Annual Report

For the Year Ended
December 31, 2016

Divestco

Management's Discussion & Analysis

For the Three Months and Year Ended December 31, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis ("MD&A") is dated April 26, 2017, and should be read in conjunction with the audited consolidated financial statements and notes of Divestco Inc. ("Divestco" or the "Company") as at and for the years ended December 31, 2016 and December 13, 2015. All financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB'') and is reported in Canadian dollars unless otherwise specified.

DIVESTCO'S BUSINESS

Divestco is an exploration services company that provides a comprehensive and integrated portfolio of data, software, and services to the oil and gas industry. Through continued commitment to align and bundle products and services to generate value for customers, Divestco has created an unparalleled set of integrated solutions and unique benefits for the marketplace. Divestco's breadth of data, software and services offers customers the ability to access and analyze the information required to make business decisions and to optimize their success in the upstream oil and gas industry. Divestco is headquartered in Calgary, Alberta, Canada and trades on the TSX Venture Exchange under the symbol "DVT".

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

- Software and Data: Offers the market a complete geophysical and geological software suite designed with a thorough understanding of the workflows and requirements of oil and gas professionals; as well as a full suite of exploration datasets and a library of comprehensive well log data. Software and data together provide complete solutions and have become an indispensable resource for geologists, geophysicists and engineers.

- Services: Offers geomatics services including data integrity validation, mapping, database hosting, and advisory support and consultation as well as seismic processing services, including data quality assurance, processing and data management services for geophysical and geological information.

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

- 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.

GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at December 31, 2016, the Company had a working capital deficiency of $3.9 million (December 31, 2015: $2.1 million deficiency), excluding deferred revenue of $1.7 million (December 31, 2015: $1.3 million). In addition, the Company has contractual obligations, including $2.6 million of operating lease payments which are due within the next 12 months (see "Off Balance Sheet Arrangements" section to this MD&A). Subsequent to the end of 2016, the Company obtained a $6 million term loan with a $5 million initial draw which was used to repay the $3.2 million bridge loan (see "Capital Resources" section to this MD&A) and for working capital purposes. The new loan matures on September 15, 2020.

The Company's ability to continue as a going concern is dependent upon the Company's ability to obtain additional sources of capital, complete asset dispositions, or finding other strategic alternatives to settle its liabilities, fund its operations, and meet its commitments until it is in a position to generate sufficient net future cash flows and profitability. The Company believes that it will be able to meet its cash flow requirements over at least the next 12 months using actions and events described above; however, the outcome of these along with the Company's ability to discharge its liabilities, fund its operations and meet its commitments, cannot be predicted at this time. As a result of the uncertainty of completing the above transactions, there is material uncertainty that may cast significant doubt as to the ability of the Company to continue as a going concern. 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 and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and 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 in 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.

This MD&A contains forward-looking statements pertaining to the following:

- The Company's ability to keep debt and liquidity at acceptable levels, improve/maintain its working capital position and achieve profitability
- 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 seismic data through new seismic shoots and acquisition of existing seismic data
- Treatment under tax laws
- New accounting pronouncements

These forward-looking statements are based upon assumptions including:

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

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

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

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. 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 other stakeholders with additional information regarding the Company's results, liquidity, and its ability to generate funds to finance its operations.

These measures include:

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

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

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

	Three months ended Dec 31		Year ended December 31	
(Thousands)	**2016**	2015	**2016**	2015
Net Income (Loss)	**$ 3,297**	$ (3,366)	**$ (1,937)**	$ (5,729)
Impairment of Intangible Asssets	**-**	1,222	**-**	1,222
Finance Costs	**236**	334	**1,305**	1,181
Depreciation and Amortization	**1,627**	1,438	**6,377**	11,403
EBITDA	**$ 5,160**	$ (372)	**$ 5,745**	$ 8,077

Funded debt and funded debt to equity

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

The calculation is as follows:

	Balance at December 31	
	2016	**2015**
Components of funded debt to equity ratio:		
Current portion of long-term debt obligations	**$ 3,550**	$ 1,042
Long-term debt obligations	**6,163**	8,633
Total funded debt	**9,713**	9,675
Shareholders' equity	**$ 13,077**	$ 14,729
Funded debt to equity ratio	**0.74**	0.66

Adjusted Working capital

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

OVERALL PERFORMANCE AND OPERATIONAL RESULTS

Summary Financial Results (Thousands, Except Per Share Amounts)								
	Three months ended December 31				Year ended December 31			
	2016	2015	*$ Change*	*% Change*	**2016**	2015	*$ Change*	*% Change*
Revenue	**$ 7,679**	$ 2,863	*$ 4,816*	*168%*	**$ 15,966**	$ 18,314	*$ (2,348)*	*-13%*
Operating Expenses [(1)]	**2,501**	3,256	*(755)*	*-23%*	**10,141**	15,754	*(5,613)*	*-36%*
Other Loss (Income)	**18**	(21)	*39*	*N/A*	**80**	(5,517)	*5,597*	*N/A*
EBITDA [(2)]	**5,160**	(372)	*5,532*	*N/A*	**5,745**	8,077	*(2,332)*	*-29%*
Finance Costs	**236**	334	*(98)*	*-29%*	**1,305**	1,181	*124*	*10%*
Depreciation and Amortization	**1,627**	1,438	*189*	*13%*	**6,377**	11,403	*(5,026)*	*-44%*
Impairment of Intangibles	**-**	1,222	*(1,222)*	*-100%*	**-**	1,222	*(1,222)*	*-100%*
Net Income (Loss)	**$ 3,297**	$ (3,366)	*$ 6,663*	*N/A*	**$ (1,937)**	$ (5,729)	*$ 3,792*	*N/A*
Per Share - Basic and Diluted	**0.05**	(0.05)	*0.10*	*N/A*	**(0.03)**	(0.09)	*0.06*	*N/A*
Funds from (used in) Operations	**$ 4,136**	$ (382)	*$ 4,518*	*N/A*	**$ 4,703**	$ 2,648	*$ 2,055*	*78%*
Per Share - Basic and Diluted	**0.06**	(0.01)	*0.07*	*N/A*	**0.07**	0.04	*0.03*	*75%*
Class A Shares Outstanding	**66,884**	67,208	*N/A*	*N/A*	**66,884**	67,208	*N/A*	*N/A*
Weighted Average Shares Outstanding Basic and Diluted	**67,150**	67,126	*N/A*	*N/A*	**67,217**	67,117	*N/A*	*N/A*

(1) *Includes salaries and benefits, G&A and shared-based payments but excludes depreciation and amortization and other loss (income)*
(2) *See the "Non GAAP Measures" section*

Q4 2016 vs. Q4 2015

Divestco generated revenue of $7.7 million in Q4 2016 compared to $2.9 million in Q4 2015, an increase of $4.8 million (168%) which was mainly due to the Company's Seismic Data segment with the commencement of a new seismic survey and strong data library sales. This was partially offset by lower Services and Software & Data revenue as result of reduced capital spending by clients caused by low commodity prices. Revenue in the Seismic Data segment ($6.3 million) increased by $5.7 million (891%). Revenue in the Software & Data segment ($0.8 million) decreased by $0.3 million (25%) and revenue in the Services segment ($0.6 million) decreased by $0.5 million (47%).

Operating expenses decreased by $0.8 million (23%) to $2.5 million in Q4 2016 from $3.3 million in Q4 2015. Salaries declined by $0.7 million (38%) due to reduced staffing levels and the austerity measures put in place in response to the economic conditions in 2015 and 2016. G&A expenses declined by $27,000 (2%) due to a decrease in discretionary expenses, stock-based compensation, as well as software licences and contractor fees offset by an increase in bad debts.

Finance costs decreased by $98,000 (29%) to $236,000 in Q4 2016 from $334,000 in Q4 2015.

Depreciation and amortization was $1.6 million in Q4 2016 compared to $1.4 million in Q4 2015, an increase of $0.2 million (13%).

There was no impairment charge in Q4 2016 compared to $1.2 million in Q4 2015.

Year Ended December 31, 2016 vs. Year Ended December 31, 2015

Divestco generated revenue of $16 million during 2016 compared to $18.3 million in 2015, a decrease of $2.3 million (13%). Lower Services and Software & Data revenue was partially offset by higher Seismic Data revenue. Revenue in the Seismic Data segment ($9.3 million) increased by $3.1 million (51%) due to higher data library sales partially offset by slight lower seismic participation revenue; there were three surveys completed in Q1 2015 and a new survey commenced in Q4 2016. Revenue in the Services segment ($2.6 million) decreased by $4.2 million (62%) mainly due to a reduction in activity levels caused by low commodity. Revenue in the Software & Data segment ($4.1 million) decreased by $1.3 million (24%) mainly due to the sale of the land software assets in Q1 2015 and reduced industry activity. Seismic brokerage revenue decreased due to lower activity levels.

Operating expenses decreased by $5.7 million (36%) to $10.1 million in 2016 from $15.8 million in 2015. Salaries declined by $3.8 million (41%) due to reduced staffing levels and the austerity measures put in place in response to current economic conditions. G&A expenses declined by $1.9 million (27%) due to a decrease in discretionary expenses as well as software licences and contractor fees.

Finance costs increased by $0.1 million (10%) to $1.3 million in 2016 from $1.2 million in 2015 mainly related to repayment of a $4.5 million bridge loan in March 2015. The Company then a secured a new bridge loan in September 2015. Thus, debt levels were higher during 2016 compared to 2015.

Depreciation and amortization decreased by $5 million (44%) to $6.4 million from $11.4 million in 2015 mainly due to the addition of new seismic data in 2015. No new surveys in were completed in 2016; however, a survey commenced in Q4 2016 and was completed in Q1 2017.

There was no impairment charge in 2016 compared to $1.2 million impairment charge in 2015.

Business Seasonality

Although the Company's Software & Data segment has relatively constant recurring revenue throughout the year from its license and subscription sales, some of the Company's other segments experience revenue fluctuations due to seasonal influences in oil and gas industry activities.

Seismic data acquisitions are usually completed in the winter season when the ground is frozen allowing access by heavy equipment with minimal surface disruption. This affects the timing of revenue recognition in the Seismic Data segment. Additionally, the Services segment normally exhibits a noticeable reduction in sales in the spring and summer months and an increase in sales during the fall and winter months when under normal circumstances, significant drilling and exploration activities are underway in North America. To the extent possible, Divestco minimizes these fluctuations by performing specific types of contract work appropriate for lower-activity months.

