $682,000 (15%) mainly due reduced headcounts offset by higher severance costs. G&A expenses decreased by $3.5 million (27%) mainly due to sublease loss provision recognized in 2010 offset by an increase in occupancy costs in 2011 due to the Company paying rent on multiple office premises. The double rent payments ceased in August 2011. Interest expense decreased by $2.2 million (75%) as the Company significantly reduced its debt 2010 with the proceeds from the sale of its seismic data library. Amortization increased by $1 million (142%) mainly due to a net impairment recorded on leasehold improvements related to the leases surrendered by the Company on five floors of office space in its new premises.

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 were assumed by another company. Combined, this will save the Company approximately $4 million in 2012 and $5 million going forward until the lease expires in 2025.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Financial Position	Balance at December 31	
(Thousands, except as otherwise indicated)	2011	2010
Working Capital (1)		
Current Assets	$ 16,242	$ 15,994
Current Liabilities (2)	15,945	12,395
Working Capital (1)	$ 297	$ 3,599
Funded Debt to Equity (1)		
Funded Debt (3)	$ 9,434	$ 2,606
Shareholders' Equity (4)	14,711	18,070
Funded Debt to Equity Ratio (1)(5)	0.64	0.14

(1) See the “Non-GAAP Measures” section.
(2) Excludes deferred revenue of $4.6 million (2010 - $2.7 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

As of December 31, 2011, Divestco’s main sources of liquidity included:

- working capital of $297,000, excluding deferred revenue of $4.6 million; and
- a $5 million revolving operating loan facility, $1.3 million which was available, and $3.7 million drawn at December 31, 2011

Management believes that the Company’s working capital, cash generated from operations and operating line will provide some of the capital to fund to continue to operate in the short-term. 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.

Management also believes that the ongoing cash generated from operations will be sufficient to allow it to meet ongoing requirements for working capital, maintenance costs, administrative expenses, and finance costs. The Company’s funds from operations will be dependent upon future financial performance, which in turn will be subject to financial, business and other risk factors, including elements beyond the Company’s control. Management also believes that, dependent on capital market conditions, the Company has the ability to raise additional debt or equity through the issuance of additional shares, if required.

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 utilizing salary austerity measures during seasonally slow periods. In addition the Company evaluates all material capital expenditures before commencement to ensure they meet appropriate funding levels, mainly seismic participation surveys. The Company may also continue to dispose of non-core assets (which could result in an accounting gain or loss).

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

Working capital

As at December 31, 2011, Divestco had working capital of $297,000 (excluding deferred revenue of $4.6 million) compared to $3.6 million (excluding deferred revenue of $2.7 million) as at December 31, 2010. The decrease in working capital from 2010 was mainly due to the funds required for the build-out of the Company's new office premises (net of tenant inducements), covering double-rent costs and a portion of the long-term debt obligations becoming current.

Current assets increased by $248,000 (2%). Assets held for sale increased by $2.5 million while cash decreased by $2.1 million (58%). Current liabilities increased by $3.6 million (29%) excluding deferred revenue. In 2011, the Company drew $1.7 million on its operating line to cover the build-out of its new office premises (net of tenant inducements), double-rent costs and real-estate commissions. Accounts payable increased by $2.4 million (29%) due to new seismic surveys being shot. The current portion of long-term debt obligations increased by $775,000 (211%) due to the subordinated bridge loan secured in May 2011 offset by finance lease payments. The current portion of the sublease loss liability decreased by $1.4 million (82%) decrease in due to payments made during the year.

While Divestco focuses on the collection of its receivables, especially older accounts, the Company records an allowance for doubtful accounts of 20% of balances over 120 days old. There are instances where legal action may be required to collect an overdue account which could further delay a possible settlement.