Financial Position

As at December 31, 2016, Divestco had a working capital deficiency of $3.9 million (December 31, 2015: $2.1 million deficiency), excluding deferred revenue of $1.7 million (December 31, 2015: $1.3 million). The increase in the working capital deficit from the end of 2015 was due to the reclassification of the Company's bridge loan to current at December 31, 2016. The bridge loan was repaid in March 2017 with the proceeds of a new term loan with the balance being used for working capital purposes.

	Balance at December 31		
Financial Position (Thousands)	**2016**	**2015**	**2014**
Total Assets	**$ 35,524**	$ 31,462	$ 50,868
Adjusted Working Capital (Deficit) (1)	**(3,872)**	(2,062)	(10,723)
Long-Term Financial Liabilities (2)	**10,548**	10,600	12,941

(1) *See the "Non GAAP Measures" section.*
(2) *Includes the current and long-term portions of debt obligations, sublease loss provision, deferred rent obligations, tenant inducements and grant liability.*

SELECTED ANNUAL INFORMATION

	2016	2015	2014
Revenue	**$ 15,966**	$ 18,314	$ 36,120
EBITDA (1)	**5,745**	8,077	13,273
Net Income (Loss)	**(1,937)**	(5,729)	2,507
Net Income (Loss) Per Share - Basic and Diluted	**(0.03)**	(0.09)	0.04
Funds from Operations (1)	**4,703**	2,648	13,181
Funds from Operations Per Share - Basic and Diluted (1)	**0.07**	0.04	0.20
Total Assets	**35,524**	31,462	50,868
Adjusted Working Capital Deficit (1)	**(3,872)**	(2,062)	(10,723)
Long-Term Financial Liabilities (2)	**10,548**	10,600	12,941
Shareholders' Equity	**13,077**	14,729	20,438
Class A Shares Outstanding	**66,884**	67,208	67,096
Weighted Average Shares Outstanding - Basic and Diluted	**67,217**	67,117	67,081

1) *See the "Non GAAP Measures" section.*
2) *Includes long-term debt obligations (both current and long-term portions), sublease loss provision (both current and long-term portions), deferred rent obligations and grant liability (both current and long-term portions). Excludes tenant inducements of $0.6 million (December 31, 2015: $0.7 million; December 31, 2014: $0.8 million).*

Due to the dramatic fall in oil prices since the latter part of 2014 and persistently low natural gas prices, Divestco generated significantly less revenue in 2016 and 2015 compared to 2014. The largest impact of this industry down-turn was on the Company's domestic seismic-related services including geomatics, processing, seismic acquisition and seismic brokerage and to a lesser extent on software revenues. International revenue partially offset the fall in domestic revenue.

There was significant seismic data revenue in 2014 and while the Company completed three seismic surveys in Q1 2015, no other seismic was acquired in 2015. Seismic data revenues improved in 2016 compared to 2015 due to strong data library sales. To the contrary, the Company's software and data segment fared better over 2014, 2015 and 2016 excluding the effect of the sale of Divestco's land software assets. Services segment revenues were significantly lower in 2015 and 2016 compared to 2014.

As a result of falling activity levels, Divestco implemented several salary austerity measures commencing in Q1 2015 and continuing throughout 2016 leading to significantly reduced operating expenses compared to 2014 which improved funds from operations from 2015 to 2016.

Furthermore, the net loss for 2015 includes an accounting gain of $5.4 million from the disposal of Divestco's land software assets and an impairment charge of $1.2 million. However, amortization was significantly higher in 2015 than 2016.

SELECTED QUARTERLY INFORMATION

	2016				2015			
(Thousands, Except Per Share Amounts)	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenue	**$ 7,679**	**$ 2,015**	**$ 3,135**	**$ 3,137**	$ 2,863	$ 3,110	$ 2,936	$ 9,405
EBITDA (1)	**5,160**	**(424)**	**616**	**393**	(372)	(76)	(1,153)	9,678
Income (loss) before Income Taxes	**3,297**	**(2,426)**	**(1,414)**	**(1,394)**	(3,366)	(1,837)	(2,760)	2,234
Net Income (Loss)	**3,297**	**(2,426)**	**(1,414)**	**(1,394)**	(3,366)	(1,837)	(2,760)	2,234
Per Share - Basic and Diluted	**0.05**	**(0.04)**	**(0.02)**	**(0.02)**	(0.05)	(0.03)	(0.04)	0.03
Funds from (used in) Operations (1)	**4,136**	**(453)**	**623**	**397**	(382)	42	(1,124)	4,112
Per Share - Basic and Diluted	**0.06**	**(0.01)**	**0.01**	**0.01**	(0.01)	0.00	(0.02)	0.06

(1) *See the "Non GAAP Measures" section*

The variances in the quarterly results illustrated in the table above are primarily a result of changing industry factors affecting oil and gas producers' exploration activities, upon which our business model is based. In turn, the producers' primary activity drivers are crude oil and natural gas commodity pricing and general economic and industry labour conditions, which have fluctuated in these reporting periods.

Commodity prices remained significantly lower in 2016 and 2015 as compared to 2014 which directly contributed to weaker financial results from Q1 2015 to Q3 2016. This mainly affected demand in the Company's Services and Seismic Data segments. Within the Services segment, demand for domestic services (geomatics and processing) were the most impacted. Partially offsetting this were the completion of some large international projects. Within the Seismic data segment, demand for newly shot seismic data was most impacted. No new surveys were completed after Q1 2015 as compared to the commencement of four seismic surveys in Q4 2014; one survey was completed in Q4 2014 and three surveys were completed in Q1 2015 (revenue is recognized on a percentage of completion basis). Partially offsetting this were some significant data license sales in 2016 especially in Q4 2016 in addition to the commencement of a new seismic survey in the same quarter.

In addition, the Company implemented several salary austerity measures starting in Q1 2015 which continued throughout 2016. EBITDA in Q1 2015 also includes an accounting gain of $5.4 million recognized on the sale of the Company's land software assets. There was an impairment charge of $1.2 million in Q4 2015 leading to a higher net loss.

The variance in quarterly results is also influenced by seasonality. Typically, the first and fourth quarters are the busiest for the Company when drilling activities are at their peak in western Canada. Road bans severely restrict field activity in the second quarter and seismic field work can be limited in summer months for agricultural reasons.

OUTLOOK

There has been an improvement in West Texas Intermediate oil prices from a low of US$27/barrel in February 2016 to US$50/barrel currently and rig utilization has improved from 12.5% in July 2016 to 23% in March 2017. However, commodity prices and rig utilization remain significantly lower than 2014 levels which forced most North American oil and gas producers to keep their capital spending to historically low levels. Access to capital also remains challenging for the industry. Due to significantly lower activity levels, Divestco reduced its operating expenses by over 50% since 2014. Most of the austerity measures are expected to remain in place for the remainder of 2017 or until a change in activity levels is realized.

LIQUIDITY

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized on the statement of financial position when the Company becomes a party to the instrument's contractual obligations. The Company's financial assets include cash and cash equivalents, trade and other receivables and its financial liabilities primarily comprise accounts payables and debt.

Fair Value

The fair values of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying amount largely due to the short-term maturities of these instruments. The fair value of the term debt instruments approximates their carrying amount which has been measured at amortized cost using the effective interest rate method.

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. The Company is exposed to credit risk in connection with the collection of its revenues and on the cash received. The Company controls its credit risk by assessing each customer's creditworthiness prior to transacting, subsequently monitoring and making efforts to collect its outstanding accounts receivable and investing cash balances in chartered Canadian banks.

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. As at December 31, 2016, 62% (December 31, 2015: 17%) of the Company's consolidated accounts receivables were due from two customers (December 31, 2015: one customer). These receivables have been collected subsequently. Currently there are no significant economic dependencies on any other particular customers. The carrying amount of account receivables and cash represents the maximum credit exposure.

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 funds to meet its liabilities when due, under both normal and stressed conditions.

The Company had a net loss of $1.9 million for 2016, and as at December 31, 2016 had a working capital deficiency of $3.9 million, excluding deferred revenue of $1.7 million. In addition, Divestco has future operating lease commitments of $2.6 million over the next 12 months (see the "Contractual Obligations" section of this MD&A). In March 2017, the Company secured a new term loan of $6 million and used the proceeds to repay a $3.2 million bridge loan and as a working capital injection. The loan matures on September 15, 2020. Under the terms of the new loan, the Company has $3.1 million in cash which is restricted by the lender until September 30, 2017. See "Bridge Loan" under the "Capital Resources" section to this MD&A for further discussion.

While management believes that the Company's funds from operations will provide the capital to continue to operate in the short-term, it is dependent upon future financial performance that is subject to financial, business, and other risk factors, including elements beyond the Company's control. As a response to the sharp decline in oil prices and persistently low natural gas prices since Q3 2014, the Company sold a portion of its assets, implemented several salary austerity measures and reduced discretionary spending commencing in Q1 2015. In addition, management is currently in discussions with several interested parties with the intention of focusing on the international market, raising capital, selling additional non-strategic assets and other strategic alternatives. All discussions are preliminary and there is no assurance that any transaction will proceed (see the "Going Concern" section of the MD&A).

Adjusted Working Capital

As at December 31, 2016, Divestco had a working capital deficiency of $3.9 million (December 31, 2015: $2.1 million deficiency), excluding deferred revenue of $1.7 million (December 31, 2015: $1.3 million). The increase in the working capital deficit from the end of 2015 was primarily due to the reclassification of the Company's bridge loan from long-term to current at December 31, 2016. The loan was repaid in March 2017 (see "Bridge Loan" under the "Capital Resources" section to this MD&A).

Funded Debt to Equity

Divestco had a funded debt to equity ratio of 0.74:1 as at December 31, 2016 (December 31, 2015: 0.66:1). While debt levels remained virtually unchanged, equity decreased due to the net loss in 2016. The Company's previous practice was to utilize an appropriate mix of debt and equity to finance its current capital expenditures and growth initiatives. The current strategy of the Board of Directors and management is to try to operate the Company with the lowest possible debt load in reaction to the volatility of the industry while maintaining a lower cost structure. This is to ensure adequate financial flexibility to meet the financial obligations, both current and long-term and as part of the Company's effort to maintain a healthy statement of financial position. The Company's strategy is to maintain a funded debt to equity ratio of less than 1:1. Management continues to search for additional sources of capital and revenue to reduce debt and increase earnings.

Contractual Obligations

Below is a summary of Divestco's contractual obligations as at December 31, 2016, including principal and interest:

(Thousands)	Carrying amount	Contractual cash flows	<1 year	1-2 years	2-5 years	Thereafter	Total
Accounts Payable and Accued Liabilties	9,552	9,552	9,552	-	-	-	**$ 9,552**
Debt Obligations (1)	9,609	13,075	4,241	1,397	6,536	901	**13,075**
Finance Lease Obligations	104	111	88	20	3	-	**111**
Other Liabilities (2)	222	255	-	102	153	-	**255**
Operating Leases (3)	N/A	26,439	2,648	2,749	9,370	11,672	**26,439**
Total	**$ 19,487**	**$ 49,432**	**$ 16,529**	**$ 4,268**	**$ 16,062**	**$ 12,573**	**$ 49,432**

(1) Includes bridge loan, shareholder loans and debentures but excludes finance lease obligations
(2) Includes grant liability
(3) See "Off Balance Sheet Arrangements" section

Selected Cash Flow Items

(Thousands)	Year ended December 31 2016	2015
Operating Activities		
Funds from Operations	**$ 4,703**	$ 2,648
Changes in Non-Cash Working Capital Balances	**253**	4,660
Changes in Long-Term Prepaid Expense	**272**	(272)
Interest Paid	**(1,142)**	(1,044)
Income Taxes Refunded	**136**	68
Cash From Operating Activities	**4,222**	6,060
Financing Activities		
Repayment of Long-Term Debt Obligations	**(113)**	(5,529)
Proceeds from Long-Term Debt Obligations	**-**	3,500
Government grant received	**202**	51
Proceeds from sale of shares	**283**	-
Deferred Finance Costs	**-**	(205)
Cash From (Used in) Financing Activities	**372**	(2,183)
Investing Activities		
Additions to Intangible Assets	**(70)**	(13,397)
Participation Surveys in Progress	**(2,751)**	9,011
Additions to Property, Plant and Equipment	**(18)**	(52)
Payments Towards Sublease Loss Provision	**(326)**	(355)
Advances from Equity-Accounted Investees	**(46)**	(64)
Proceeds on Sale of Property and Equipment	**-**	6,144
Deferred Development Costs	**(499)**	(833)
Changes in Non-Cash Working Capital Balances	**1,374**	(7,858)
Cash Used in Investing Activities	**(2,336)**	(7,404)
Change in Cash	**$ 2,258**	$ (3,527)

Operating Activities

During 2016, funds from operations were $4.7 million ($0.07/share – basic and diluted), compared with to $2.6 million ($0.04/share (basic and diluted)) for 2015, an increase of $2.1 million (78%). This was mainly due to lower operating costs.

Financing Activities

During 2016, Divestco repaid $113,000 in finance leases, received $202,000 in government grant instalments and received $283,000 from the sale of shares received from a sunset clause related to a 2010 plan of arrangement. During the same period in 2015, the Company repaid $5.5 million in debt with the proceeds from an asset sale and secured a $3.2 million bridge loan.

Investing Activities

During 2016, Divestco commenced a seismic survey which was completed in Q1 2017. The Company reduced a portion of its other liabilities and incurred $0.4 million in deferred development costs. During 2015, the Company sold its land software assets for net proceeds of $6.1 million, incurred $13.4 million in additions to intangible assets related to the completion of three seismic surveys and incurred $0.7 million in deferred development costs. The $9 million change in surveys in progress in 2015 was related to the three new surveys that commenced in Q4 2014 and were completed in Q1 2015.

CAPITAL RESOURCES

Share capital

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 26, 2017**	**Dec 31, 2016**	**Dec 31, 2015**
Class A shares			
Outstanding	66,884	**66,884**	67,208
Weighted Average Outstanding			
Basic – YTD	N/A	**67,217**	67,117
Diluted – YTD (1)	N/A	**67,217**	67,117
Stock Options			
Outstanding	1,010	**1,010**	2,910
Exercise Price Range	$0.21 to $0.25	**$0.21 to $0.25**	$0.17 to $0.25
Warrants(2)			
Outstanding	2,675	**-**	-
Exercise Price	$0.05	**-**	-

(1) Basic net (loss) per share is computed using the weighted-average number of Class A Shares outstanding during 2016, being 67,217,000 (December 31, 2015 – 67,117,000). In computing diluted net loss per share, no shares were added to the weighted average number of Class A Shares outstanding for 2016 as the stock options were out of the money and there was a net loss for the period. In computing diluted net loss per share, no shares were added to the weighted average number of Class A Shares outstanding for 2015 as the stock options were out of the money and there was a net loss for the period.

(2) Warrants were issued in the conjunction with the closing of a new term loan facility on March 21, 2017.

Bridge Loan

As at December 31, 2016, the Company had a short-term secured bridge loan for $3.2 million which was repaid on March 21, 2017 with the proceeds of a new term loan. The loan bore interest at 17% per annum and was secured by a general security agreement over all present and after acquired personal property of the Company.

The bridge lender maintained a $0.8 million interest reserve sufficient to satisfy all interest costs for the term of loan and a default reserve of $0.1 million which was applied to the repayment. These amounts were recorded in prepaid expenses in the statement of financial position and the interest reserve was amortized over the term of loan.

Term Loan – Subsequent to December 31, 2016

On March 21, 2017, the Company entered into a secured loan with a new lender for $6.0 million with an initial draw of $5.0 million with an interest rate of 17% per year compounded monthly in arrears until maturity. The loan is interest only for the first year. Principal and interest repayments commence on April 1, 2018. Proceeds of the loan were used to repay a $3.2 million bridge loan with the balance being used for working capital purposes. The term loan ranks senior to the Company's other indebtedness and is secured by a general security agreement over all present and after acquired personal property of the Company. In addition, $3.1 million of cash is restricted by the lender until September 30, 2017 as it relates to certain accounts payables.

The Company also issued the lender 2,675,344 share purchase warrants exercisable for the same number of Class A shares at a price of $0.05 per share. The warrants are exercisable until the maturity of the Loan subject to a holding period which expires on July 18, 2017, notwithstanding early prepayment.

Shareholder Loans

As at December 31, 2016, the Company had $5.5 million in shareholder loans. $5.2 million of the shareholder loans bear interest at rate of 12% per annum, are secured by way of registered security pursuant to the *Personal Property Security Act (Alberta)* and subordinated to the Company's senior lender. Principal payments on the secured portion of the shareholder loans have been postponed until the senior loan is repaid. The remaining $0.3 million of the shareholder loans bearing interest at 12% which were unsecured and due on demand, were repaid in January 2017.

Debentures

The debentures bear interest of 8% per annum. Principal payments are calculated at 50% of net revenues generated by certain of the Company's seismic data (the "Seismic Data"), multiplied by $1.2 million (debenture proceeds raised) divided by $5 million. The balance of the revenue is retained by the Company. Net revenues equal 90% of the gross revenues generated by the Seismic Data. The Seismic Data is comprised of the seismic surveys acquired by the Corporation prior to July 1, 2012. As at December 31, 2016, there was $0.7 million in principal payments owing to the debenture holders based on revenues generated by the Seismic Data up to and including December 31, 2016.

Upon full repayment of the principal amount of the debentures and all accrued interest, the royalty interest becomes effective and will be paid as a royalty indefinitely. Royalty payments are to be calculated at 25% of the net revenues generated by the Seismic Data multiplied by $1.2 million divided by $5 million. The balance of the revenue is retained by the Company.

The principal amount of the debentures and accrued interest, but not the royalty interest, is secured against the Seismic Data by way of a registered security interest pursuant to the *Personal Property Security Act (Alberta)* but is subordinated to the Company's senior debt. This security interest ranks pari passu with the security interest for the shareholder loans. Principal payments have been postponed until the senior loans are repaid.

OFF-BALANCE SHEET ARRANGEMENTS

The Company's main office lease has a term of 15 years expiring in 2025. Excluding subleases, the commitment is approximately $161,000 per month for 2017 (including operating costs and property taxes). The annual square foot rate increases in 2018, 2020 and 2023. The Company also leases approximately 15,000 square feet of office space in another location with the lease expiring in 2025. The monthly commitment is approximately $71,000 per month for 2017 (including operating costs and property taxes). The annual square foot rate increases in 2018, 2020 and 2022. A portion of the current space is subleased on a month-to-month basis. Sublease payments totalling $11,700 per month are expected to be received for 2017.

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

	Balance at December 31	
	2016	**2015**
Less than one year	**$ 2,648**	$ 2,808
Between one and five years	**12,119**	11,438
More than five years	**11,672**	14,862
	$ 26,439	$ 29,108

CONTINGENCIES

Notwithstanding management's belief in the merit of the Company's tax filing positions, it is possible that the final outcome of any audits by taxation authorities may differ from estimates and assumptions used in determining the Company's consolidated tax provision and accruals, which could result in a material effect on the consolidated income tax provision and net income (loss) for the period in which determinations are made. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. In particular, the tax treatment of seismic data is largely based on Canada Revenue Agency's ("CRA") policy which is subject to change at any time. The Company is currently deducting certain seismic data costs over a period of 4 years. This approach is consistent with CRA's administrative policy; however, CRA may change the existing policy. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could result in material adjustments to the Company's income tax calculations, carry-forward balances or consolidated net income (loss) in the period a change is communicated.

RELATED PARTY TRANSACTIONS

Loans from directors and shareholders

As at December 31, 2016, the Company had $5.2 million in secured loans from two directors, $0.3 million in unsecured loans from a director and $0.7 million of the debentures was subscribed for by three directors who are also shareholders (see the "Capital Resources" section of the MD&A). Subsequent to December 31, 2016, the $0.3 million of unsecured shareholder loans were repaid.

Key management personnel and director transactions

Directors and officers of the Company control 36% percent of the voting shares of the Company. A director controls 13% and the CEO (also a director) controls 13%.

A number of key management personnel and Board members, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence were as follows:

		Transaction value for the year ended December 31		**Balance due from (to) the related party as at Dec 31**	**Balance due from (to) the related party as at Dec 31**
Entity	**Transaction**	**2016**	**2015**	**2016**	**2015**
Director	Consulting fees and commissions[(1)]	**$ 2**	$ -	**$ (182)**	$ (184)
Affiliate (Company owns 1/3)	Software and data license fees net of expense reimbursements [(2)]	**299**	186	**(208)**	(332)

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

(2) The Company pays the affiliate for access to well data and charges the affiliate for certain corporate support services.

ADOPTION OF NEW IFRS STANDARDS AND INTERPRETATIONS

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2016. These changes were made in accordance with the applicable transitional provisions:

IAS 16 Property Plant and Equipment and *IAS 38 Intangible Assets*, have been amended to (i) clarify that the use of a revenue-based depreciation and amortization method is not appropriate, and (ii) provide a rebuttable presumption that amortization of an intangible asset based on revenue generated by using the asset is inappropriate. The amendments to IAS 16 and IAS 38 were effective for annual periods beginning on or after January 1, 2016. The adoption of this standard had no material impact on the consolidated financial statements.