Funded Debt to Equity

At December 31, 2011, Divestco had a funded debt to equity ratio of 0.66:1. The Company's practice is to utilize an appropriate mix of debt and equity to finance its maintenance capital expenditures and growth initiatives. Consistent with the year ended December 31, 2010, the strategy of the Board of Directors and management is to operate the Company with the lowest possible debt load in reaction to the poor economic conditions in 2009 and 2010. This is to ensure adequate financial flexibility to meet the financial obligations, both current and long-term and as part of Company's effort to maintain a healthy statement of financial position. The Company'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 payments due for each of the next five years and thereafter:

(Thousands)	2012	2013	2014-2016	Thereafter	Total
Operating Line	$ 3,700	$ -	$ -	$ -	**$ 3,700**
Debt [(1)]	1,671	2,847	2,119	-	**6,637**
Finance Leases	184	96	105	-	**385**
Operating Leases [(2)]	4,450	3,567	11,573	38,710	**58,300**
Other Obligations [(3)]	356	456	1,037	1,124	**2,973**
Total Contractual Obligations	**$ 10,361**	**$ 6,966**	**$ 14,834**	**$ 39,834**	**$ 71,995**

(1) Includes subordinated and shareholder loans
(2) See "Off Balance Sheet Arrangements" section
(3) Includes deferred rent obligations, sublease loss liability and other long-term liabilities (deferred financing fees)

SELECTED CASH FLOW ITEMS

	Year Ended Dec 31	
(Thousands)	**2011**	2010
Operating Activities		
Funds from (used in) Operations [1]	**$ 5,745**	$ (5,316)
Changes in Non-Cash Working Capital Balances	**(411)**	11,112
Changes in Long-Term Prepaid Expense	**-**	238
Interest Paid	**(593)**	(2,403)
Income Taxes Refunded	**352**	12
Cash Flows From Operating Activities	**5,093**	3,643
Financing Activities		
Bank Indebtedness	**1,650**	2,050
Long-Term Debt Obligations	**5,094**	(30,896)
Issue of Common Shares (Net of Related Costs)	**1,093**	4,180
Dividends paid	**-**	(8,623)
Other - Net	**(153)**	(50)
Cash Flows From (Used in) Financing Activities	**7,684**	(33,339)
Investing Activities		
Additions to intangible assets	**(9,012)**	(2,196)
Participation Surveys in Progress	**(3,855)**	933
Additions to Property, Plant and Equipment	**(5,907)**	(1,760)
Additions to Tenant Inducements	**3,596**	-
Lease Incentive	**1,000**	-
Payments Towards Sublease Loss Provision	**(922)**	-
Investment in Affiliates	**(29)**	-
Proceeds on Sale of Data Libraries	**-**	54,434
Proceeds on Sale of Property and Equipment	**-**	93
Deferred Development Costs	**(2,475)**	(2,695)
Changes in Non-Cash Working Capital Balances	**2,678**	(16,185)
Cash Flows From (Used in) Investing Activities	**(14,926)**	32,624
Change in Cash	**$ (2,149)**	$ 2,928

[1] *See the "Non-GAAP Measures" section.*

Operating Activities

In Q4 2011, funds from operations were $2.9 million ($0.05/share (basic and diluted)), compared with funds used in operations of $3.4 million ($0.08/share (basic and diluted) in Q4 2010. The increase of $6.3 million was mainly due to an increase in revenue and a reduction of operating expenses.

For 2011, funds from operations were $5.7 million ($0.10/share (basic and diluted)) compared to funds used in operations $5.3 million ($0.13/share (basic and diluted)) for 2010. The increase of $11 million was mainly due to a decrease in operating expenses.

Financing Activities

In Q4 2011, the Company drew $600,000 on its revolving credit facility and $1.7 million in 2011. The funds were used for capital expenditures and working capital purposes.

In Q2 2011, the Company secured a $5 million subordinate bridge loan with $2 million of the loan proceeds being provided by two directors in accordance with a condition of the financing. The proceeds were used towards leasehold improvements in the Company's new office premises.

In October 2011, the Company received an aggregate $500,000 in unsecured loans from two of the Company's directors. The proceeds were used for capital expenditures.

In January 2011, the Company closed a private placement for gross proceeds of $100,000. In December 2011, the Company closed a private placement for gross proceeds of $1 million. The funds were used for capital expenditures and working capital purposes.