FUTURE ACCOUNTING POLICY CHANGES

The following are new standards, interpretations, amendments and improvements to existing standards that were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these consolidated financial statements:

IFRS 15 Revenue from Contracts with Customers was released on May 28, 2014, replacing *IAS 11 Construction Contracts*, *IAS 18 Revenue* and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchasers. Disclosure requirements have also been expanded.

The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The standard may be applied retrospectively or using a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 15 on the consolidated financial statements.

IFRS 9 Financial Instruments was issued by the IASB in July 2014, to replace *IAS 39 Financial Instruments: Recognition and Measurement*. IFRS 9 is effective for years beginning on or after January 1, 2018. The Company has yet to evaluate the impact of adopting this new standard.

IFRS 16 Leases was issued by the IASB on January 2016, to replaces *IAS 17 Leases.* For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying *IFRS 15 Revenue from Contracts with Customers.* The Company has yet to evaluate the impact of adopting this new standard.

USE OF ESTIMATES AND JUDGEMENTS

This MD&A of the Company's financial condition and results of operations is based on the financial statements which are prepared in accordance with IFRS. 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. Further details of the nature of these estimates and assumptions may be found in the relevant notes to the consolidated financial statements as at and for the year ended December 31, 2016.

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.

Consolidated Financial Statements

For the Year Ended
December 31, 2016

Contents

Management's Responsibility for the Financial Statements

To the Shareholders of Divestco Inc.

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

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

KPMG LLP were appointed by the Company's shareholders and have conducted an audit of the consolidated financial statements of the Company so as to express an opinion on the financial statements. KPMG LLP have audited the consolidated financial statements to provide reasonable assurance that the consolidated financial statements are presented fairly in accordance with IFRS as issued by the IASB.

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

"Stephen Popadynetz"

Stephen Popadynetz
Chief Executive Officer and President

"Danny Chiarastella"

Danny Chiarastella
Chief Financial Officer

Calgary, Canada
April 26, 2017

Independent Auditors' Report

To the Shareholders of Divestco Inc.
We have audited the accompanying consolidated financial statements of Divestco Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Divestco Inc. as at December 31, 2016 and December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter – Going Concern
Without modifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes that the Company will need to obtain additional sources of capital, complete asset dispositions or find other strategic alternatives to settle its liabilities, fund its operations and meet its commitments. There is no assurance that the Company will be successful in closing any of these transactions. These conditions, along with the other matters explained in Note 2 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about Divestco Inc.'s ability to continue as a going concern.

"KPMG LLP"

Chartered Professional Accountants
Calgary, Canada
April 26, 2017

Divestco Inc.
Consolidated Statements of Financial Position

		At December 31	
(Thousands)	**Note**	**2016**	**2015**
Assets			
Current Assets			
Cash		**$ 3,075**	$ 817
Accounts receivable		**5,662**	1,877
Prepaid expenses, supplies and deposits		**523**	793
Income taxes receivable		**42**	78
Total current assets		**9,302**	3,565
Long-term prepaid expense		**-**	272
Equity-accounted investees	7	**246**	245
Participation surveys in progress	9	**2,751**	-
Property and equipment	8	**1,797**	2,158
Intangible assets	9	**21,428**	25,222
Total assets		**$ 35,524**	$ 31,462
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities		**$ 9,552**	$ 4,190
Deferred revenue		**1,741**	1,265
Current portion of debt obligations	14	**3,550**	1,042
Current portion of other long-term liabilities	15	**72**	395
Total current liabilities		**14,915**	6,892
Long-term debt obligations	14	**6,163**	8,633
Other long-term liabilities	15	**1,369**	1,208
Total liabilities		**22,447**	16,733
Shareholders' Equity			
Share capital		**7,277**	7,275
Contributed surplus		**8,359**	8,076
Deficit		**(2,559)**	(622)
Total shareholders' equity		**13,077**	14,729
Going concern	2		
Subsequent events	14		
Contractual obligations	19		
Total liabilities and shareholders' equity		**$ 35,524**	$ 31,462

Approved by the Board:

"Edward Molnar"
Edward Molnar, Chairman

"Stephen Popadynetz"
Stephen Popadynetz, Director

The notes are an integral part of the consolidated financial statements

Divestco Inc.
Consolidated Statements of Loss and Comprehensive Loss

(Thousands, Except Per Share Amounts)	Note	2016	2015
Revenue	10	**$ 15,966**	$ 18,314
Operating expenses			
Salaries and benefits		**5,394**	9,209
General and administrative	11	**4,747**	6,530
Depreciation and amortization	8,9	**6,377**	11,403
Other (income) loss	13	**80**	(5,517)
Share-based payments		**-**	15
Total operating expenses		**16,598**	21,640
Finance costs	12	**1,305**	1,181
Impairment of intangible assets		**-**	1,222
Net loss and comprehensive loss for the year		**$ (1,937)**	$ (5,729)
Net loss per share			
Basic and Diluted	17	**$ (0.03)**	$ (0.09)

Divestco Inc.
Consolidated Statements of Changes in Equity

(Thousands)	Number of Shares Issued	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
Balance as at January 1, 2015	67,096	$ 7,270	$ 8,061	$ 5,107	$ 20,438
Net loss and comprehensive loss for the year				(5,729)	(5,729)
Transactions with owners, recorded in equity contributions by and distributions to owners:					
Issuance of Class A common shares as service awards	112	5			5
Share-based payments			15		15
Balance as at December 31, 2015	67,208	$ 7,275	$ 8,076	$ (622)	$ 14,729
Net loss and comprehensive loss for the year				**(1,937)**	**(1,937)**
Transactions with owners, recorded in equity contributions by and distributions to owners:					
Issuance of Class A common shares as service awards	**44**	**2**			**2**
Proceeds from the sale of shares received as per sunset clause in August 2010 plan of arrangement			**283**		**283**
Shares returned to treasury as per sunset clause in August 2010 plan of arrangement	**(368)**	**-**			**-**
Balance as at December 31, 2016	**66,884**	**$ 7,277**	**$ 8,359**	**$ (2,559)**	**$ 13,077**

The notes are an integral part of the consolidated financial statements

Divestco Inc.
Consolidated Statements of Cash Flows

		Year ended December 31	
(Thousands)	**Note**	**2016**	**2015**
Cash from (used in) operating activities			
Net loss for the year		**$ (1,937)**	$ (5,729)
Items not affecting cash:			
Equity investment loss	7	**45**	41
Depreciation and amortization	8,9	**6,377**	11,403
Impairment of intangible assets		**-**	1,222
Non cash revenue		**(1,024)**	-
Amortization of tenant inducements		**(72)**	(72)
Deferred rent obligations		**7**	27
Gain on disposal of intangible assets		**-**	(5,445)
Non-cash employment benefits		**2**	5
Share-based payments		**-**	15
Finance costs	12	**1,305**	1,181
Funds from operations		**4,703**	2,648
Changes in non-cash working capital balances	18	**253**	4,660
Changes in long-term prepaid expense		**272**	(272)
Interest and finance costs paid	12	**(1,142)**	(1,044)
Income taxes received		**136**	68
Net cash from operating activities		**4,222**	6,060
Cash from (used in) financing activities			
Proceeds from sale of shares		**283**	-
Repayment of debt obligations	14	**(113)**	(5,529)
Deferred financing costs		**-**	(205)
Proceeds received from debt obligations		**-**	3,500
Government grant received	15	**202**	51
Net cash from (used in) financing activities		**372**	(2,183)
Cash from (used in) investing activities			
Additions to intangible assets	9	**(70)**	(13,397)
(Increase)/decrease in participation surveys in progress		**(2,751)**	9,011
Purchase of property and equipment	8	**(18)**	(52)
Payments towards sublease loss provision		**(326)**	(355)
Advances to equity-accounted investees		**(46)**	(64)
Proceeds on sale of intangible assets		**-**	6,144
Deferred development costs		**(499)**	(833)
Changes in non-cash working capital balances	18	**1,374**	(7,858)
Net cash used in investing activities		**(2,336)**	(7,404)
Increase (Decrease) in cash		**2,258**	(3,527)
Cash, beginning of year		**817**	4,344
Cash, end of year		**$ 3,075**	$ 817

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 - 444 7 Ave 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, 2016 are comprised of the Company and its subsidiaries (together referred to as the "Company") and the Company's interest in entities where the Company holds a significant influence. The Company primarily offers its customers the ability to access and analyze information and make business decisions to optimize their success in the upstream oil and gas industry through the following operating segments: Software & Data, Services and Seismic Data. The Corporate and Other segment provides support services to the operating segments.

2. Going Concern

The consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at December 31, 2016, the Company had a working capital deficiency of $3.9 million (December 31, 2015: $2.1 million deficiency), excluding deferred revenue of $1.7 million (December 31, 2015: $1.3 million). In addition, the Company has contractual obligations (including $2.6 million of operating lease payments which are due within the next 12 months). Subsequent to the end of 2016, the Company obtained a $6 million term loan with a $5 million initial draw which was used to repay the $3.2 million bridge loan and for working capital purposes. The new loan matures on September 15, 2020 (Note 14).

The Company's ability to continue as a going concern is dependent upon Company's ability to obtain additional sources of capital, complete asset dispositions, or finding other strategic alternatives to settle its liabilities, fund its operations, and meet its commitments until it is in a position to generate sufficient net future cash flows and profitability. The Company believes that it will be able to meet its cash flow requirements over at least the next 12 months using actions and events described above; however, the outcome of these along with the Company's ability to discharge its liabilities, fund its operations and meet its commitments, cannot be predicted at this time. As a result of the uncertainty of completing the above transactions, there is material uncertainty that may cast significant doubt as to the ability of the Company to continue as a going concern. 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 and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and 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 IFRS as issued by the IASB. The Company's significant accounting policies under IFRS are presented in Note 4.

These consolidated financial statements were authorized for issuance by the Company's Audit Committee and Board of Directors on April 26, 2017.

(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 as follows:

- The carrying value of non-financial assets within the Geomatics and Processing CGUs is nil, however these CGUs are being monitored for triggers of impairment reversal
- Determination of cash generating units for purposes of impairment testing. Management determined that the Company's non-financial assets, excluding deferred income tax assets, have been allocated to the following CGUs: Geomatics, Processing, Seismic Data, Geological Software and Log Data and Geophysical Software. These CGUs constitute the smallest identifiable group of assets that generate cash inflows that are independent of cash flows from other assets or groups of assets
- Determination if the Company intends to and has sufficient resources to complete development and to use or sell assets for which development costs have been capitalized
- Determination of the stage of completion with respect to providing products and services over time where revenue is recognized in proportion to the stage of completion
- Determination of when significant risks and rewards of ownership have been transferred to the customer for the purpose of recognizing revenue
- Determination of whether the Company acts as an agent rather than the principal in seismic brokerage transactions
- Determination of whether non-monetary transactions have commercial substance

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

- Determination of the useful life and recoverable amount of property and equipment
- Determination of the useful life and recoverable amount of intangible assets
- Key assumptions used in discounted cash flow projections with respect to impairment testing and going concern assessment
- Key assumptions used in determining if the criteria are met for capitalizing development expenditures including: development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset
- Scientific research and development claims are subject to audit by the science advisors from the Canada Revenue Agency ("CRA"). As a result, the amounts recorded as investment tax credits recoverable are subject to specific measurement uncertainty. When the estimate is known to be materially different from the actual recovery, an adjustment is made in the period in which the determination is made
- Determination of allowances in respect of trade receivables for which collection is in doubt
- Determination of the discount rate used to value government grants
- Notwithstanding management's belief in the merit of the Company's tax filing positions, it is possible that the final outcome of any audits by taxation authorities may differ from estimates and assumptions used in determining the Company's consolidated tax provision and accruals, which could result in a material effect on the consolidated income tax provision and net income (loss) for the period in which determinations are made. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. In particular, the tax treatment of seismic data is largely based on CRA's policy which is subject to change at any time. The Company is currently deducting certain seismic data costs over a period of 4 years. This approach is consistent with CRA's administrative policy; however, CRA may change the existing policy. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could result in material adjustments to the Company's income tax calculations, carry-forward balances or consolidated net income (loss) in the period a change is communicated.

4. Significant Accounting Policies

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

(a) Basis of consolidation

(i) 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.

(ii) Joint arrangements

A joint arrangement is defined as one over which two or more parties have joint control, which is the contractually agreed sharing of control over an arrangement. This exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. There are two types of joint arrangements, joint operations ("JO") and joint ventures ("JV").

A JO is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. In relation to our interests in joint operations, we recognize our share of any assets, liabilities, revenues and expenses of the JO.
A JV is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Investment in JV is accounted for using the equity method.

(iii) Associates

An associate is an entity over which the investor has significant influence but not control and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence is presumed to exist where the Company has between 20% and 50% of the voting rights, but can also arise where the Company has less than 20% if we have the power to be actively involved and influential in policy decisions affecting the entity. Our share of the net assets and net income or loss is accounted for in the consolidated financial statements using the equity method of accounting.

On acquisition, an equity method investment is initially recognized at cost. The carrying amount of equity method investments includes goodwill identified on acquisition, net of any accumulated impairment losses. The carrying amount is adjusted by our share of post-acquisition net income or loss, depreciation, amortization or impairment of the fair value adjustments made at the date of acquisition, dividends, cash contributions and our share of post-acquisition movements in Other Comprehensive Income ("OCI")

Outlined below is information related to the Company's joint arrangements and entities other than 100% owned Divestco subsidiaries at December 31, 2016:

Entity	Place of business	Entity type	Economic interest	Method
SDLS Inc.	Canada	JO	50%	Equity method
CWD Inc.	Canada	JO	33%	Equity method

(iv) 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

(i) Non-derivative financial assets

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

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

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

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

(ii) 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.

(iii) 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 debt obligations and accounts payable 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.

(iv) 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

(i) 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 or 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.

(ii) 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.

(iii) 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 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) 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.

(i) 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.

(ii) 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 expenditures are 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 profit or loss as incurred.

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

(iii) Data Libraries

The cost associated with purchasing existing seismic data 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.

(iv) Subsequent expenditure

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

(v) 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

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

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

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

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

(vi) Non-monetary transactions

Non-monetary transactions for the acquisition or disposal of intangibles are measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured.

Revenue is measured at the fair value of the goods or services received unless the fair value cannot be measured reliably. In such cases, revenue is measured at the fair value of goods or services given up.

(f) Impairment

(i) Financial assets

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

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

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

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

The Company reviews its receivables regularly and amounts are written down to their expected realizable value when outstanding amounts are determined not to be fully collectable. This generally occurs when the customer has indicated an inability to pay, the Company is unable to communicate with the customer over an extended period of time, and other methods to obtain payment have been considered and have not been successful. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized as a bad debt expense in profit or 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 profit or loss.

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

(ii) 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 to the assets in the CGU on a pro rata basis.

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.

(g) Employee benefits

(i) 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.

(ii) 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.

(iii) 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 contributed surplus, 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.

(h) 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.

(i) 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.

(ii) 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.

(i) Revenue recognition and deferred revenue

The Company generates revenue from the following sources:

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

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

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

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

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

(i) Software sales, licenses 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.

(ii) 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.

(iii) 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.

(iv) Seismic Data library sales

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

(v) Seismic participation survey revenue

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

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

The Company occasionally enters into data and services exchange transactions with third parties. Where there is no or minimal cash consideration, the Company does not recognize revenue or an asset acquisition on these exchanges unless the transaction has commercial substance. In exchange transactions with commercial substance, 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.

(vi) Geomatics and seismic processing services

Revenue with respect to providing geomatics 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.

(vii) 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.

(j) Leases

(i) 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.

(ii) 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.

(k) Finance costs

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

(l) 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.

(m) 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.

(n) 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.

(o) Government assistance

Government assistance is periodically received in the form of grants, loans or investment tax credits (see "Research and Development") that may be repayable based on future sales levels related to the technology funded. Amounts that are repayable will be accounted for in the period in which conditions arise that will cause repayment. Government assistance with predetermined repayment requirements or conditional criteria is recorded as a liability when received or until the conditions are satisfied. If no predetermined repayment requirements exist, the assistance is treated as a reduction in the cost of the related item.

The Company records investment tax credits related to scientific research and development claims as a deduction in arriving at the carrying value of 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.

Interest free government loans are measured at amortized cost using the effective interest rate method. The interest rate used is based on the market rate for a comparable instrument with a similar term. The difference between the fair value at inception and the loan proceeds received is recorded as a government grant. The grant portion is presented separately as deferred income that is amortized over the useful life of the asset (gross presentation) and as presented as other income (loss) on the statements of consolidated loss and comprehensive loss.

5. Adoption of new IFRS Standards and Interpretations and Future Accounting Policy Changes

Adoption of new IFRS Standards and Interpretations

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2016. These changes were made in accordance with the applicable transitional provisions:

IAS 16 Property Plant and Equipment and *IAS 38 Intangible Assets*, have been amended to (i) clarify that the use of a revenue-based depreciation and amortization method is not appropriate, and (ii) provide a rebuttable presumption that amortization of an intangible asset based on revenue generated by using the asset is inappropriate. The amendments to IAS 16 and IAS 38 were effective for annual periods beginning on or after January 1, 2016. The adoption of this standard had no material impact on the consolidated financial statements.

Future Accounting Policy Changes

The following are new standards, interpretations, amendments and improvements to existing standards that were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these consolidated financial statements:

IFRS 15 Revenue from Contracts with Customers was released on May 28, 2014, replacing *IAS 11 Construction Contracts, IAS 18 Revenue* and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchasers. Disclosure requirements have also been expanded.

The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The standard may be applied retrospectively or using a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 15 on the consolidated financial statements.

IFRS 9 Financial Instruments was issued by the IASB in July 2014, to replace *IAS 39 Financial Instruments: Recognition and Measurement*. IFRS 9 is effective for years beginning on or after January 1, 2018. The Company has yet to evaluate the impact of adopting this new standard.

IFRS 16 Leases was issued by the IASB on January 2016, to replaces *IAS 17 Leases.* For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying *IFRS 15 Revenue from Contracts with Customers.* The Company has yet to evaluate the impact of adopting this new standard.

6. Operating Segments

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

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

- Software and Data: includes selling, maintaining, and supporting licensed (perpetual and periodic) software exploration products as well as providing a full suite of support data layers.
- Services: includes providing geomatics and processing.
- Seismic Data: includes providing seismic brokerage and data management 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 the 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 the bridge loan, shareholder loans, and debentures. Corporate expense includes salaries and benefits and general and administrative expenses for the Company's support divisions in addition to finance costs, amortization and depreciation.

December 31, 2016 and 2015 (Tabular amounts in thousands, unless otherwise stated)

As at and for the year ended December 31, 2016	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue from external customers	**$ 4,112**	**$ 2,559**	**$ 9,295**	**$ -**	**$ 15,966**
Inter-segment revenue	**-**	**109**	**(109)**	**-**	**-**
Reportable segment income (loss) before tax	**371**	**(1,496)**	**2,405**	**(3,217)**	**(1,937)**
Finance costs	**200**	**42**	**1,063**	**-**	**1,305**
Depreciation and amortization	**1,328**	**111**	**4,693**	**245**	**6,377**
Reportable segment assets	**4,692**	**1,082**	**28,286**	**1,464**	**35,524**
Goodwill	**-**	**-**	**-**	**-**	**-**
Reportable segment liabilities	**3,453**	**1,271**	**11,408**	**6,315**	**22,447**
Equity-accounted investees	**-**	**-**	**-**	**246**	**246**
Capital expenditures	**2**	**26**	**2,799**	**12**	**2,839**
Deferred development costs	**499**	**-**	**-**	**-**	**499**

As at and for the year ended December 31, 2015	Software & Data	Services	Seismic Data	Corporate & Other	Total
Revenue from external customers	$ 5,405	$ 6,753	$ 6,156	$ -	$ 18,314
Inter-segment revenue	8	45	(53)	-	-
Reportable segment income (loss) before tax	4,619	(2,408)	(5,026)	(2,914)	(5,729)
Finance costs (income)	224	90	867	-	1,181
Depreciation and amortization	2,069	586	8,479	269	11,403
Impairment of goodwill and intangibles	700	522	-	-	1,222
Other material non-cash items:					
Gain (loss) on sale of property and equipment	5,445	-	-	-	5,445
Reportable segment assets	5,626	2,282	21,956	1,598	31,462
Reportable segment liabilities	4,305	3,564	6,580	2,284	16,733
Equity-accounted investees	-	-	-	245	245
Capital expenditures	12	12	4,384	30	4,438
Deferred development costs	833	-	-	-	833

Major Customers

Two customers represented $4.6 million (29%) of the Company's total revenue for the year ended December 31, 2016. Two customers represented $5.4 million (30%) of the Company's total revenue for the year ended December 31, 2015.