Investing Activities

During Q4 2011, Divestco acquired $345,000 of computer hardware and spent $438,000 towards the purchase of new seismic processing software and consulting fees for the re-write of a commercial software product. A further $5.3 million was spent to complete two 3D seismic surveys covering an area of approximately 251 km^2 and commence two additional surveys which were completed in Q1 2012 covering an area of approximately 260 km^2.

During 2011, Divestco acquired $5.9 million of property and equipment mainly related to the build-out costs for the Company's new office space and computer hardware (excluding $235,000 in equipment acquired under finance leases). The Company spent $654,000 towards the purchase of new seismic processing software and consulting fees for the re-write of a commercial software product. The Company received $3.6 million in tenant inducements and a lease incentive of $1 million in exchange for surrendering the lease of three floors of office space to a new tenant. In addition, the Company spent $8.4 million to complete three seismic surveys covering an area of approximately 320 km^2 and $3.9 million towards a new 3D survey covering an area of approximately 200 km^2 which was completed in Q1 2012. The Company also signed an agreement in Q4 2010 whereby in exchange for a license to the seismic survey it completed in Q1 2011, it obtained the ownership rights to an existing 3D survey covering an area of approximately 66 km^2. No revenue or costs were recognized as the net cash paid/received was zero.

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 + 2.50% per annum with a non-refundable facility fee of 0.75% per annum being charged on the unused portion of the facility. As at December 31, 2011, $3.7 million (December 31, 2010: $2.1 million) was drawn on the facility with $1.3 million of availability (December 31, 2010: $2.9 million). 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 for Q4 2011 and 1.25:1 thereafter; and debt service coverage ratio cannot fall below 2.25:1 on a trailing 12-month basis. The current ratio is current assets divided by current liabilities (excluding deferred revenue). Debt service coverage is the ratio of EBITDA to finance charges and scheduled principal payments in respect of funded debt plus all dividends declared. EBITDA is net income (loss) plus finance charges, income taxes, deprecation and amortization. As at December 31, 2011, the Company was not in violation of any of its debt covenants.

Subordinated Debt

On May 4, 2011, the Company secured a $5 million subordinate bridge loan with $2 million of the loan proceeds being provided by two of the Company's directors in accordance with a condition of the financing. The interest rate on this facility is 12% per annum. Payments were interest only until January 2012. On November 1, 2011, the loan agreement was amended to postpone the director's portion of the principal payments effective January 1, 2012 until the remainder of the loan is repaid. On January 1, 2012, the primary lender commenced receiving their pro-rata share of the monthly principal payments being $90,000. The loan has a maturity date of April 30, 2013 with a balloon payment of $1.6 million due at that time. On May 1, 2013, the directors will commence receiving their pro-rata share of the principal payments being $60,000. The loan will be repaid in full by December 31, 2014. As at December 31, 2011, the face value of loan was $5 million.

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

Unsecured loans from shareholders

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

Finance leases

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

OFF-BALANCE SHEET ARRANGEMENTS

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

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

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

The aggregate savings to the Company for the five surrendered floors will be approximately $4 million annually in 2012 and $5 million annually after 2012.

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.

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 11, 2012**	**Dec 31, 2011**	**Dec 31, 2010**
Class A shares			
Outstanding	66,615	**66,610**	58,938
Weighted Average Outstanding			
Basic and diluted - YTD [1]		**60,575**	42,601
Basic and diluted - QTR [1]		**59,797**	44,491
Stock Options			
Outstanding	3,006	**3,030**	907
Exercise Price Range	$0.17 to $3.52	**$0.17 to $3.68**	$0.68 to $6.10
Performance Share Units			
Outstanding	-	**-**	-
Share Purchase Warrants			
Outstanding	16,280	**16,280**	15,825
Exercise Price	$0.32	**$0.32**	$0.32

[1] In computing diluted net loss per share, no shares were added for year ended December 31, 2011 (2010 – nil) to the weighted average number of Class A Shares outstanding. As there was a net loss for 2011 and 2010, the options and warrants were anti-dilutive in addition to being out of the money.