December 31, 2016 and 2015 (Tabular amounts in thousands, unless otherwise stated)

7. Equity Accounted Investees

The Company owns 33% of the shares of CWD, a private company. The Company's pro-rata share of the net loss of CWD for the year ended December 31, 2016 was $45,000 (2015: net loss of $59,000) and has been recorded in other loss (income) in the consolidated statements of loss and comprehensive loss.

The Company also owns 50% of the shares of SDLS Inc. ("SDLS"), a private company. The Company's pro-rata share of the net income of SDLS for the year ended December 31, 2016 was Nil (2015: $18,000) and has been recorded in other loss (income) in the consolidated statements of loss and comprehensive loss.

	SDLS		**CWD**		**Total**	
	Balance at December 31					
	2016	2015	**2016**	2015	**2016**	2015
Total assets	**$ 86**	$ 86	**$ 1,779**	$ 2,060	**$ 1,864**	$ 2,146
Total liabilities	**$ 309**	$ 309	**$ 98**	$ 243	**$ 407**	$ 552
Total shareholders' equity	**(223)**	(223)	**1,681**	1,817	**1,457**	1,594
Total liabilities and shareholders' equity	**$ 86**	$ 86	**$ 1,779**	$ 2,060	**$ 1,864**	$ 2,146
Company's ownership %	**50%**	50%	**33%**	33%		
Company's portion of net assets	**$ (112)**	$ (112)	**$ 555**	$ 600	**$ 443**	$ 488
Advances to (from) affiliate	**271**	271	**(468)**	(514)	**(197)**	(243)
Company's investment as stated	**$ 159**	$ 159	**$ 87**	$ 86	**$ 246**	$ 245

	SDLS		**CWD**		**Total**	
	Year ended December 31					
	2016	2015	**2016**	2015	**2016**	2015
Revenue	**$ 106**	$ 150	**$ 970**	$ 995	**$ 1,076**	$ 1,145
Net income (loss) and comprehensive income (loss)	**$ 1**	$ 36	**$ (135)**	$ (179)	**$ (134)**	$ (143)
Company's investment	**50%**	50%	**33%**	33%		
Company's equity pickup	**$ -**	$ 18	**$ (45)**	$ (59)	**$ (45)**	$ (41)

December 31, 2016 and 2015 (Tabular amounts in thousands, unless otherwise stated)

8. Property and Equipment

	Computer Hardware and Software	Office Furniture and Equipment	Leasehold Improvements	Assets under Finance Leases	Land	Total
Cost:						
At January 1, 2015	$ 8,084	$ 1,359	$ 5,291	$ 4,636	$ 30	$ 19,400
Additions	52	-	-	33	-	85
At December 31, 2015	8,136	1,359	5,291	4,669	30	19,485
Additions	5	-	13	15	-	33
At December 31, 2016	**$ 8,141**	**$ 1,359**	**$ 5,304**	**$ 4,684**	**$ 30**	**$ 19,518**
Accumulated depreciation:						
At January 1, 2015	$ 7,978	$ 1,323	$ 3,309	$ 4,239	$ -	$ 16,849
Depreciation	85	14	173	206	-	478
At December 31, 2015	8,063	1,337	3,482	4,445	-	17,327
Depreciation	50	13	175	156	-	394
At December 31, 2016	**$ 8,113**	**$ 1,350**	**$ 3,657**	**$ 4,601**	**$ -**	**$ 17,721**
Carrying amounts:						
At December 31, 2015	73	22	1,809	224	30	2,158
At December 31, 2016	**28**	**9**	**1,647**	**83**	**30**	**1,797**

The Company's senior 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 14). The Company's shareholder loans are secured by way of a registered security interest pursuant to the *Personal Property Security Act (Alberta)* but are subordinated to the Company's senior debt (Note 14).

December 31, 2016 and 2015 (Tabular amounts in thousands, unless otherwise stated)

9. Intangible Assets

	Data Libraries: Seismic Data Library	Data Libraries: Datasets	Data Libraries: Log, Support and Drilling Data Library	Data Libraries: Reference Library	Data Libraries: Sub-Total	Proprietary Software and Code	Deferred Development Costs[1]	Total
Cost								
At January 1, 2015	$ 34,735	$ 439	$ 5,273	$ 445	$ 40,892	$ 9,135	$ 19,037	$ 69,064
Additions	13,392	-	-	-	13,392	5	733	14,130
Disposals	-	-	-	-	-	(1,243)	(3,433)	(4,676)
At December 31, 2015	48,127	439	5,273	445	54,284	7,897	16,337	78,518
Additions[2][3]	1,766	-	-	-	1,766	24	399	2,189
At December 31, 2016	**$ 49,893**	**$ 439**	**$ 5,273**	**$ 445**	**$ 56,050**	**$ 7,921**	**$ 16,736**	**$ 80,707**
Accumulated depreciation								
At January 1, 2015	$ 18,410	$ 439	$ 2,983	$ 445	$ 22,277	$ 7,747	$ 14,403	$ 44,427
Amortization	8,471	-	264	-	8,735	478	1,712	10,925
Disposals	-	-	-	-	-	(850)	(2,428)	(3,278)
Impairment[4]	-	-	-	-	-	522	700	1,222
At December 31, 2015	26,881	439	3,247	445	31,012	7,897	14,387	53,296
Amortization	4,687	-	264	-	4,951	1	1,031	5,983
At December 31, 2016	**$ 31,568**	**$ 439**	**$ 3,511**	**$ 445**	**$ 35,963**	**$ 7,898**	**$ 15,418**	**$ 59,279**
Carrying amount								
At December 31, 2015	$ 21,246	$ -	$ 2,026	$ -	$ 23,272	$ -	$ 1,950	$ 25,222
At December 31, 2016	**18,325**	**-**	**1,762**	**-**	**20,087**	**23**	**1,318**	**21,428**

(1) During the year ended December 31, 2016, the Company expensed $0.5 million (2015: $1.0 million) in research costs.

(2) During the year ended December 31, 2016, the Company acquired $1.7 million in seismic data from a third party in exchange for a $1.6 million seismic data license and $0.1 million in credits for future services.

(3) During the year ended December 31, 2016, the Company incurred $2.7 million in Participation Surveys in Progress, which will be capitalized upon completion.

[4] Impairment Assessment

At December 31, 2016 and December 31, 2015, the Company assessed its CGUs for indicators of impairment, as required under IFRS, and concluded there were such indicators. The principal indicator was the ongoing weakness of commodity prices along with uncertainty over the timing of any improvement. That indicator triggered an impairment test. For the purpose of impairment testing, the Company calculated the recoverable amount of its CGUs using the greater of fair value less cost to sell and value in use. The Company used the following assumptions to calculate the recoverable amount of each CGU:

- The estimated future cash flows for the next five years including growth rates ranging from 2.5% to 6% (2015: 2.5% to 25%);
- Terminal value growth rate of 2% (2015: 2%);
- A pre-tax discount rate of 17% (2015: 17%) to calculate the net present value of future cash flows, which is the weighted average cost of capital calculated at December 31, 2016; and
- A combined federal-provincial income tax rate of 27% (2015: 27%).

Revenue and cash flow assumptions were based on a combination of past results and expected future growth.

Based on these assumptions and the Company's calculations for the year ended December 31, 2016, an impairment charge was not recognized. An impairment loss of $1.2 million was recognized for the year ended December 31, 2015. The 2015 impairment specifically related to three CGUs; Geomatics ($0.1 million – proprietary software and code), Processing ($0.4 million – proprietary software and code) and Geophysical Software $0.7 million – deferred development costs). At December 31, 2015, the reduced exploration activity levels due to low commodity prices and diminished capital budgets increased the estimation uncertainty associated with future cash flows used in the impairment tests. Assumptions that are valid at the time of preparing the cash flow models may change significantly when new information becomes available.

There is no remaining net book value for the Geomatics and Processing CGU's at December 31, 2015. The total remaining net book value of Geophysical Software was $1.2 million at December 31, 2015. There were no triggers for impairment reversal for the year ended December 31, 2016.

General Security Agreement
The Company's senior 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 14). The Company's shareholder loans are secured by way of a registered security interest pursuant to the *Personal Property Security Act (Alberta)* but are subordinated to the Company's senior debt (Note 14).

Amortization
Amortization of $6 million for 2016 (2015: $11 million) has been included in depreciation and amortization in the consolidated statements of loss and comprehensive loss.

Disposal
The disposal of proprietary software and deferred development relates to the sale of the Company's land software assets in 2015.

December 31, 2016 and 2015 (Tabular amounts in thousands, unless otherwise stated)

10. Revenue

	Year ended December 31	
	2016	**2015**
Sales of goods	**$ 13,171**	$ 10,279
Rendering of services	**2,559**	6,753
Commissions	**236**	1,282
	$ 15,966	$ 18,314

As at December 31, 2016, the Company had deferred revenue of $1.7 million (2015: $1.3 million) which represents the fair value of that portion of consideration received or receivable in respect of sales of software licenses, seismic participation surveys and seismic processing services for which revenue has not yet been earned.

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

11. General and Administrative Expenses by Nature

	Year ended December 31	
	2016	**2015**
Occupancy costs	**$ 2,641**	$ 2,716
Communications	**117**	184
Advertising and promotion	**250**	330
Operating leases and office supplies	**663**	1,065
Recruitment and training	**72**	90
Consultant and professional fees	**896**	1,723
Charges and fees	**45**	33
Bad debt	**63**	389
	$ 4,747	$ 6,530

12. Finance Costs

	Year ended December 31	
	2016	**2015**
Interest expense on debt	**$ 1,142**	$ 1,044
Amortization of deferred finance charges	**136**	125
Accretion of sublease loss	**3**	11
Accretion of grant liability	**24**	1
	$ 1,305	$ 1,181

December 31, 2016 and 2015 (Tabular amounts in thousands, unless otherwise stated)

13. Other Income (Loss)

		Year ended December 31	
	Note	2016	2015
Foreign exchange gain (loss)		**$ (35)**	$ 113
Gain on disposal of intangible assets[1]		**-**	5,445
Equity investment income (loss)	7	**(45)**	(41)
		$ (80)	$ 5,517

[1] Relates to sale of land software assets for net proceeds of $6.1 million

14. Current and 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 risk, see Notes 2 and 22.

	Balance at December 31	
	2016	2015
Current liabilities		
Bridge Loan	**$ 3,200**	$ -
Debentures	**-**	605
Shareholder loans	**300**	300
Finance lease liabilities	**84**	137
Deferred finance charges	**(34)**	-
	$ 3,550	$ 1,042
Non-current liabilities		
Bridge Loan	**$ -**	$ 3,200
Debentures	**968**	363
Shareholder loans	**5,175**	5,175
Finance lease liabilities	**20**	66
Deferred finance charges	**-**	(171)
	$ 6,163	$ 8,633
Total	**$ 9,713**	$ 9,675

			Balance At December 31			
			2016		2015	
	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Bridge loan	17% to 18%	2017	**$ 3,200**	**$ 3,166**	$ 3,200	$ 3,029
Debenture	8%	N/A	**968**	**968**	968	968
Shareholder loans	10% to 12%	2017-2023	**5,475**	**5,475**	5,475	5,475
Finance lease obligations	1.7% to 12.9%	2017-2019	**111**	**104**	218	203
Total interest-bearing liabilities			**$ 9,754**	**$ 9,713**	$ 9,861	$ 9,675

Bridge Loan

As at December 31, 2016, the Company had a short-term secured bridge loan for $3.2 million which was repaid on March 21, 2017 with the proceeds of a new term loan (see "term loan" below). The loan bore interest at 17% per annum and was secured by a general security agreement over all present and after acquired personal property of the Company.

The bridge lender maintained a $0.8 million interest reserve sufficient to satisfy all interest costs for the term of loan and a default reserve of $0.1 million which was applied to the repayment. These amounts were recorded in prepaid expenses in the statement of financial position and the interest reserve was amortized over the term of loan.

Term Loan

On March 21, 2017, the Company entered into a secured loan with a new lender for $6.0 million with an initial draw of $5.0 million with an interest rate of 17% per year compounded monthly in arrears until maturity. The loan is interest only for the first year. Principal and interest repayments commence on April 1, 2018. Proceeds of the loan were used to repay a $3.2 million bridge loan with the balance being used for working capital purposes. The term loan ranks senior to the Company's other indebtedness and is secured by a general security agreement over all present and after acquired personal property of the Company. In addition, $3.1 million of cash is restricted by the lender until September 30, 2017 as it relates to certain accounts payables.

The Company also issued the lender 2,675,344 share purchase warrants exercisable for the same number of Class A shares at a price of $0.05 per share. The warrants are exercisable until the maturity of the Loan subject to a holding period which expires on July 18, 2017, notwithstanding early prepayment.

Shareholder Loans

As at December 31, 2016, the Company had $5.5 million in shareholder loans. $5.2 million of the shareholder loans bear interest at rate of 12% per annum, are secured by way of registered security pursuant to the *Personal Property Security Act (Alberta)* and subordinated to the Company's senior lender. Principal payments on the secured portion of the shareholder loans have been postponed until the senior loans are repaid. The remaining $0.3 million of the shareholder loans bearing interest at 12% which were unsecured and due on demand, were repaid in January 2017.

December 31, 2016 and 2015 (Tabular amounts in thousands, unless otherwise stated)

Debentures

The debentures bear interest of 8% per annum. Principal payments are calculated at 50% of net revenues generated by certain of the Company's seismic data (the "Seismic Data"), multiplied by $1.2 million (debenture proceeds raised) divided by $5 million. The balance of the revenue is retained by the Company. Net revenues equal 90% of the gross revenues generated by the Seismic Data. The Seismic Data is comprised of the seismic surveys acquired by the Corporation prior to July 1, 2012. As at December 31, 2016, there was $0.7 million in principal payments owing to the debenture holders based on revenues generated by the Seismic Data up to and including December 31, 2016.

Upon full repayment of the principal amount of the debentures and all accrued interest, the royalty interest becomes effective and will be paid as a royalty indefinitely. Royalty payments are to be calculated at 25% of the net revenues generated by the Seismic Data multiplied by $1.2 million divided by $5 million. The balance of the revenue is retained by the Company.

The principal amount of the debentures and accrued interest, but not the royalty interest, is secured against the Seismic Data by way of a registered security interest pursuant to the *Personal Property Security Act (Alberta)* but is subordinated to the Company's senior debt. This security interest ranks pari passu with the security interest for the shareholder loans. Principal payments have been postponed until the senior loans are repaid.

Finance lease obligations

Equipment under finance lease is computer hardware and office equipment. Finance lease obligations are payable as follows:

	Balance at December 31					
	2016			2015		
	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	**$ 88**	**$ 4**	**$ 84**	$ 143	$ 6	$ 137
Between one and five years	**23**	**3**	**20**	75	9	66
Total	**$ 111**	**$ 7**	**$ 104**	$ 218	$ 15	$ 203

Deferred finance charges

	Balance at December 31	
	2016	2015
Opening	171	91
Additions	-	205
Amortization[1]	(137)	(125)
Closing	**$ 34**	**$ 171**

[1] Included in finance costs in the consolidated statements of loss and comprehensive loss

December 31, 2016 and 2015 (Tabular amounts in thousands, unless otherwise stated)

15. Other liabilities

	Balance at December 31	
	2016	**2015**
Current portion		
Sublease loss provision	**$ -**	$ 323
Tenant inducements	**72**	72
Total current	**$ 72**	$ 395
Long-term portion		
Sublease loss provision	**$ -**	$ -
Tenant inducements	**534**	606
Deferred rent obligations	**557**	550
Grant liability	**222**	37
Deferred grant income	**56**	15
Total long-term	**$ 1,369**	$ 1,208
Total	**$ 1,441**	$ 1,603

Sublease loss provision

Balance, January 1, 2016	**$ 323**
Payments towards rent shortfall	**(326)**
Accretion	**3**
Balance, December 31, 2016	**$ -**

Grant liability and deferred grant income

On November 4, 2015, the Company signed a funding and compensation agreement with a branch of the Alberta Government to develop a geomatics solution. Under this agreement, the Company receives interest-free funding to a maximum of $0.4 million. The interest-free loan is repayable in quarterly instalments that begin at the end of the calendar quarter in which the first sale of the product or change of control occurs. Quarterly instalments are the lesser of (i) 20% of the funding amount and (ii) 25% of the gross revenue accrued by the Company over the payment period. All shortfalls are carried over until the loan is repaid in full. During the year ended December 31, 2016, the Company received $202,000 (2015 - $52,000).

The interest-free loan is measured at amortized cost, using the effective interest rate method at a rate of 18%. An interest rate of 18% was used based on the market interest rate for a comparable instrument with a similar term. The difference between the fair value at inception and the loan proceeds received is recorded as deferred grant income and will be amortized to income over the life of the asset.

Tenant Inducements

Tenant inducements are amortized over the term of lease as a reduction to occupancy costs (included in operating expenses in the consolidated statement of loss and comprehensive loss). In 2016, $72,000 (2015: $72,000) of the tenant inducements was amortized. Unamortized tenant inducements were $0.6 million as at December 31, 2016 (2015: $0.7 million).

December 31, 2016 and 2015 (Tabular amounts in thousands, unless otherwise stated)

Sublease Loss Provision

The Company paid $30,000 per month until November 2016 related to office space it surrendered to its landlord in 2011. Accretion on the sublease loss provision is included in finance costs in the consolidated statements of income and comprehensive income.

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.

16. 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 loss and comprehensive loss:

	Year ended December 31	
	2016	**2015**
Income before income taxes	**$ (1,937)**	$ (5,729)
Statutory rate	**27.00%**	27.00%
Computed income tax recovery	**$ (523)**	$ (1,547)
Effects of differences:		
Non-deductible expenses	**8**	18
Sale of intangible assets	**-**	(822)
Changes in unrecognized temporary differences	**515**	2,351
Actual income taxes	**$ -**	$ -
Current (recovery)	-	
Actual income taxes	**$ -**	**$ -**

December 31, 2016 and 2015 (Tabular amounts in thousands, unless otherwise stated)

Unrecognized deferred tax assets

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

	Balance at December 31	
	2016	**2015**
Non-capital losses	**$ 8,028**	$ 7,477
Share issue and debt financing costs	**60**	60
	$ 8,088	$ 7,537

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, 2016, the Company and its Canadian subsidiaries had approximately $43 million in Federal and approximately $29 million in Alberta non-capital loss carry-forwards, a portion of which was assumed through various acquisitions in 2007, which begin to expire in 2027.

Recognized deferred tax assets and liabilities

	Balance at December 31	
	2016	**2015**
Deferred tax liabilities		
Property and equipment and intangibles	**$ (1,901)**	$ (1,564)
Deferred tax assets		
Sublease loss liability	**$ -**	$ 87
Non-capital loss carry forwards	**1,901**	1,477
	$ 1,901	$ 1,564
Net deferred tax assets (liabilities)	**$ -**	$ -

Movement in temporary differences during the year

	Balance at Jan 1, 2015	Recognized in net income (loss)	Balance at Dec 31, 2015	Recognized in net income (loss)	Balance at Dec 31, 2016
Property and equipment and intangibles	$ (2,029)	$ 465	$ (1,564)	$ (337)	**$ (1,901)**
Sublease loss liability	167	(80)	87	(87)	**-**
Non-capital loss carry forwards	1,862	(385)	1,477	424	**1,901**
	$ -	$ -	$ -	$ -	**$ -**

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, 2016, the Company had $2.3 million of federal investment tax credits, including $2.1 million carried forward from 2015, available to reduce federal income taxes payable in the future which begin to expire in 2028. It is uncertain that the future taxable profit will be available against which the Company can utilize the benefits.

December 31, 2016 and 2015 (Tabular amounts in thousands, unless otherwise stated)

17. Equity Instruments and Net Loss per Share

Authorized share capital

Unlimited number of voting Class A shares with no par value.

Issuance of share capital and shares returned to treasury

During the year ended December 31, 2016, 44,000 Class A shares were issued as long term service awards. The fair value of the shares was measured using the closing price on the day before the long-term service awards were issued. There were no cash proceeds. In addition, 368,000 Class A shares were returned to treasury due to a sunset clause on a 2010 plan of arrangement.

During the year ended December 31, 2015, 112,000 Class A shares were issued as long term service awards. The fair value of the shares was measured using the closing price on the day before the long service awards were issued. There were no cash proceeds.

Net loss per share

Basic net loss per share is computed using the weighted-average number of Class A Shares outstanding during the year ended December 31, 2016, being 67,217,000. In computing diluted net loss per share, no shares were added to the weighted average number of Class A Shares outstanding for the year ended December 31, 2016 as the stock options were out of the money and there was a net loss for the year.