Private Placements

On January 10, 2011, the Company closed a private placement whereby it sold 454,546 Units at a price of $0.22 per Unit for gross proceeds of $100,000. Each Unit was comprised of one Class A share of Divestco (the "Share") and one non-transferable share purchase warrant (the "Warrant"). Each Warrant entitles the holder to purchase one Share on or before December 31, 2012 at an exercise price of $0.32 per Share. The shares and the warrants, and any shares issued on exercise of the warrants were subject to a hold period under applicable Canadian securities laws and polices of the TSX-V.

On December 22, 2011, the Company closed a private placement whereby it sold 6,666,667 Class A Shares at a price of $0.15 per share for total gross proceeds of $1 million. The Class A Shares are subject to a hold period under applicable Canadian securities laws and polices of the TSX-V. The entire private placement was subscribed for by three of the Company's directors.

Long Service Awards

On May 1, 2011, the Company adopted a plan whereby 5 and 10-year service awards ("Service Awards") are issued to employees in the form of Class A shares issued from treasury. The value for a 5-year award is $750 and $1,250 for a 10-year award. The number of 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 2011, 309,763 shares were issued. From January 1, 2012 to April 11, 2012, 4,688 shares were issued.

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 Divestco 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 common shares through the facilities of the TSX-V and all shares contributions are issued from treasury. The value of the Company's contribution is included in salaries and benefits in the consolidated statements of loss and comprehensive loss. During 2011, 131,366 shares were issued. From January 1, 2012 to April 11, 2012, no shares were issued as the contributions were all in cash.

Stock Options

As at December 31, 2011, there were 6,661,000 Class A common shares reserved for grants of stock options combined with all other forms of stock-based compensation.

During 2011:

- 2,585,000 options were granted at an excise price of $0.17 including 1,650,000 to Directors and Officers
- 461,988 options were forfeited with exercise prices ranging from $0.68 to $6.10

From January 1, 2012 to April 11, 2012:

- 100,000 options were granted with an exercise price of $0.17
- 124,090 options were forfeited with exercise prices ranging from $0.17 to $3.68.

Performance share units

On May 19, 2011, the Company's shareholders approved the establishment of a Performance Share Unit ("PSU") Plan (the "PSU Plan"). Each PSU awarded conditionally entitles the eligible unit holder to the delivery of one Class A common share of the Company upon attainment of the PSUs non-market performance vesting conditions approved by Board of Directors. As the Company will settle these obligations with Class A common shares, 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 common shares reserved for issuance upon the vesting of all PSUs granted under the PSU plan will not exceed 1,188,000, being 2% of the issued and outstanding Class A common shares of the Corporation as of April 13, 2011, the date of Board approval of the Plan. For any one insider a maximum of 594,000 Class A common shares, being 1% of the issued and outstanding Class A common shares of the Corporation as of the date the plan was approved by the Board. Compensation expense related to the PSUs will be accrued over the term of the performance period based on the expected total compensation to be paid out at the end of the performance period.

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

RELATED PARTY TRANSACTIONS

Loans from directors

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

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

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.

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

Key management personnel compensation comprised the following:

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

Key management personnel and director transactions

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

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

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

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

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

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

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

ACCOUNTING POLICIES

Adoption of IFRS

The Company has prepared the consolidated financial statements for the year ended December 31, 2011, and the comparative information the year ended December 31, 2010, in accordance with IFRS 1, as issued by the IASB. Previously, the Company prepared its interim and annual consolidated financial statements in accordance with CGAAP. The adoption of IFRS has not had an impact on the Company's operations and strategic decisions.

The Company's IFRS accounting policies are provided in note 4 to the consolidated financial statements for the year ended December 31, 2011. In addition, note 30 to the consolidated financial statements for the year ended December 31, 2011 presents reconciliations between the Company's 2010 results under CGAAP and IFRS. The reconciliations include a consolidated statement of financial position as at January 1, 2010 and December 31, 2010 and consolidated statements of loss and comprehensive loss for the year ended December 31, 2010.