Basic net loss per share is computed using the weighted-average number of Class A Shares outstanding during the year ended December 31, 2015 of 67,117,000. In computing diluted net loss per share, no shares were added to the weighted average number of Class A Shares outstanding for the year ended December 31, 2015 as the stock options were out of the money and there was a net loss for the year.

18. Supplement to Statements of Cash Flows

	Year ended December 31	
	2016	**2015**
Changes in non-cash working capital balances		
Accounts receivable	**(3,785)**	7,520
Prepaid expenses, supplies and deposits	**270**	(132)
Accounts payable and accrued liabilities	**5,362**	(9,379)
Deferred revenue	**(220)**	(1,207)
	$ 1,627	$ (3,198)
Changes in non-cash working capital balances related to operating activities	**$ 253**	$ 4,660
Changes in non-cash working capital balances related to investing activities	**1,374**	(7,858)
	$ 1,627	$ (3,198)

December 31, 2016 and 2015 (Tabular amounts in thousands, unless otherwise stated)

19. Operating Leases

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

	Balance at December 31	
	2016	**2015**
Less than one year	**$ 2,648**	$ 2,808
Between one and five years	**12,119**	11,438
More than five years	**11,672**	14,862
	$ 26,439	$ 29,108

Movement in the operating commitments for the year ended December 31, 2016:

Balance, January 1, 2016	**$ 29,108**
Payments (net of subleases)	**(2,869)**
Cancelled sublease	**200**
Balance December 31, 2016	**$ 26,439**

The Company's main office lease has a term of 15 years expiring in 2025. Excluding subleases, the commitment is approximately $161,000 per month for 2017 (including operating costs and property taxes). The annual square foot rate increases in 2018, 2020 and 2023. The Company also leases approximately 15,000 square feet of office space in another location with the lease expiring in 2025. The monthly commitment is approximately $71,000 per month for 2017 (including operating costs and property taxes). The annual square foot rate increases in 2018, 2020 and 2022. A portion of the current space is subleased on a month-to-month basis. Sublease payments of $11,700 per month are expected to be received for 2017.

December 31, 2016 and 2015 (Tabular amounts in thousands, unless otherwise stated)

20. Related Parties

Transactions with key management personnel

Loans from directors and shareholders

As at December 31, 2016, the Company had $5.2 million in secured loans from two directors, $0.3 million in unsecured loans from a director and $0.7 million of the debentures was subscribed for by three directors who are also shareholders (see Note 14). Subsequent to December 31, 2016, the $0.3 million of unsecured shareholder loans were repaid

The above was transacted on terms equivalent to those that prevail in arm's length transactions.

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-based compensation plans.

All four of the Company's executive officers have employment contracts. Upon resignation at the Company's request, they are entitled to termination benefits of up to 24 months' gross salary.

	Year ended December 31	
	2016	**2015**
Salaries, benefits and annual non-equity incentives	**$ 816**	$ 905
	$ 816	$ 905

Key management personnel and director transactions

Directors and officers of the Company control approximately 36% percent of the voting shares of the Company. A director controls 13% and the CEO, also a director, controls 13%.

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

Certain 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 arm's length parties.

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, 2016 and 2015 (Tabular amounts in thousands, unless otherwise stated)

		Transaction value for the year ended December 31		Balance due from (to) the related party as at Dec 31	Balance due from (to) the related party as at Dec 31
Entity	**Transaction**	**2016**	**2015**	**2016**	**2015**
Director	Consulting fees and commissions[1]	**$ 2**	$ -	**$ (182)**	$ (184)
Affiliate (Company owns 1/3)	Software and data license fees net of expense reimbursements [2]	**299**	186	**(208)**	(332)

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

(2) The Company pays the affiliate for access to well data and charges the affiliate for certain corporate support services.

21. Financial Risk Management and Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized on the statement of financial position when the Company becomes a party to the instrument's contractual obligations. The Company's financial assets include cash and cash equivalents, accounts receivable and its financial liabilities primarily comprise accounts payables and debt.

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

- Credit risk
- Liquidity 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.

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. The Company is exposed to credit risk in connection with the collection of its revenues and on the cash received. The Company controls its credit risk by assessing each customer's creditworthiness prior to transacting, subsequently monitoring and making efforts to collect its outstanding accounts receivable and investing cash balances in chartered Canadian banks.

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).

December 31, 2016 and 2015 (Tabular amounts in thousands, unless otherwise stated)

The Company has a wide customer base in the energy sector ranging from large multinational public entities to small private companies. As at December 31, 2016, 62% (December 31, 2015: 17%) of the Company's consolidated accounts receivables were due from two customers (December 31, 2015: one customer). These receivables have been collected subsequently. Currently there are no significant economic dependencies on any other particular customers. The carrying amount of account receivables and cash represents the maximum credit exposure.

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

(b) 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.

The Company considers its accounts receivable excluding doubtful accounts to be aged as follows:

	Balance at December 31			
	2016		**2015**	
	Gross	**Impaired**	**Gross**	**Impaired**
Not past due (less than 30 days old)	**$ 4,467**	**$ -**	$ 1,112	$ -
30 to 60 days old	**145**	**-**	244	-
60 to 90 days old	**37**	**-**	289	-
90 to 120 days old	**27**	**-**	240	20
More than 120 days old	**144**	**33**	67	54
Trade receivables	**4,820**	**33**	1,951	74
Non-trade receivables and accrued revenue	**875**	**-**	-	-
Accounts receivable before impairment	**5,695**	**33**	1,951	74
Accounts receivable net of impairment	**$ 5,662**		$ 1,877	

Apart from the allowance the Company recognizes for accounts that are more than 120 days old, the Company believes that the unimpaired amounts that are more than 120 days old 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:

	Balance at December 31	
	2016	**2015**
Balance, beginning of year	**$ 74**	$ 39
Impairment loss recognized and amounts written off	**63**	373
Amounts collected	**(104)**	(338)
Balance, end of year	**$ 33**	$ 74

December 31, 2016 and 2015 (Tabular amounts in thousands, unless otherwise stated)

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 funds to meet its liabilities when due, under both normal and stressed conditions.

The Company had a net loss of $1.9 million for 2016, and as at December 31, 2016 had a working capital deficiency of $3.9 million, excluding deferred revenue of $1.7 million. In addition, Divestco has future operating lease commitments of $2.6 million over the next 12 months. In March 2017, the Company secured a new term loan of $6 million and used the proceeds to repay a $3.2 million bridge loan and as a working capital injection. The loan matures on September 15, 2020. Under the terms of the new loan, the Company has $3.1 million in cash which is restricted by the lender until September 30, 2017 (see Note 14).

While management believes that the Company's funds from operations will provide the capital to continue to operate in the short-term, it is dependent upon future financial performance that is subject to financial, business, and other risk factors, including elements beyond the Company's control. As a response to the sharp decline in oil prices and persistently low natural gas prices since Q3 2014, the Company sold a portion of its assets, implemented several salary austerity measures and reduced discretionary spending commencing in Q1 2015. In addition, management is currently in discussions with several interested parties with the intention of focusing on the international market, raising capital, selling additional non-strategic assets and other strategic alternatives. All discussions are preliminary and there is no assurance that any transaction will proceed.

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, 2016	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	$ 9,552	$ 9,552	$ 9,552	$ -	$ -	$ -	$ -	$ 9,552
Debt obligations (excluding finance lease obligations) (1)	9,609	13,075	3,891	350	1,397	6,536	901	13,075
Finance lease obligations	104	111	44	44	20	3	-	111
Other Liabilities (2)	222	255	-	-	102	153	-	255
Operating Leases	N/A	26,439	1,324	1,324	2,749	9,370	11,672	26,439
Total	$ 19,487	$ 49,432	$ 14,811	$ 1,718	$ 4,268	$ 16,062	$ 12,573	$ 49,432

As at December 31, 2015	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	4,190	4,190	4,190	-	-	-	-	4,190
Debt obligations (excluding finance lease obligations) (1)	9,472	11,910	649	955	6,538	3,405	363	11,910
Finance lease obligations	203	218	72	72	74	-	-	218
Other Liabilities (2)	360	377	178	148	20	31	-	377
Operating Leases	N/A	29,108	1,404	1,404	2,602	8,836	14,862	29,108
Total	$ 14,225	$ 45,803	$ 6,493	$ 2,579	$ 9,234	$ 12,272	$ 15,225	$ 45,803

(1) Includes bridge loan (net of deferred financing charges), shareholder loans and debentures. Excludes finance lease obligations.
(2) Includes sublease loss and grant liability.

Further discussion regarding liquidity risk can be found in Note 2.

December 31, 2016 and 2015 (Tabular amounts in thousands, unless otherwise stated)

Fair Value

The fair values of cash and cash equivalents, accounts receivable, accounts payable, and bridge loan approximate their carrying amount largely due to the short-term maturities of these instruments.

22. 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 and contributed surplus.

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

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

	Balance at December 31	
	2016	**2015**
Components of funded debt to equity ratio:		
Current portion of long-term debt obligations	**$ 3,550**	$ 1,042
Long-term debt obligations	**6,163**	8,633
Total funded debt	**9,713**	9,675
Shareholders' equity	**$ 13,077**	$ 14,729
Funded debt to equity ratio	**0.74**	0.66

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

December 31, 2016 and 2015 (Tabular amounts in thousands, unless otherwise stated)

23. 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. 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. Claims made by the Company that are probable of a favourable outcome are not accrued until the realization of income is virtually certain.

The computation of income tax is subject to review and audit by regulatory authorities. The Company has determined its provision for such items in accordance with applicable legislation and regulation and in accordance with IFRS. No amounts have been recorded for potential adjustments resulting from audit or re-assessment by regulatory authorities.

24. Subsidiaries

	Country of incorporation	**Ownership interest (%)**	
		2016	**2015**
Cavalier Land Ltd.	Canada	**100**	100
Agadir Resources Inc.	Canada	**100**	100
Canadian Landmasters Resource Services Ltd.	Canada	**100**	100
Divestco Seismic Management GP Ltd.	Canada	**100**	100
Divestco Seismic Management Limited Partnership	Canada	**99.99**	99.99

CORPORATE INFORMATION

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

[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 and President
Steve Sinclair-Smith – Chief Operating Officer
Danny Chiarastella – Chief Financial Officer
Lonn Hornsby – Senior VP Operations – Divestco Seismic

CORPORATE SECRETARY
Faralee A. Chanin

STOCK EXCHANGE LISTING
TSX-V: DVT

REGISTRAR AND TRANSFER AGENT
CST Trust Company

AUDITORS
KPMG LLP

LEGAL COUNSEL
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