A detailed explanation of the significant differences between and changes to the Company's CGAAP accounting policies and those applied by the Company under IFRS can be found in Note 30 to the Company's consolidated financial statements for the year ended December 31, 2011. IFRS policies have been consistently and retrospectively applied except where specific IFRS 1 optional and mandatory exemptions permitted an alternative treatment upon transition to IFRS for first-time adopters.

NEW IFRS PRONOUNCEMENTS

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

Joint Arrangements and Off Balance Sheet Activities

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

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

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

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

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

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

Presentation of Items of Other Comprehensive Income

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

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

Fair value measurement

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

Financial instruments

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

Revenue recognition

The IASB has issued an exposure draft for a new standard on revenue from customers that would replace IAS 11 "Construction Contracts" and IAS 18 "Revenue and Related Interpretations". A final standard was expected in the second quarter of 2011; however, given the importance of revenue numbers, in the third quarter of 2011 the IASB decided to re-expose the proposals for a comment period of 120 days.

The new guidance may represent a substantial change from existing IFRS. The original exposure draft proposed a single revenue recognition model in which revenue is recognized when an entity satisfies a performance obligation by transferring a promised good or service to a customer. The proposals also include the withdrawal of the percentage-of-completion method currently used by Divestco to account for its participation survey revenue.

Selection of amortization method

IFRIC received a request to clarify the meaning of the term 'consumption of the expected future economic benefits embodied in the asset' in paragraphs 97 and 98 of IAS 38 "Intangible Assets" when determining the appropriate amortization method for intangible assets.

IFRIC noted that the principle in IAS 38 is that an amortization method should reflect the pattern of consumption of the expected future economic benefits and not the pattern of generation of the expected future economic benefits.

In particular, IFRIC noted that amortization methods based on revenue are not an appropriate reflection of the pattern of consumption of the expected future economic benefit embodied in an intangible asset.

IFRIC's recommendation will be submitted to the IASB for discussion at a future IASB meeting. If these recommendations are accepted by the IASB, they will be included in the exposure draft of proposed Improvements to IFRSs that is expected to be published during 2012. This could affect the way in which the Company amortizes its seismic data library.

CONTROLS AND PROCEDURES

Under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company, as a "Venture Issuer" files on an annual basis Form 52-109FV1, the "Certificate of annual filings – venture issuer basic certificate" (the "Annual Form") which does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing the Annual Form are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and,

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

However, the Company's management, and its certifying officers on the Annual Form are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in that Annual Form. The Annual Form does contain representations which confirms that management has established processes, which are in place to provide the certifying officers with sufficient knowledge to support their written representations that they have exercised reasonable diligence that (i) the audited annual financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim financial statements and that (ii) the audited annual financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the audited financial statements.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Edward L. Molnar [1,2,3]
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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For more information: info@divestco.com
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Divestco Inc.
Consolidated Financial Statements
For the year ended December 31, 2011

Contents

To the Shareholders of Divestco Inc.

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

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

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

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

"Stephen Popadynetz"

Stephen Popadynetz
Chief Executive Officer, Chief Financial Officer and President

Calgary, Canada
April 11, 2012

Independent Auditors' Report

To the Shareholders of Divestco Inc.

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

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

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

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

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

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

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

“KPMG LLP”

Chartered Accountants
Calgary, Canada
April 11, 2012

Divestco Inc.
Consolidated Statements of Financial Position

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

Approved by the Board:

"Edward Molnar" *"Stephen Popadynetz"*

Edward Molnar, Director Stephen Popadynetz, Director

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

Divestco Inc.
Consolidated Statements of Loss and Comprehensive Loss

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

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

Divestco Inc.
Consolidated Statements of Changes in Equity

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

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

Divestco Inc.
Consolidated Statements of Cash Flows

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

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

1. Reporting Entity

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

2. Future Operations

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

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

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

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

3. Basis of Presentation

(a) Statement of Compliance

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

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

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

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

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

4. Significant Accounting Policies

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

(a) Basis of consolidation

Subsidiaries

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

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

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

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

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

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

Transactions eliminated on consolidation

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

(b) Foreign currency

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

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

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

(c) Financial instruments

Non-derivative financial assets

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

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

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

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

Loans and receivables

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

Non-derivative financial liabilities

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

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

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

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

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

Share capital

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

(d) Property and equipment

Recognition and measurement

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

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

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

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

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

Subsequent costs

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

Depreciation

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

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

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

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

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

(e) Assets held for sale

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

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

(f) Intangible Assets

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

Proprietary software and code

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

Research and development

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

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

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

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

Data Libraries

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

Subsequent expenditure

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

Amortization

Amortization is provided for as follows:

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

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

Created seismic, without pre-sale commitments, is amortized on a straight-line basis over a seven-year period. Created seismic with pre-sale commitments is initially amortized at approximately 40% (2010 – approximately 40%) on delivery of the data to the customer with the remaining balance on a straight-line basis over the next six-year period commencing a year from the delivery date. Purchases of existing seismic data are amortized on a straight-line basis over 10 years.

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

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

(g) Leased assets

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

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

(h) Impairment

Financial assets

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

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

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

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

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

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

Non-financial assets

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

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

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

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

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

(i) Employee benefits

Termination benefits

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

Short-term employee benefits

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

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

Share-based payment transactions

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

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

(j) Provisions

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

Site restoration

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

Onerous contracts

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

(k) Revenue recognition and deferred revenue

The Company generates revenue from the following sources:

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

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

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

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

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

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

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

Revenue earned from the sale of perpetual software licences is recognized upon delivery. Maintenance and support for the first year is included with the product and recognized as revenue rateably over the term defined in the purchase agreement. Revenue earned from the renewal of maintenance and support contracts is recognized rateably over the term of the agreement.

Revenue from periodic software licences which includes maintenance and support is recognized rateably over the term of the licence.

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

Support and log data sales and subscriptions

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

Seismic brokerage commissions

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

Seismic data licence sales

Data library sales

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

Participation survey revenue

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

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

The Company occasionally enters into data and services exchange transactions with third parties. Where there is no or minimal cash consideration, the Company does not recognize revenue or an asset acquisition on these exchanges. In exchange transactions with material cash consideration, the Company recognizes revenue equal to the fair value of the data license and services sold and a seismic data library asset equal to the fair value of the data acquired. Cash flows from investing activities and operating activities reflect only the net cash portion.

Geomatics, land management and seismic processing services

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

Deferred revenue

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

(l) Leases

Operating leases

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

Finance leases

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

(m) Finance costs

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

(n) Income tax

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

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

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

(o) Net income or loss per share

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

(p) Segment reporting

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

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

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

(q) Investment tax credits

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

5. New Standards and Interpretations not yet Adopted

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

Joint arrangements and off balance sheet activities

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

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

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

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

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

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

Presentation of Items of Other Comprehensive Income

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

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

Fair value measurement

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

Financial instruments

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

6. Dispositions

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

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

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

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

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

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

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

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

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

7. Operating Segments

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

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

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

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

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

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

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

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

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

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

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

Major Customer

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

8. Assets Held for Sale

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

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

9. Long-term Prepaid Expense

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

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

10. Investment in Affiliated Company

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

Summarized financial information of SDLS is as follows:

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

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

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

11. Property and Equipment

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

Land and assets under construction are not subject to depreciation.

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

(Tabular amounts in thousands, unless otherwise stated)

12. Intangible Assets

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

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

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

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

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

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

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

13. Revenue

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

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

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

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

14. General and Administrative Expenses by Nature

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

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

15. Finance costs

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

16. Other income (loss)

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

17. Bank Indebtedness

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

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

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

18. Long-term Debt Obligations

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

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

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

Term loans and commitment revolver

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

Secured subordinated bridge loan

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

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

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

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

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

Unsecured loans from shareholders

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

Finance lease obligations

Finance lease obligations are payable as follows:

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

Equipment under finance lease is computer hardware and office equipment.

Deferred finance charges

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

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

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

19. Convertible Debentures

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

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

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

20. Taxes

Reconciliation of effective tax rate

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

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

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

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

Unrecognized deferred tax assets

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

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

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

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

Recognized deferred tax assets and liabilities

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

Movement in temporary differences during the year

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

The Company files Scientific Research and Experimental Development (SR&ED) claims with the Canada Revenue Agency (CRA) in respect of certain research and development expenditures. Although the claims are filed on the basis of the regulations, the claims are subject to review by the CRA. As at December 31, 2011, the Company had $1.7 million of federal investment tax credits, including $1.1 million carried forward from 2010, available to reduce federal income taxes payable in the future which begin to expire in 2029. It is not probable that the future taxable profit will be available against which the Company can utilize the benefits.

21. Equity Instruments and Net Loss per Share

Share capital structure

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

Issuance of share capital

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

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

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

Net loss per share

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

22. Share-Based Payment Arrangements

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

Stock option plan (equity settled)

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

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

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

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

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

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

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

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

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

Performance share unit plan (equity settled)

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

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

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

Employee stock ownership plan (equity settled)

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

Long-term service awards (equity settled)

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

Warrants (equity settled)

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

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

23. Statement of Cash Flows

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

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

Operating Leases

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

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

Movement in the commitments for 2011:

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

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

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

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

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

Tenant Inducements

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

Sublease Loss Provision

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

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

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

Deferred Rent Obligations

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

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

25. Related Parties

Transactions with key management personnel

Loans from directors

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

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

Private placement

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

Key management personnel compensation

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

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

Key management personnel compensation comprised the following:

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

Key management personnel and director transactions

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

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

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

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

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

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

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

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

26. Financial Instruments and Risk Management Overview

FINANCIAL RISK MANAGEMENT

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

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

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

CREDIT RISK

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

Exposure to credit risk

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

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

Accounts receivable

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

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

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

Impairment Losses

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

- a provision for amounts that have been individually determined not to be collectible in full when the customer has indicated an inability to pay, the Company is unable to communicate with the customer over an extended period of time, and other methods to obtain payment have been considered and have not been successful. While the Company normally relies on in-house collection efforts, there are occasions where legal action is required to collect an overdue account; and

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

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

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

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

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

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

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

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

Cash

The carrying amount represents the maximum exposure on these assets.

LIQUIDITY RISK

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

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

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

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

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

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

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

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

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

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

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

MARKET RISK

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

Interest rate risk

The Company's long-term debt obligations are based on fixed interest rates ranging from 1.4% to 12%. If these transactions were entered into today, the interest expense would not be materially different. The Company's operating line is based on a floating interest rate and is subject to interest rate cash flow risk as the required cash flows to service the debt will fluctuate as a result of changes in market rates.

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

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

(1) Excluding deferred financing costs

Cash flow sensitivity analysis for variable rate instruments

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

CAPITAL MANAGEMENT

The Board of Directors' policy is to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk levels and manage capital in a manner which balances the interests of equity and debt holders. Management monitors capital using a funded debt to equity ratio. The ratio is calculated by taking the sum of interest-bearing long-term debt obligations and bank indebtedness (current and long-term portions) divided by shareholders' equity which consists of equity instruments, retained earnings or deficit and contributed surplus.

In managing the capital structure, the Board of Directors, along with management, make adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids, issue equity, issue new debt, and issue new debt to replace existing debt with different characteristics.

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

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

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

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

27. Determination of Fair Values

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

Trade and other receivables

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

Non-derivative financial liabilities

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

Share-based payment transactions

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

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

28. Contingencies

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

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

29. Subsidiaries

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

30. Explanation of Transition to IFRS

Adoption of IFRS

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

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

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

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

(a) Business combinations

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

(b) Property and equipment

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

(c) Share-based payments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Revenue recognition

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

(c) Deferred income taxes

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

(d) Share-based payments

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

(e) Sublease loss

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

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

(f) Retained earnings (deficit)

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

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

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

(g) Statement of cash flows

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

(h) Long-term debt obligations

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

31. Additional GAAP Measure

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